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NOTICE

**RE: INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD
ENDED JUNE 30, 2007**

The second quarter financial statements for the six month period ended June 30, 2007 have not been reviewed by the auditors of Galway Resources Ltd.

GALWAY RESOURCES LTD.

“Christopher Park”

CHRISTOPHER PARK

Chief Financial Officer

Galway Resources Ltd.

(A Development Stage Company)

Interim Consolidated Financial Statements
June 30, 2007

US Dollars
(unaudited)

GALWAY RESOURCES LTD.
(A Development Stage Company)
Interim Consolidated Balance Sheets
US Dollars
(unaudited)

	June 30 2007	December 31 2006 (audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 6,839,606	\$ 4,480,638
Accounts receivable	11,047	6,684
Prepaid expenses	99,169	32,322
	<u>6,949,822</u>	<u>4,519,644</u>
Deposits	26,486	26,486
Equipment (Note 4)	104,971	89,521
Resource Property Costs (Note 5)	1,169,188	458,831
	<u>\$ 8,250,467</u>	<u>\$ 5,094,482</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 388,377	\$ 405,055
Due to related parties (Note 7)	5,473	74,514
	<u>393,850</u>	<u>479,569</u>

SHAREHOLDERS' EQUITY

Share Capital (Note 6)		
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
42,517,441 (December 31, 2006 - 31,251,809 common shares)	11,583,812	6,789,040
Contributed Surplus (Note 6a)	3,385,142	1,811,482
Deficit	(7,320,295)	(3,973,614)
Accumulated Other Comprehensive Loss (Note 9)	207,958	(11,995)
	<u>7,856,617</u>	<u>4,614,913</u>
	<u>\$ 8,250,467</u>	<u>\$ 5,094,482</u>

ON BEHALF OF THE BOARD:

"Rob Hinchcliffe", Director

"David De Witt", Director

GALWAY RESOURCES LTD.*(A Development Stage Company)***Interim Consolidated Statements of Loss and Deficit***US Dollars**(unaudited)*

	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Expenses				
Amortization	\$ 13,097	\$ 2,039	\$ 23,095	\$ 2,301
Exploration costs <i>(Consolidated Schedule of Exploration Costs)</i>	1,120,578	411,049	2,068,581	637,356
General and administrative expenses	162,933	72,562	751,863	89,927
Listing and filing fees	39,149	19,822	47,192	33,746
Professional fees	102,319	97,792	203,642	132,003
Stock-based compensation	257,717	40,405	293,800	40,405
Travel	1,510	8,391	50,199	19,997
Total Expenses	<u>(1,697,303)</u>	<u>(652,060)</u>	<u>(3,438,372)</u>	<u>(955,735)</u>
Other Items				
Interest income	59,615	-	84,123	-
Foreign exchange gain (loss)	6,132	(4,505)	7,568	(8,312)
Loss for the Period	<u>(1,631,556)</u>	<u>(656,565)</u>	<u>(3,346,681)</u>	<u>(964,047)</u>
Other Comprehensive Income				
Unrealized foreign currency translation	(221,571)	-	(219,953)	-
Comprehensive Loss	<u>(1,853,127)</u>	<u>(656,565)</u>	<u>(3,566,634)</u>	<u>(964,047)</u>
Loss for the Period	(1,631,556)	(656,565)	(3,346,681)	(964,047)
Deficit - beginning of period	(5,688,739)	(589,899)	(3,973,614)	(282,417)
Deficit - End of Period	<u>\$ (7,320,295)</u>	<u>\$ (1,246,464)</u>	<u>\$ (7,320,295)</u>	<u>\$ (1,246,464)</u>
Loss per Share - Basic and Diluted	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>
Weighted Average Number of Common Shares	40,072,406	14,652,505	35,831,980	10,418,773

- See Accompanying Notes -

GALWAY RESOURCES LTD.*(A Development Stage Company)***Interim Consolidated Statements of Cash Flows***US Dollars**(unaudited)*

	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Cash Resources Provided By (Used In):				
Operating Activities				
Loss for the period	\$ (1,631,556)	\$ (656,565)	\$ (3,346,681)	\$ (964,047)
Items not affecting cash:				
Amortization	13,097	2,039	23,095	2,301
Stock-based compensation	257,717	40,405	293,800	40,405
	(1,360,742)	(614,121)	(3,029,786)	(921,341)
Changes in current assets and liabilities:				
Accounts receivable	(3,496)	(3,816)	(4,363)	(7,897)
Prepaid expenses	(28,027)	(30,028)	(66,847)	(55,729)
Accounts payable and accrued liabilities	(50,022)	45,487	(16,678)	100,620
Due to related parties	(216,489)	5,151	(69,041)	4,575
	(1,658,776)	(597,327)	(3,186,715)	(879,772)
Investing Activities				
Deposits	-	-	-	-
Purchase of equipment	(38,545)	(19,387)	(38,545)	(21,384)
Resource property acquisition costs <i>(Note 5)</i>	(139,860)	(70,069)	(140,000)	(82,447)
	(178,405)	(89,456)	(178,545)	(103,831)
Financing Activities				
Share issuance proceeds, net of financing costs	5,166,268	885,860	5,504,275	1,416,066
	5,166,268	885,860	5,504,275	1,416,066
Effect of foreign exchange rate changes on cash balances	218,335	7,980	219,953	11,774
Net Increase in Cash and Cash Equivalents	3,547,422	207,057	2,358,968	444,237
Cash and cash equivalents - beginning of period	3,292,184	380,577	4,480,638	143,397
Cash and Cash Equivalents - End of Period	\$ 6,839,606	\$ 587,634	\$ 6,839,606	\$ 587,634

Schedule of Non-Cash Investing and Financing Activities

Fair value of options and warrants exercised	\$ 261,340	\$ (1,186)	\$ 398,298	\$ (1,186)
Shares issued for property acquisition <i>(Notes 5 and 6a)</i>	\$ 570,357	\$ 53,586	\$ 570,357	\$ 53,586
Stock-based compensation	\$ 257,717	\$ 40,405	\$ 293,800	\$ 40,405

- See Accompanying Notes -

GALWAY RESOURCES LTD.*(A Development Stage Company)***Interim Consolidated Schedule of Exploration Costs***US Dollars**(unaudited)*

	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Indian Springs, Nevada, USA				
Assaying and sampling	\$ 1,100	\$ 6,090	\$ 2,829	\$ 6,090
Drilling	39,392	6,207	39,392	6,207
Environmental consulting	40,049	4,303	71,644	4,303
General	3,506	2,203	5,647	2,803
Geological and field expenses	58,725	27,390	120,974	114,944
Maps, reports and data	-	57,585	-	87,154
Mineral property fees	-	46,979	-	60,304
Supplies	-	10,184	-	12,041
Travel	9,541	25,630	16,922	44,437
Wages and salaries	27,584	25,187	68,097	25,187
	<u>179,897</u>	<u>211,758</u>	<u>325,505</u>	<u>363,470</u>
Lone Mountain, Nevada, USA				
Assaying and sampling	1,160	-	1,160	-
Drilling	326,292	-	436,868	-
Environmental consulting	-	-	1,330	-
General	5,450	-	13,398	-
Geological and field expenses	41,324	-	54,031	-
Maps, reports and data	16,421	-	16,871	-
Mineral property fees	-	-	50,000	-
Travel	12,054	-	17,513	-
Wages and salaries	55,468	-	88,557	-
	<u>458,169</u>	<u>-</u>	<u>679,728</u>	<u>-</u>
Victorio Mountain, New Mexico				
Assaying and sampling	30,673	-	50,962	-
Drilling	7,484	-	320,770	-
Environmental consulting	4,116	-	13,818	-
General	13,060	-	32,497	-
Geological and field expenses	90,684	22,226	157,538	22,226
Maps, reports and data	-	65,017	-	65,017
Mineral property fees	-	7,684	-	7,684
Supplies	-	550	-	550
Travel	13,634	8,724	34,974	8,724
Wages and salaries	19,572	1,990	62,967	1,990
	<u>179,223</u>	<u>106,191</u>	<u>673,526</u>	<u>106,191</u>
General Exploration				
Assaying and sampling	456	1,167	456	1,167
General	7,779	13	8,023	719
Geological and field expenses	138,275	36,048	182,390	101,748
Maps, reports and data	4,185	11,754	4,785	11,754
Mineral property fees	88,396	7,307	89,421	7,307
Supplies	-	1,562	-	1,562
Travel	45,732	9,434	54,111	17,623
Wages and salaries	18,594	25,815	50,636	25,815
	<u>303,417</u>	<u>93,100</u>	<u>389,822</u>	<u>167,695</u>
Costs for the Period	\$ 1,120,706	\$ 411,049	\$ 2,068,581	\$ 637,356

- See Accompanying Notes -

GALWAY RESOURCES LTD.

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

June 30, 2007

US Dollars

(unaudited)

1. Nature of Operations

Galway Resources Ltd. ("the Company") was incorporated under the Business Corporations Act of British Columbia on August 31, 2004. The Company completed its qualifying transaction on April 25, 2006 through the incorporation of its wholly owned subsidiary, Galway Resources US Inc. and the acquisition of 100% interest in the Indian Springs Tungsten Project. The Company is a mining exploration company focused on developing its three recently acquired advanced exploration projects.

2. Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods of their application as the most recent annual financial statements, except as noted below (*Note 3*). These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at December 31, 2006.

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Galway Resources US Inc., Nyak Resources Inc., Galway Resources Holdco Ltd., Galway Resources (Cayman) Ltd. and Galway Resources (Colombia) Ltd. All significant inter-company transactions and balances have been eliminated.

These interim consolidated financial statements are presented in United States Dollars ("USD"), the functional and presentational currency of the Company.

Foreign Currency Translation

The accounts of the Company have been translated into United States dollars using the temporal rate method as follows:

- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date;
- All other assets and liabilities at the exchange rates in effect at the time of acquisition or issue; and
- Revenue and expense, and exploration and development items at the average rate of exchange prevailing during the period.

Adoption of new accounting standards

The Company adopted the provisions of CICA Sections 3855, Financial Instruments – Recognition and Measurement; 3865, Hedges; and 1530, Comprehensive Income on January 1, 2007 which addresses the classification, recognition and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income. The adoption of these accounting policies did not have a material effect on the financial statements of the Company during the period.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or their capacity of prompt liquidation.

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

June 30, 2007

US Dollars

*(unaudited)***4. Equipment**

Details are as follows:

	Cost	Accumulated Amortization	June 30 2007	December 31 2006
Office equipment	\$ 25,220	\$ 6,928	\$ 18,292	\$ 18,104
Computer software	48,131	29,980	18,151	18,824
Equipment	86,965	18,437	68,528	52,593
	<u>\$ 160,316</u>	<u>\$ 55,345</u>	<u>\$ 104,971</u>	<u>\$ 89,521</u>

5. Resource Property Costs

Cumulative acquisition costs per project under active exploration:

	June 30 2007	December 31 2006
Indian Springs	\$ 676,845	\$ 66,488
Lone Mountain	232,134	232,134
Victorio Mountain	260,209	160,209
	<u>\$ 1,169,188</u>	<u>\$ 458,831</u>

Indian Springs, Nevada, USA

The Company entered into an agreement with Geological Services Inc. ("GSI") on February 27, 2006 to obtain an option to acquire 100% interest in the Indian Springs Project. Pursuant to the agreement, the Company may exercise its right to acquire an undivided 100% right, title and interest in and to the Indian Springs Project by paying an aggregate of \$300,000 and issuing a total of 2,000,000 Shares to GSI as follows:

- payment of \$12,500 on or before February 15, 2006 (paid);
- issuance of 400,000 Shares on or before April 25, 2006 (issued at a fair value of Cdn\$0.15);
- payment of \$40,000 and issuance of 400,000 Shares on April 25, 2007 (paid and issued at a fair value of Cdn\$1.51);
- payment of \$60,000 and issuance of 400,000 Shares on April 25, 2008;
- payment of \$75,000 and issuance of 400,000 Shares on April 25, 2009; and
- payment of \$112,500 and issuance of 400,000 Shares on April 25, 2010.

The property will be subject to a 2.0% net smelter royalty (NSR) due to GSI on future production from Indian Springs. The Company has the option to buy 1.0% of the NSR royalty for \$1,000,000 and has the right of first offer to purchase the remaining 1.0% NSR royalty.

The Company shall have the right, on payment of \$150,000 to the owner of the net smelter royalty within 60 days from the date that construction begins for commercial production on the mineral

GALWAY RESOURCES LTD.

(A Development Stage Company)

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(unaudited)

claims comprising the Indian Springs Project, to elect to establish a floor price of \$100 per metric ton unit for the price of APT Tungsten as quoted by Metal Bulletin; no net smelter royalty payments shall be owing by the Company for any and each calendar month during which the average 30-day price of APT Tungsten as quoted by Metal Bulletin is below the floor price.

The Company will assume responsibility for all continuing property maintenance payments (which presently total approximately \$15,000 per annum) until such time as the Company acquires a 100% interest in the Indian Springs Project.

During the year ended December 31, 2006, the Company staked 92 additional claims. This brings the total number of claims at Indian Springs to 155 unpatented lode mining claims.

Victorio Mountain, New Mexico, USA

The Company has entered into two agreements with regard to the Victorio Mountain Molybdenum-Tungsten Project in New Mexico.

On April 6, 2006, the Company, through its wholly owned subsidiary Nyak Resources, Inc., entered into an instalment sale agreement with Donegan Resources, Inc., to acquire an undivided 100% right, title and interest in and to certain mining claims in the Victorio Mountain Project. Pursuant to the agreement, the Company will acquire its interest in the Victorio Mountain Project by paying an aggregate of \$2,000,000 as follows:

- payment of \$50,000 on the closing date, not later than June 1, 2006 (paid);
- payment of \$100,000 on June 1, 2007 (paid);
- payment of \$200,000 on June 1, 2008;
- payment of \$300,000 on June 1, 2009;
- payment of \$350,000 on June 1, 2010; and
- payment of \$1,000,000 on June 1, 2011.

The property will be subject to a net smelter royalty of 2%. In addition, Donegan Resources will be entitled to receive a 1% NSR on any additional properties acquired within the vicinity of the Victorio Mountain Project. This NSR will be reduced to 0.5% royalty on any properties that are subject to an existing royalty in excess of 0.5%.

On June 1, 2006, the Company entered into an option agreement with Hallelujah Resources LLC, South Branch Resources LLC and MRP Geo Company LLC, collectively the "sellers" to acquire an undivided 100% right, title and interest in and to additional mining claims of the Victorio Mountain Project. Pursuant to the agreement, the Company will acquire its interest in these mining claims by paying an aggregate of \$130,000 and issuing 400,000 shares as follows:

- payment of \$15,000 and issuing 50,000 shares on the closing date (paid and issued at a fair value of Cdn\$1.00);
- payment of \$25,000 and issuing 50,000 shares on July 15, 2007 (paid and issued subsequent to June 30, 2007);
- payment of \$40,000 and issuing 50,000 shares on July 15, 2008;
- payment of \$50,000 and issuing 50,000 shares on July 15, 2009; and
- issuing 200,000 shares upon the commencement of commercial production.

GALWAY RESOURCES LTD.

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On completion of these payments, the Company will own an undivided 100% right, interest and title in these Victorio Mountain Project claims, subject to a net smelter royalty (NSR) of 1% on all primary mining claims excluding the primary mining claim VIC 41 (the "Primary Royalty"). The Company is entitled to purchase 100% of the Primary Royalty for \$500,000, payable as to 50% on completion of a bankable feasibility study and 50% no later than the end of the first full year of commercial production from the primary mining claims.

In addition, there is an NSR of 3% on all secondary mining claims including primary mining claim VIC 41 (the "Secondary Royalty"). The Company is entitled to buy the Secondary Royalty down to 2% for \$1,500,000, payable as to 50% on completion of a bankable feasibility study and 50% no later than the end of the first full year of commercial production from the secondary mining claims.

Lone Mountain, New Mexico, USA

The Company has entered into an option agreement with Hallelujah Resources LLC, South Branch Resources LLC and MRP GEO Company LLC, collectively, the "sellers", to acquire a 100% interest in the Lone Mountain Copper-Zinc Project in Grant County, New Mexico. Pursuant to the agreement, the Company may exercise its right to acquire an undivided 100% legal and beneficial interest in and to the Lone Mountain property by paying an aggregate of \$1,150,000 and issuing a total of 1,380,000 shares to the sellers, as well as committing to incur \$7,000,000 in direct exploration expenditures as follows:

- payment of \$100,000 and issuance of 300,000 shares upon signing (paid and issued at a fair value of Cdn\$0.64);
- payment of \$240,000 and issuance of 300,000 shares on October 11, 2007 and incurring expenditures of \$750,000 by October 11, 2007;
- payment of \$360,000 and issuance of 360,000 shares on October 11, 2008 and incurring expenditures of a further \$1,250,000 by October 11, 2008;
- payment of \$450,000 and issuance of 420,000 shares on October 11, 2009; and
- incurring expenditures of a further \$5,000,000 by October 11, 2011.

Upon completion of these payments, the Company will own an undivided 100% legal and beneficial interest in and to the Lone Mountain property, subject to a floating net smelter royalty (NSR) due to the sellers on future production from Lone Mountain. The NSR varies from 0% to 2%, dependant upon the combined price of copper and zinc. The Company has the option to buy the NSR royalty for \$1,500,000, which can be paid, at the seller's election, in cash, shares or a combination of cash and shares.

Following exercise of the option, the Company will pay \$300,000 annually to the sellers as an advance on the Net Smelter Royalty. The payments will commence on or before the day that is the fourth anniversary of signing the agreement and will continue on each anniversary until the commencement of commercial production.

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

June 30, 2007

US Dollars

*(unaudited)***6) Share Capital****a) Details of share capital are as follows:**

	Shares	Amount	Contributed Surplus	Total
Authorized:				
Unlimited common shares without par value				
Issued and fully paid:				
Balance – December 31, 2005	6,138,000	\$ 286,589	\$ 36,696	\$ 323,285
Shares issued for private placements	19,607,009	5,720,640	1,518,832	7,239,472
Shares issued for property acquisition <i>(Note 5)</i>	750,000	263,236	--	263,236
Shares issued for stock option exercise	12,500	3,378	(1,502)	1,877
Shares issued for warrant exercise	4,625,200	793,777	--	793,777
Shares issued for agent's warrant exercise	73,000	18,353	(5,696)	12,657
Shares issued for broker option exercise	46,100	8,587	(4,607)	3,980
Share issuance costs	--	(213,962)	--	(213,962)
Agent's warrants issued as share issuance costs	--	(91,559)	91,559	--
Stock-based compensation	--	--	176,200	176,200
Balance – December 31, 2006	31,251,809	6,789,040	1,811,482	8,600,522
Shares issued for stock option exercise	220,000	61,140	(27,267)	33,873
Shares issued for warrant exercise	4,328,682	1,094,428	(205,036)	889,392
Shares issued for agent's warrant exercise	213,050	135,234	(43,199)	92,305
Shares issued for broker option exercise	103,900	21,138	(11,248)	9,890
Units issued for private private placement	6,000,000	3,137,772	1,678,158	4,815,930
Shares issued for property acquisition <i>(Note 5)</i>	400,000	570,357	--	570,357
Share issuance costs	--	(337,115)	--	(337,115)
Stock-based compensation	--	--	293,800	293,800
Balance – June 30, 2007	42,517,441	\$ 11,583,812	\$ 3,385,142	\$ 14,968,954

On April 25, 2007, the Company completed a non-brokered private placement of 6,000,000 units at a price of \$0.80 (Cdn\$0.85) for gross proceeds of \$4,815,930 (Cdn\$5,100,000). Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable for one additional common share at a price of \$1.23 (Cdn\$1.30) per share for a period of 24 months from the date of closing. The fair value attributable to the common shares and warrants was \$3,137,772 and \$1,678,158, respectively.

The warrants are subject to acceleration in the event the closing trading price of the common shares of the Company on the TSX Venture Exchange is \$1.65 (Cdn\$1.75) per share or higher

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

June 30, 2007

*US Dollars**(unaudited)*

over a period of 20 consecutive trading days, such period beginning on or after the date that is four months and one day after the date of issuance of the warrants.

A 7% cash finder's fee amounting to \$337,115 was paid in connection with the private placement.

b) Share Purchase Options

A summary of the Company's options, which includes options issued under the Company's stock option plan and agent's options, at June 30, 2007 and the changes for the period are as follows:

Exercise Price	Outstanding December 31 2006	Granted	Exercised	Expired or Cancelled	Outstanding June 30 2007	Vested June 30 2007	Expiry date
Cdn\$0.10	153,900	-	103,900	-	50,000	50,000	October 27, 2007
Cdn\$0.10	400,000	-	-	-	400,000	400,000	October 19, 2010
Cdn\$0.175	1,262,500	-	220,000	30,000	1,012,500	733,500	April 25, 2011
Cdn\$0.84	110,000	-	-	-	110,000	82,500	May 19, 2011
Cdn\$0.81	150,000	-	-	-	150,000	75,000	August 16, 2011
Cdn\$0.66	-	975,000	-	-	975,000	-	January 25, 2012
Cdn\$0.83	-	145,000	-	-	145,000	-	February 19, 2012
	2,076,400	1,120,000	323,900	30,000	2,842,500	1,341,000	
Weighted average exercise price	Cdn\$0.24	Cdn\$0.68	Cdn\$0.15	Cdn\$0.18	Cdn\$0.42	Cdn\$0.23	

c) Share Purchase Warrants

A summary of the Company's warrants at June 30, 2007 and the changes for the period are as follows:

Exercise Price	Outstanding December 31 2006	Granted	Exercised	Expired or Cancelled	Outstanding June 30 2007	Expiry date
Cdn\$0.20	127,000	-	127,000	-	-	April 25, 2007
Cdn\$0.80	107,625	-	-	-	107,625	February 15, 2008
Cdn\$1.25	1,011,838	-	100,350	-	911,488	February 15, 2008
Cdn\$0.25	6,708,133	-	4,228,332	-	2,479,801	April 25, 2008
Cdn\$1.25	3,125,000	-	-	-	3,125,000	June 6, 2008
Cdn\$0.85	86,050	-	86,050	-	-	June 6, 2008
Cdn\$1.30	-	3,000,000	-	-	3,000,000	April 25, 2009
	11,165,646	3,000,000	4,541,732	-	9,623,914	

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

June 30, 2007

*US Dollars**(unaudited)***d) Escrow Shares**

As at June 30, 2007, 2,482,800 shares are held in escrow. A total of 413,800 shares were released on April 25, 2006 upon issuance of notice of final acceptance of the Company's Qualifying Transaction by the TSX-V. The remainder will be released in six equal tranches of 15% every six months thereafter for a period of 36 months, of which a further 620,700 were released on each of October 25, 2006 and April 25, 2007. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

e) Valuation of Share Purchase Options

The fair value of options granted were estimated on their grant date using the Black-Scholes option-pricing model with the following assumptions:

	2007	2006
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	110%	110%
Risk-free interest rate	4.03% to 4.53%	3.83% to 4.20%
Expected life of options	3 to 5 years	1 to 5 years

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

7. Related Party Transactions

Related party transactions are as follows:

During the six month period ended June 30, 2007, \$54,490 (2006 - \$34,537) was paid to a company with a director and officer in common for administrative services. During the three month period ended June 30, 2007, \$29,245 (2006 - \$34,537) was paid to the same company.

During the period, \$30,000 (2006 - \$nil) was paid to a company of which a director is a principal for professional fees. There were no similar expenditures during the three month period ended June 30, 2007 or 2006.

As at June 30, 2007, \$nil (December 31, 2006 - \$53,535) was owed to an officer of the Company in respect of amounts owed for a salary bonus.

As at June 30, 2007, \$5,473 (December 31, 2006 - \$20,137) was owed to a company with a director and officer in common for consulting fees.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

June 30, 2007

*US Dollars**(unaudited)***8. Segmented Information**

Details are as follows:

	Canada	USA	South America	Other	Total
June 30, 2007					
Segmented operating loss	\$ 539,747	\$ 2,581,083	\$ 225,851	\$ --	\$ 3,346,681
Identifiable assets	\$ 6,933,612	\$ 1,274,543	\$ 42,312	\$ --	\$ 8,250,467
December 31, 2006					
Segmented operating loss	\$ 466,836	\$ 2,914,060	\$ 301,310	\$ 8,991	\$ 3,691,197
Identifiable assets	\$ 4,505,852	\$ 575,239	\$ 13,391	\$ --	\$ 5,094,482

9. Accumulated Other Comprehensive Loss

As a result of adopting CICA Section 1530, Comprehensive Income, as at January 1, 2007, a new Statement of Comprehensive Income forms part of the Company's unaudited interim consolidated financial statements. The comparative statements are restated to reflect application of this section. Gains and losses from the translation of the Company's financial statements into the United States dollar for reporting purposes are now presented as a separate component of other comprehensive loss in the consolidated statement of operations, comprehensive loss and deficit. Accumulated other comprehensive loss is presented as a separate component of shareholders' equity in the consolidated balance sheet. Previously these gains and losses were deferred and included in the cumulative translation adjustment as part of shareholders' equity. The accumulated other comprehensive loss as at June 30, 2007 is comprised as follows:

	June 30 2007	December 31 2006
Beginning balance	\$ (11,995)	\$ --
Adjustment for adoption of comprehensive income	--	(11,995)
Unrealized foreign currency translation for the period	219,953	--
	<u>\$ 207,958</u>	<u>\$ (11,995)</u>

GALWAY RESOURCES LTD.

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

June 30, 2007

US Dollars

(unaudited)

10. Subsequent Events**a) Stock Options**

Subsequent to June 30, 2007, a total of 7,500 options were exercised at a price of \$0.17 (Cdn\$0.175) and 82,500 options were exercised at a price of \$0.79 (Cdn\$0.84) for total proceeds to the Company of \$66,659 (Cdn\$70,613).

Subsequent to June 30, 2007, a total of 1,685,000 options were granted to certain directors, officers and employees of the Company with an exercise price of \$1.06 (Cdn\$1.12) with an expiry date of August 6, 2012.

Subsequent to June 30, 2007, a total of 27,500 options with an exercise price of \$0.79 (Cdn\$0.84) were cancelled.

b) Exercise of Warrants

Subsequent to June 30, 2007, a total of 2,000 warrants were exercised at a price of \$0.24 (Cdn\$0.25) for total proceeds to the Company of \$480 (Cdn\$500).

c) Private Placement

On August 2, 2007, the Company completed a brokered private placement of 6,400,000 units at a price of \$1.18 (Cdn\$1.25) for gross proceeds of \$7,552,000 (Cdn\$8,000,000).

The Company also completed a non-brokered private placement of 400,000 units at a price of \$1.18 (Cdn\$1.25) per unit for gross proceeds of \$472,000 (Cdn\$500,000).

Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable for one additional common share at a price of \$1.61 (Cdn\$1.70) per share until February 1, 2009.

The warrants are subject to acceleration in the event the closing trading price of the common shares of the Company on the TSX Venture Exchange is \$1.89 (Cdn\$2.00) per share or higher over a period of 20 consecutive trading days, such period beginning on or after the date that is four months and one day after the date of issuance of the warrants.

The Company paid Evergreen Capital Partners Inc. ("Evergreen") a finder's fee equal to 7% of the gross proceeds of the brokered private placement and issued Evergreen 448,000 non-transferable broker warrants. Each broker warrant entitles Evergreen to purchase one common share of the Company at a price of \$1.18 (Cdn\$1.25) per share until February 1, 2009.

d) Victorio Mountain Payment

Subsequent to June 30, 2007, \$25,000 was paid and 50,000 shares were issued in connection with the acquisition of the Victorio Mountain property (Note 5).

11. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.
