



Galway Resources Ltd.

**Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2011**

(Expressed in United States Dollars)

(Unaudited)

**MANAGEMENT'S RESPONSIBILITY FOR
CONDENSED INTERIM CONSOLIDATED FINANCIAL REPORTING**

The accompanying unaudited condensed interim consolidated financial statements of Galway Resources Ltd. [the "Company"] are the responsibility of the management and Board of Directors of the Company.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)
Robert Hinchcliffe
President and Chief Executive Officer

(signed)
Carmelo Marrelli
Chief Financial Officer

June 28, 2011
Toronto, Canada

Galway Resources Ltd.
Condensed Interim Consolidated Statement of Financial Position
(Expressed in United States Dollars)
(Unaudited)

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets			
Cash and cash equivalents	\$ 25,940,496	\$ 4,227,743	\$ 11,423,604
Restricted cash	86,994	86,781	151,063
Accounts receivable	78,680	68,794	34,381
Prepaid expenses	140,497	50,514	62,818
	26,246,667	4,433,832	11,671,866
Non-current assets			
Equipment (Note 5)	44,998	44,608	37,611
Resource property costs (Note 6)	4,952,772	4,054,853	2,180,158
TOTAL ASSETS	\$ 31,244,437	\$ 8,533,293	\$ 13,889,635
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,201,135	\$ 1,664,346	\$ 668,886
Obligation to issue shares	4,513	35,106	973,607
Due to related parties (Note 9)	18,701	9,539	132
TOTAL LIABILITIES	1,224,349	1,708,991	1,642,625
Shareholders' Equity			
Share capital (Note 8(a))	50,056,502	29,791,705	26,190,909
Reserves	19,168,897	13,130,538	11,348,902
Accumulated Deficit	(39,511,476)	(35,891,185)	(24,659,425)
Accumulated other comprehensive income (loss)	306,165	(206,756)	(633,376)
Total Shareholders' Equity	30,020,088	6,824,302	12,247,010
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 31,244,437	\$ 8,533,293	\$ 13,889,635

Approved by the Board "Robert Hinchcliffe" Director "Robb Doub" Director



The accompanying notes are an integral part of these consolidated financial statements.

Galway Resources Ltd.
Condensed Interim Consolidated Income Statement
(Expressed in United States Dollars)
(Unaudited)

	Three Months Ended	
	March 31,	
	2011	2010
Expenses		
Administrative expenses (Note 10)	\$ 1,475,789	\$ 1,329,436
Exploration costs	2,100,183	932,195
Foreign exchange loss (gain)	109,427	(341,215)
Operating loss	3,685,399	1,920,416
Other		
Finance income	65,108	2,809
Loss before income tax	(3,620,291)	(1,917,607)
Income tax	-	-
Net loss	\$ (3,620,291)	\$ (1,917,607)
Loss per share - basic and diluted	\$ (0.03)	\$ (0.02)
Weighted average number of common shares	103,848,298	77,376,840



The accompanying notes are an integral part of these consolidated financial statements.

Galway Resources Ltd.
Condensed Interim Consolidated Statement of Comprehensive Loss
(Expressed in United States Dollars)
(Unaudited)

	Three Months Ended	
	March 31,	
	2011	2010
Net loss for the year	\$ (3,620,291)	\$ (1,917,607)
Other comprehensive income		
Unrealized foreign currency translation	512,921	57,680
Total comprehensive loss	\$ (3,107,370)	\$ (1,859,927)



The accompanying notes are an integral part of these consolidated financial statements.

Galway Resources Ltd.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States Dollars)
(Unaudited)

	Share Capital	Reserves	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
March 31, 2010					
Balance, January 1, 2010	26,190,909	11,348,902	(24,659,425)	(633,376)	12,247,010
Exercise of options	28,065	(12,735)	-	-	15,330
Exercise of warrants	558,639	(172,915)	-	-	385,724
Agent's warrants issued	(49,824)	49,824	-	-	-
Stock-based compensation	-	935,720	-	-	935,720
Net loss for the period	-	-	(1,917,607)	-	(1,917,607)
Unrealized foreign currency translation	-	-	-	57,680	57,680
Balance, March 31, 2010	26,727,789	12,148,796	(26,577,032)	(575,696)	11,723,857

	Share Capital	Reserves	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
March 31, 2011					
Balance, January 1, 2011	29,791,705	13,130,538	(35,891,185)	(206,756)	6,824,302
Shares issued for private placements	26,098,427	-	-	-	26,098,427
Share issuance costs - shares	(1,416,664)	-	-	-	(1,416,664)
Proportional allocation of warrants attached to private placements	(4,377,512)	4,377,512	-	-	-
Share issuance costs - warrants	-	(455,882)	-	-	(455,882)
Agent's warrants issued	(1,130,114)	1,130,114	-	-	-
Exercise of options	59,209	(29,782)	-	-	29,427
Exercise of warrants	301,292	(80,592)	-	-	220,700
Shares issued for property (Note 6)	730,159	-	-	-	730,159
Stock-based compensation	-	1,096,989	-	-	1,096,989
Net loss for the period	-	-	(3,620,291)	-	(3,620,291)
Unrealized foreign currency translation	-	-	-	512,921	512,921
Balance, March 31, 2011	\$ 50,056,502	\$ 19,168,897	\$ (39,511,476)	\$ 306,165	\$ 30,020,088

The accompanying notes are an integral part of these consolidated financial statements.



Galway Resources Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars)
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
Cash flows from operating activities		
Loss before income tax	\$ (3,620,291)	\$ (1,917,607)
Items not affecting cash:		
Depreciation	2,134	2,874
Stock-based compensation	1,096,989	935,720
Obligation to issue shares write-off	(35,106)	-
Foreign exchange loss (gain)	109,427	(341,215)
Changes in current assets and liabilities:		
Accounts receivable	(8,512)	(21,455)
Prepaid expenses	(89,163)	(77,687)
Accounts payable and accrued liabilities	(469,254)	14,859
Due to related parties	9,162	656
Net cash used in operating activities	(3,004,614)	(1,403,855)
Cash flows from investing activities		
Purchase of equipment	(2,338)	(2,908)
Resource property acquisition costs (Note 6)	(102,108)	(756,658)
Restricted cash	(7)	(404)
Net cash used in investing activities	(104,453)	(759,970)
Cash flows from financing activities		
Share issuance proceeds, net of financing costs (Note 8(a))	24,476,008	401,054
Obligation to issue shares	4,513	-
Net cash generated from financing activities	24,480,521	401,054
Effect of foreign exchange rate changes on cash balances	341,299	751,970
Net increase (decrease) in cash and cash equivalents	21,712,753	(1,010,801)
Cash and cash equivalents, beginning of period	4,227,743	11,423,604
Cash and cash equivalents, end of period	\$ 25,940,496	\$ 10,412,803



The accompanying notes are an integral part of these consolidated financial statements.

Galway Resources Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars)
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
Cash and cash equivalents consist of:		
Cash	\$ 215,038	\$ 10,412,803
Short-term deposits	25,725,458	-
	\$ 25,940,496	\$ 10,412,803
Schedule of non-cash investing and financing activities		
Shares issued for property acquisition (Note 8(a))	\$ 730,159	\$ -
Cash paid for income taxes	\$ -	\$ -



The accompanying notes are an integral part of these consolidated financial statements.

Galway Resources Ltd.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in United States Dollars)
March 31, 2011
(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 is a mining exploration company focused on developing its three advanced exploration projects. The Company’s head office is located at 50 Richmond Street East, Suite 101, Toronto, Ontario, M5C 1N7.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company operates in the exploration and development business and has exploration activities in the United States and South America. The Company’s income is limited to interest income. The Company continues to be dependent upon its ability to finance its development and exploration programs through financing activities that may include issuances of additional debt or equity securities. The underlying value of the resource properties is dependent upon the existence and economic recovery of economic reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability to raise long-term financing to complete the development of the properties and upon future profitable production or, alternatively upon the Company’s ability to dispose of its interest on an advantageous basis, all of which are uncertain.

The Company’s financial year ends on December 31. The unaudited condensed interim consolidated financial statements were authorized by the Audit Committee of the Board of Directors on June 28, 2011.

2. Significant Accounting Policies

[a] Statement of compliance

The company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company has commenced reporting on this basis in these interim consolidated financial statements. In the financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in note 12, the company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on the company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the company’s consolidated financial statements for the year ended December 31, 2010.



Galway Resources Ltd.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in United States Dollars)
March 31, 2011
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[a] Statement of compliance (Continued)

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of June 28, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

[b] Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2[r].

[c] Basis of consolidation

The unaudited condensed interim consolidated financial statements incorporate the financial statements 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 intercompany transactions, balances, income and expenses are eliminated upon consolidation.

[d] Financial Instruments

Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities:

Financial liabilities are classified as 'other financial liabilities'.



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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[d] Financial Instruments [Continued]

Other financial liabilities:

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or [where appropriate] to the net carrying amount on initial recognition.

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Loans and receivables
Accounts receivables	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts or loan receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.



Galway Resources Ltd.
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(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[e] Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Company has identified the following cash-generating units: Victorio Mountain Project, the California Project, the Vetas Project and the Galca Project. The Company has assessed its assets and has determined that there is no impairment of its non-financial assets.

[f] Exploration and evaluation expenditures

The Company is in the exploration stage with respect to its investment in resource property costs and follows the practice of capitalizing significant property acquisition payments for active exploration properties. The Company expenses any other exploration and evaluation expenditures as incurred. Such expenditures include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

Resource property costs are allocated to the appropriate cash generating units. These costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting the resource is considered to be determined. The technical feasibility and commercial viability is considered to occur when proven and/or probable reserves are determined to exist.

The Company recognized, in consolidated income statement, costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Galway Resources Ltd.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in United States Dollars)
March 31, 2011
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[f] Exploration and evaluation expenditures (Continued)

Resource property costs are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, its carrying amount is charged to the income statement. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

[g] Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is amortized using the declining-balance method, which is based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates with half the rate applied in the year of acquisition:

Office equipment	30%
Computer software	100%
Equipment	30%

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of comprehensive income or loss.

Where an item of equipment consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

[h] Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, and which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and higher yield investment and savings accounts that are available on demand by the Company for its programs.



Galway Resources Ltd.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in United States Dollars)
March 31, 2011
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[i] Restricted cash

Restricted cash consists of certificates of deposit held for the restoration costs of the resource properties.

[j] Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company had no material provisions at March 31, 2011, December 31, 2010, March 31, 2010 and January 1, 2010.

[k] Share based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes [direct employee] or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

[l] Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.



Galway Resources Ltd.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in United States Dollars)
March 31, 2011
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[m] Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

[n] Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

[o] Foreign currencies

The functional currency, as determined by management, of the Company is the Canadian dollar. The functional currency for each of the Company's subsidiaries is as follows: Galway Resources (Colombia) Ltd. - Colombian pesos; Galway US Inc., Nyak Resources Inc., Galway Resources Holdco Ltd. and Galway Resources (Cayman) Ltd. - United States dollars; All amounts in these financial statements are presented in United States dollars ("Presentation currency") since most of the company's activities are conducted in United States dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the consolidated interim income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company then translates the assets and liabilities of the Company and its wholly owned subsidiaries from their respective functional currency to the Presentation currency at the period end rate. Revenue and expenses are translated at the average rate of exchange prevailing during the year. The resulting unrealized gain or loss on translation is recognized as other comprehensive income. Equity is translated at historical rates.



Galway Resources Ltd.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in United States Dollars)
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(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[p] Share capital

Share capital are classified as equity. Incremental costs directly attributable to the issue of share capital are recognised as a deduction from equity, net of any tax effects.

[q] Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO, which is the Company's chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

[r] Significant accounting judgments and estimates

The preparation of these unaudited condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairment indicators of non-financial assets have been noted for the three months ended March 31, 2011 or March 31, 2010.



Galway Resources Ltd.
Notes to Condensed Interim Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[r] Significant accounting judgments and estimates (continued)

Stock-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statement of operations based on estimates of forfeiture and expected lives of the underlying stock options. For the three months ended March 31, 2011 the Company recognized \$1,096,989 of stock-based compensation expense (March 31, 2010 - \$935,720).

Restoration, rehabilitation and environmental obligations

Management assumption of no material restoration, rehabilitation and environmental exposure, based on the facts and circumstances that existed in the current and prior periods.

Critical accounting judgments

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

[s] New standards

IFRS 9 Financial instruments ("IFRS 9")

IFRS 9 was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ["IAS 39"]. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013

IFRS 10 Consolidated Financial Statements ("IFRS 10")

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company is assessing the impact of IFRS 10 on its financial statements.



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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[s] New standards (continued)

IFRS 11 Joint Arrangements ("IFRS 11")

IFRS 11 replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company is assessing the impact of IFRS 11 on its financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13")

IFRS 13, Fair Value Measurement was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated financial statements.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

[t] Future accounting changes

The IASB is expected to publish new IFRSs on the following topics during 2011. The Company will assess the impact of these new standards on the Company's operations as they are published:

- Hedge accounting;
- Leases;
- Revenue recognition;
- Stripping costs; and
- Financial instruments



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3. Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, stock options, reserves, accumulated other comprehensive income (loss) and deficit, which at March 31, 2011 totaled \$30,020,088 (December 31, 2010 - \$6,824,302 and January 1, 2010 - \$12,247,010). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the period ended March 31, 2011.

The Company is not subject to any externally imposed capital requirements.

4. Property and Financial Risk Factors

(a) Property risk

The Company's significant mineral properties are the Victorio Mountain Project, the California Project, the Vetas Project and the Galca Project (the "Projects"). Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon the Projects. If no additional mineral properties are acquired by the Company, any adverse development affecting the Projects would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate, and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.



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4. Property and Financial Risk Factors (Continued)

(b) Financial risk (Continued)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, restricted cash and accounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash at banks and on hand, short-term deposits with an original maturity of three months or less. Restricted cash consists of certificates of deposit for the restoration costs of the resource properties. The cash on hand, guaranteed investment certificates and certificates of deposit have been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote.

Accounts receivable consist of harmonized sales tax due from the Federal Government of Canada, interest and other receivables. Accounts receivable are in good standing as of March 31, 2011. Management believes that the credit risk concentration with respect to accounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2011, the Company had cash and cash equivalents and restricted cash balance of \$26,027,490 (December 31, 2010 - \$4,314,524; and January 1, 2010 - \$11,574,667) to settle current liabilities of \$1,224,349 (December 31, 2010 - \$1,708,991; and January 1, 2010 - \$1,642,625). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's ability to settle long term liabilities when due is dependent upon future liquidity from capital sources or positive cash flows from commercial operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its Canadian chartered banks. The Company regularly monitors its cash management policy.

(ii) Foreign currency risk

The functional currency, as determined by management, of the Company is the Canadian dollar. The functional currency for each of the Company's subsidiaries is as follows: Galway Resources (Colombia) Ltd. - Colombian pesos; Galway US Inc., Nyak Resources Inc., Galway Resources Holdco Ltd. and Galway Resources (Cayman) Ltd. - United States dollars; All amounts in these financial statements are presented in United States dollars ("Presentation currency"). Major purchases are transacted in Canadian dollars, U.S. dollars and Colombian pesos. The Company funds most operations, exploration and administrative expenses in the United States on a cash call basis using the U.S. dollar currency converted from its Canadian dollar bank accounts held in Canada. The Company funds most operations, exploration and administrative expenses in Colombia on a cash call basis using Colombian pesos currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.



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4. Property and Financial Risk Factors (Continued)

(b) Financial risk (Continued)

Sensitivity analysis

Cash and cash equivalents and accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost and approximate their fair value. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost and approximate their fair market value.

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities and due to related parties that are denominated in Canadian dollars and Colombian pesos. As at March 31, 2011, had the Canadian dollar weakened/strengthened by 5% against the U.S. dollar with all other variables held constant, the Company's other comprehensive income for the period ended March 31, 2011 would have been approximately \$1,287,000 higher/lower as a result of foreign exchange losses/gains on translation of Canadian dollar denominated financial instruments. Similarly, as at March 31, 2011, shareholders' equity would have been approximately \$1,287,000 lower/higher had the Canadian dollar weakened/strengthened by 5% against the U.S. dollar as a result of foreign exchange impact on translation of Canadian dollar denominated financial instruments.

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5. Equipment

<i>COST</i>	Office equipment	Computer software	Equipment	Total
Balance, January 1, 2010	\$ 49,503	\$ 58,888	\$ 49,911	\$ 158,302
Additions	\$ 1,726	2,052	1,740	5,518
Balance, March 31, 2010	\$ 51,229	60,940	51,651	163,820
Additions	\$ 1,082	1,287	16,675	19,044
Balance, December 31, 2010	\$ 52,311	\$ 62,227	\$ 68,326	\$ 182,864
Additions	\$ -	-	2,541	2,541
Balance, March 31, 2011	\$ 52,311	\$ 62,227	\$ 70,867	\$ 185,405

<i>ACCUMULATED DEPRECIATION</i>	Office equipment	Computer software	Equipment	Total
Balance, January 1, 2010	\$ 31,709	\$ 57,907	\$ 31,075	\$ 120,691
Depreciation for the period	\$ 2,515	2,018	1,336	5,869
Balance, March 31, 2010	\$ 34,224	59,925	32,411	126,560
Depreciation for the period	\$ 5,017	1,266	5,413	11,696
Balance, December 31, 2010	\$ 39,241	\$ 61,191	\$ 37,824	\$ 138,256
Depreciation for the period	\$ 990	-	1,161	2,151
Balance, March 31, 2011	\$ 40,231	\$ 61,191	\$ 38,985	\$ 140,407

<i>CARRYING AMOUNT</i>	Office equipment	Computer software	Equipment	Total
Balance, January 1, 2010	\$ 17,794	\$ 981	\$ 18,836	\$ 37,611
Balance, March 31, 2010	\$ 17,005	\$ 1,015	\$ 19,240	\$ 37,260
Balance, December 31, 2010	\$ 13,070	\$ 1,036	\$ 30,502	\$ 44,608
Balance, March 31, 2011	\$ 12,080	\$ 1,036	\$ 31,882	\$ 44,998



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6. Resource Property Costs

Cumulative acquisition costs per project under active exploration:

	Victorio Mountain	Carboluis	California-Vetas	Total
Balance, January 1, 2010	\$ 634,085	\$ 40,752	\$ 1,505,321	\$ 2,180,158
Additions	277,346	-	932,581	1,209,927
Change due to foreign exchange	-	-	(359,347)	(359,347)
Balance, March 31, 2010	\$ 911,431	\$ 40,752	\$ 2,078,555	\$ 3,030,738
Additions	103,581	-	855,671	959,252
Adjustment to property costs	(275,860)	-	-	(275,860)
Asset impairment	-	(40,752)	-	(40,752)
Change due to foreign exchange	-	-	381,475	381,475
Balance, December 31, 2010	\$ 739,152	\$ -	\$ 3,315,701	\$ 4,054,853
Additions	-	-	832,267	832,267
Change due to foreign exchange	-	-	65,652	65,652
Balance, March 31, 2011	\$ 739,152	\$ -	\$ 4,213,620	\$ 4,952,772

- i) On a quarterly basis, management of the Company reviews acquisition costs to ensure resource property costs include only costs and projects that are eligible for capitalization.
- ii) For a description of the resource properties owned by the Company refer to Note 6 of the audited consolidated financial statements as at December 31, 2010.
- iii) During the quarter ended March 31, 2011, the Company issued 578,155 common shares, valued at \$730,159, to settle share issuance commitments for property acquisitions.

7. Accounts Payable

	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
Trade payables	\$ 974,253	\$ 1,447,583	\$ 267,071
Accrued liabilities	226,882	216,763	401,815
	\$ 1,201,135	\$ 1,664,346	\$ 668,886



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8. Share Capital

a) Details of share capital:

Three Months ended March 31, 2010	Number of shares issued	Amount
Authorized		
Unlimited common shares without par value		
Balance, January 1, 2010	77,152,867	\$ 26,190,909
Exercise of stock options	105,500	28,065
Exercise of warrants	402,000	386,866
Exercise of agent's warrants	200,000	171,773
Agent's warrants issued	-	(49,824)
Balance, March 31, 2010	77,860,367	\$ 26,727,789

Three months ended March 31, 2011	Number of shares issued	Amount
Authorized		
Unlimited common shares without par value		
Balance, January 1, 2011	81,720,982	\$ 29,791,705
Share issued for private placements	25,720,000	26,098,427
Share issuance costs	-	(1,416,664)
Proportional allocation of warrants attached to private placements	-	(4,377,512)
Agent's warrants issued	-	(1,130,114)
Exercise of options	107,500	59,209
Exercise of warrants	290,000	301,292
Shares issued for property (Note 6(iii))	578,155	730,159
Balance, March 31, 2011	108,416,637	\$ 50,056,502

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8. Share Capital (Continued)

a) Details of share capital (Continued)

On January 13, 2011, the Company completed a private placement ("Offering") with a syndicate of Underwriters. Under the Offering, the Company sold 17,720,000 units ("Units") and 8,000,000 common shares (the "Shares") at a price of Cdn\$1.00 per Unit or Share for aggregate gross proceeds to the Company of Cdn\$25,720,000 (US\$26,098,427). Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company for a period of two years from the closing date of the Offering at an exercise price of Cdn\$1.50 per share (the "Exercise Price"). If over a period of 20 consecutive trading days following the date which is 4 months and one day from the closing of the Offering, the daily volume weighted average trading price of the Company's common shares on the TSX Venture Exchange ("Exchange") exceeds the Exercise Price by 25% on each of those days, the Company will have the right to give notice in writing to the holders of Warrants within 30 days of such an occurrence that the Warrants shall expire on the 45th day following the giving of such notice unless exercised by the holders thereof prior to such date.

The fair value attributable to the common shares and warrants was \$21,720,915 and \$4,377,512, respectively.

The Company incurred share issuance costs of \$1,416,664 and issued agent's warrants equal to 6% of the number of Units and Shares (valued at \$1,130,114) sold pursuant to the Offering. Each agent warrant entitles the Underwriters to acquire one Unit comprised of one common share of the Company and one-half of one Warrant until February 13, 2013, at an exercise price of C\$1.00 per Unit.

The common shares and Warrants comprising the Units and the Shares, as well as the common shares issuable upon exercise of the Warrants, are subject to a hold period expired May 15, 2011 in accordance with applicable securities laws and Exchange policies.

The fair value of the common share purchase warrants and compensation options issued were determined using the Black-Scholes pricing model using the following weighted average assumptions:

Risk-free interest rate	1.75%
Expected dividend yield	0%
Expected stock price volatility	132%
Expected life of options	2 years
Forfeiture rate	0%



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8. Share Capital (Continued)

b) Share purchase options

The Company has established a share purchase option plan (the "Plan") whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or management company employees. Options granted must be exercised not later than five years from the date of grant or such lesser or greater period as may be determined by the Company's board of directors and in accordance with the policies of the TSX-V. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

A summary of the Company's stock options activity is as follows:

For the Three months ended March 31, 2010	Stock Options	Weighted Average Exercise Price
Balance, January 1, 2010	7,092,500	Cdn \$ 0.63
Exercised	(105,500)	0.66
Cancelled	(500,000)	0.65
Balance, March 31, 2010	6,487,000	Cdn \$ 0.64

For the Three months ended March 31, 2011	Stock Options	Weighted Average Exercise Price
Balance, January 1, 2011	7,670,500	Cdn \$ 0.74
Granted	2,900,000	1.05
Exercised	(107,500)	0.27
Balance, March 31, 2011	10,463,000	\$ 0.83



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8. Share Capital (Continued)

b) Share purchase options (Continued)

As at March 31, 2011, the Company had the following stock options outstanding and exercisable:

Grant Date	Number of Options Exercisable	Weighted Average Number of Options Outstanding	Remaining Contractual Life (years)	Exercise Price	Expiry Date
April 25, 2006	225,000	225,000	0.07	Cdn 0.18	April 25, 2011
February 19, 2008	145,000	145,000	0.89	0.83	February 19, 2012
August 6, 2008	600,000	600,000	1.35	1.12	August 6, 2012
February 1, 2008	110,000	110,000	1.84	0.50	February 1, 2013
June 30, 2009	885,000	885,000	3.25	0.15	June 30, 2014
October 9, 2009	2,694,375	3,270,000	3.53	0.84	October 9, 2014
July 29, 2010	795,000	1,595,000	4.33	0.75	July 29, 2015
August 17, 2010	20,000	40,000	4.38	0.67	August 17, 2015
August 26, 2010	5,000	10,000	4.41	0.71	August 26, 2015
November 9, 2010	-	265,000	4.61	0.95	November 9, 2015
December 8, 2010	-	418,000	4.69	1.00	December 8, 2015
February 11, 2011	-	2,900,000	4.87	\$ 1.05	February 11, 2016
	5,479,375	10,463,000	3.82	Cdn \$ 0.83	

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

Risk-free interest rate	2.51%
Expected dividend yield	0%
Expected stock price volatility	164%
Expected life of options	5 years

The fair value of the options granted during the period ended March 31, 2011 was \$2,852,150 (March 31, 2010 - \$nil). The weighted average fair value of these options was \$0.98 (March 31, 2010 - \$nil) per share.

Option pricing models require the input of highly subjective assumptions including an estimate of the amount of options expected to be forfeited in the future and the estimate of the share price volatility, which is determined using historical closing prices of the company's stock price. 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.



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8. Share Capital (Continued)

c) Share purchase warrants

A summary of the Company's warrants activity is as follows:

For the Three month ended March 31, 2010	Warrants	Weighted Average Exercise Price
Balance, January 1, 2010	13,680,000	Cdn \$ 0.72
Granted	100,000	0.75
Exercised	(602,000)	0.67
Balance, March 31, 2010	13,178,000	Cdn \$ 0.72

For the Three month ended March 31, 2011	Warrants	Weighted Average Exercise Price
Balance, January 1, 2011	11,829,000	Cdn \$ 0.72
Granted (Note 8(a))	10,403,200	1.43
Exercised	(290,000)	0.75
Balance, March 31, 2011	21,942,200	Cdn \$ 1.06

As at March 31, 2011 the Company had the following warrants outstanding:

Number of Warrants Outstanding	Exercise Price	Expiry Date
10,699,000	Cdn \$ 0.75	September 29, 2011
840,000	0.50	September 29, 2011
1,543,200	1.00	February 13, 2013
8,860,000	1.50	February 13, 2013
21,942,200	Cdn \$ 1.06	



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9. Related Party Transactions

(a) Related party transactions are as follows:

During the three months ended March 31, 2011, the Company paid \$6,393 (three months ended March 31, 2010 - \$nil) to a company controlled by an officer of the Company, for accounting services. As at March 31, 2011, the company controlled by the officer was also owed \$17,466 (December 31, 2010 - \$4,505). During the three months ended March 31, 2011, the Company also paid \$6,000 (three months ended March 31, 2010 - \$nil) to a company controlled by an officer of the Company, for CFO consulting services. As at March 31, 2011, the company controlled by the officer was also owed \$nil (December 31, 2010 - \$2,272).

During the three months ended March 31, 2011, the Company also paid \$3,332 (three months ended March 31, 2010 - \$3,382) for corporate secretarial services to another company where the Chief Financial Officer is an officer. As at March, 2010, the company where the Chief Financial Officer is an officer was also owed \$1,235 (December 31, 2010 - \$2,762).

(b) Remuneration of Directors and key management personnel of the Corporation was as follows:

	Three Months Ended March 31,	
	2011	2010
Salaries and benefits ⁽¹⁾	\$ 31,904	\$ -
Share based payments	\$ 472,151	\$ 607,392

⁽¹⁾ Salaries and benefits include director fees. The board of directors do not have employment or service contracts with the Corporation. Directors are entitled to director fees and stock options for their services.

10. Administrative expenses

	Three Months Ended	
	2011	2010
Stock-based compensation	1,096,989	935,720
Other expenses	195,197	226,771
Professional fees	137,908	115,182
Travel	24,694	31,775
Listing and filing fees	18,867	17,114
Depreciation	2,134	2,874
Total	1,475,789	1,329,436



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11. Segmented Information

Details are as follows:

March 31, 2011	Canada	USA	South America	Total
Cash and cash equivalents	\$ 25,775,674	\$ 71,287	\$ 93,535	\$ 25,940,496
Resource property cost	-	739,152	4,213,620	4,952,772
Other assets	90,914	84,581	175,674	351,169
	\$ 25,866,588	\$ 895,020	\$ 4,482,829	\$ 31,244,437

Three Months ended March 31, 2011

Segmented operating loss	\$ 1,100,615	\$ 580,396	\$ 1,939,280	\$ 3,620,291
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December 31, 2010	Canada	USA	South America	Total
Cash and cash equivalents	\$ 4,164,522	\$ 27,560	\$ 35,661	\$ 4,227,743
Resource property cost	-	739,152	3,315,701	4,054,853
Other assets	113,917	89,471	47,309	250,697
	\$ 4,278,439	\$ 856,183	\$ 3,398,671	\$ 8,533,293

Year ended December 31, 2010

Segmented operating loss	\$ 3,200,462	\$ 1,406,677	\$ 6,583,869	\$ 11,191,008
Asset impairment	-	-	40,752	40,752
	\$ 3,200,462	\$ 1,406,677	\$ 6,624,621	\$ 11,231,760

Three Months ended March 31, 2010	Canada	USA	South America	Total
Segmented operating loss	1,039,687	88,911	789,009	1,917,607

January 1, 2010	Canada	USA	America	Total
Cash and cash equivalents	\$ 11,072,442	\$ 52,265	\$ 298,897	\$ 11,423,604
Resource property cost	-	634,085	1,546,073	2,180,158
Other assets	52,500	159,968	73,405	285,873
	\$ 11,124,942	\$ 846,318	\$ 1,918,375	\$ 13,889,635



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12. CONVERSION TO IFRS

(i) Overview

As stated in Significant Accounting Policies note 2, these are the Company's first unaudited condensed interim financial statements prepared in accordance with IAS 34, using accounting policies consistent with IFRS.

The accounting policies described in note 2 have been applied in preparing the financial statements for the three months ended March 31, 2011 and in preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's Transition Date) and December 31, 2010.

(ii) First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at January 1, 2010.

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Company has no leases.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited statement of financial position in these financial statements.

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12. CONVERSION TO IFRS (continued)

(iii) Changes to accounting policies

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Impairment of non-financial assets

IFRS requires a write down of assets if the higher of the fair value less costs to sell and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Previously Canadian GAAP require a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the unaudited condensed interim financial statements.

(b) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

(c) Foreign exchange

Under IFRS, translation occurs using the equivalent of the current rate method under Canadian GAAP when translating balances to the Company's presentation currency. Under this method, all assets and liabilities are treated as monetary and translated to the presentation currency using the foreign exchange rate at the end of the reporting period. Differences between the translation of the balance sheet and the statement of operations are accumulated in an account in equity. The change in translation methodology has resulted in changes in the functional currency for the Company's Columbian subsidiary. As a result, income and expenses of this foreign subsidiary are recorded using the rate of exchange in effect at the dates of the transactions and the translation of assets and liabilities are at the rates of exchange in effect at the period end date resulting to currency translation adjustment recognized in the statement of other comprehensive loss.

IFRS also allows Cumulative translation differences (CTA) for all foreign operations to be deemed zero at the date of transition. If this alternative is chosen, the balance is transferred to the Retained Earnings. If this optional exemption is chosen, any gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition, but will include later translation differences. Galway will not elect to apply this exemption.

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12. CONVERSION TO IFRS (continued)

(iii) *Changes to accounting policies (continued)*

(c) Foreign exchange (continued)

Impact on Condensed Interim Statements of Financial Position

	As at December 31, 2010	As at March 31, 2010	As at January 1, 2010
Adjustment to Resource property costs	\$ 66,488	\$ (314,987)	\$ 44,360
Adjustment to accumulated comprehensive loss	\$ 66,488	\$ (314,987)	\$ 44,360

(d) Presentation

Certain amounts on the unaudited condensed interim statement of financial position, income statement and comprehensive loss and statement of cash flows have been reclassified to conform to the presentation adopted under IFRS.

(e) Cash flows

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the statements of cash flows for the year ended December 31, 2010 and three months ended March 31, 2010.



The accompanying notes are an integral part of these consolidated financial statements.

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12. CONVERSION TO IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP*

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	January 1, 2010			
	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Assets				
Current assets				
Cash and cash equivalents	\$ 11,423,604	\$ -	\$ -	\$ 11,423,604
Restricted cash	151,063	-	-	151,063
Accounts receivable	34,381	-	-	34,381
Prepaid expenses	62,818	-	-	62,818
	11,671,866	-	-	11,671,866
Equipment	37,611	-	-	37,611
Resource property costs (Note 12(iii)(c))	2,135,798	44,360	-	2,180,158
	\$ 13,845,275	\$ 44,360	\$ -	\$ 13,889,635
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 668,886	\$ -	\$ -	\$ 668,886
Obligation to issue shares	973,607	-	-	973,607
Due to related parties	132	-	-	132
	1,642,625	-	-	1,642,625
Shareholders' equity				
Share capital	26,190,909	-	-	26,190,909
Contributed surplus	11,348,902	-	(11,348,902)	-
Reserves	-	-	11,348,902	11,348,902
Deficit	(24,659,425)	-	-	(24,659,425)
Accumulated other comprehensive loss (Note 12(iii)(c))	(677,736)	44,360	-	(633,376)
	(25,337,161)	44,360	-	(25,292,801)
	12,202,650	44,360	-	12,247,010
	\$ 13,845,275	\$ 44,360	\$ -	\$ 13,889,635



The accompanying notes are an integral part of these consolidated financial statements.

Galway Resources Ltd.
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12. CONVERSION TO IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP (continued)*

The March 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	March 31, 2010			
	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Assets				
Current assets				
Cash and cash equivalents	\$ 10,412,803	\$ -	\$ -	\$ 10,412,803
Restricted cash	151,466	-	-	151,466
Accounts receivable	54,893	-	-	54,893
Prepaid expenses	140,303	-	-	140,303
	10,759,465	-	-	10,759,465
Equipment	37,260	-	-	37,260
Resource property costs (Note 12(iii)(c))	3,345,725	(314,987)	-	3,030,738
	\$ 14,142,450	\$ (314,987)	\$ -	\$ 13,827,463
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 675,456	\$ -	\$ -	\$ 675,456
Obligation to issue shares	1,428,033	-	-	1,428,033
Due to related parties	117	-	-	117
	2,103,606	-	-	2,103,606
Shareholders' equity				
Share capital	26,727,789	-	-	26,727,789
Contributed surplus	12,148,796	-	(12,148,796)	-
Reserves	-	-	12,148,796	12,148,796
Deficit	(26,577,032)	-	-	(26,577,032)
Accumulated other comprehensive loss (Note 12(iii)(c))	(260,709)	(314,987)	-	(575,696)
	(26,837,741)	(314,987)	-	(27,152,728)
	12,038,844	(314,987)	-	11,723,857
	\$ 14,142,450	\$ (314,987)	\$ -	\$ 13,827,463



The accompanying notes are an integral part of these consolidated financial statements.

Galway Resources Ltd.
Notes to Condensed Interim Consolidated Financial Statements
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12. CONVERSION TO IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP (continued)*

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	December 31, 2010			
	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Assets				
Current assets				
Cash and cash equivalents	\$ 4,227,743	\$ -	\$ -	\$ 4,227,743
Restricted cash	86,781	-	-	86,781
Accounts receivable	68,794	-	-	68,794
Prepaid expenses	50,514	-	-	50,514
	4,433,832	-	-	4,433,832
Equipment	44,608	-	-	44,608
Resource property costs (Note 12(iii)(c))	3,988,365	66,488	-	4,054,853
	\$ 8,466,805	\$ 66,488	\$ -	\$ 8,533,293
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,664,346	\$ -	\$ -	\$ 1,664,346
Obligation to issue shares	35,106	-	-	35,106
Due to related parties	9,539	-	-	9,539
	1,708,991	-	-	1,708,991
Shareholders' equity				
Share capital	29,791,705	-	-	29,791,705
Contributed surplus	13,130,538	-	(13,130,538)	-
Reserves	-	-	13,130,538	13,130,538
Deficit	(35,891,185)	-	-	(35,891,185)
Accumulated other comprehensive loss (Note 12(iii)(c))	(273,244)	66,488	-	(206,756)
	(36,164,429)	66,488	-	(36,097,941)
	6,757,814	66,488	-	6,824,302
	\$ 8,466,805	\$ 66,488	\$ -	\$ 8,533,293



The accompanying notes are an integral part of these consolidated financial statements.

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12. CONVERSION TO IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP (continued)*

The year ended December 31, 2010 Canadian GAAP statement of loss and comprehensive loss has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
EXPENSES:				
Exploration costs	\$ 7,134,903	\$ -	\$ -	\$ 7,134,903
General and administrative expenses (Note 12(iii)(d))	1,261,397	-	(1,261,397)	-
Listing and filing fees (Note 12(iii)(d))	16,805	-	(16,805)	-
Professional fees (Note 12(iii)(d))	401,980	-	(401,980)	-
Stock-based compensation (Note 12(iii)(d))	2,483,792	-	(2,483,792)	-
Travel (Note 12(iii)(d))	109,249	-	(109,249)	-
Depreciation	11,533	-	(11,533)	-
Administrative expenses (Note 12(iii)(d))	-	-	4,284,756	4,284,756
Foreign exchange gain	(215,989)	-	-	(215,989)
	(11,203,670)	-	-	(11,203,670)
Other				
Finance income	12,662	-	-	12,662
Asset impairment	(40,752)	-	-	(40,752)
NET LOSS	\$ (11,231,760)	\$ -	\$ -	\$ (11,231,760)



The accompanying notes are an integral part of these consolidated financial statements.

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Notes to Condensed Interim Consolidated Financial Statements
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12. CONVERSION TO IFRS (continued)

(v) *Reconciliation between IFRS and Canadian GAAP (continued)*

The three months ended March 31, 2010 Canadian GAAP statement of loss and comprehensive loss has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
EXPENSES:				
Exploration costs	\$ 932,195	\$ -	\$ -	\$ 932,195
General and administrative expenses (Note 12(iii)(d))	226,771	-	(226,771)	-
Listing and filing fees (Note 12(iii)(d))	17,114	-	(17,114)	-
Professional fees (Note 12(iii)(d))	115,182	-	(115,182)	-
Stock-based compensation (Note 12(iii)(d))	935,720	-	(935,720)	-
Travel (Note 12(iii)(d))	31,775	-	(31,775)	-
Depreciation	2,874	-	(2,874)	-
Administrative expenses (Note 12(iii)(d))	-	-	1,329,436	1,329,436
Foreign exchange gain	(341,215)	-	-	(341,215)
	(1,920,416)	-	-	(1,920,416)
Other				
Finance income	2,809	-	-	2,809
NET LOSS	\$ (1,917,607)	\$ -	\$ -	\$ (1,917,607)

The following provides reconciliations of the comprehensive loss from Canadian GAAP to IFRS for the respective periods:

	December 31, 2010	March 31, 2010	January 1, 2010
Comprehensive loss under Canadian GAAP	\$ (10,827,268)	\$ (1,500,580)	\$ (3,627,292)
Adjustments for differing accounting treatments (Note 12(iii)(c))	(248,499)	(359,347)	44,360
Comprehensive loss under IFRS	\$ (11,075,767)	\$ (1,859,927)	\$ (3,582,932)

13. Subsequent Event

Subsequent to quarter ended March 31, 2011, the TSX Venture Exchange has accepted for filing an amended purchase agreement dated May 28, 2011, whereby a wholly owned subsidiary of Galway Resources Ltd. will acquire a 100-per-cent interest in the Victorio Mountains project in New Mexico. The amendment modifies the consideration payable for the interest, and now consists of \$2.1-million and 200,000 shares.



The accompanying notes are an integral part of these consolidated financial statements.