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**GALANTAS IRISH GOLD LIMITED**  
**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

DEPARTMENT OF ENTERPRISE  
TRADE AND INVESTMENT

21 OCT 2008

POST RECEIVED  
COMPANIES REGISTRY

# **GALANTAS IRISH GOLD LIMITED**

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# **GALANTAS IRISH GOLD LIMITED**

## **COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2007**

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<b>DIRECTORS:</b>	R Phelps LJ Gunter B McAleer
<b>SECRETARY:</b>	Ms C McKibben
<b>REGISTERED OFFICE:</b>	Royston House 34 Upper Queen Street Belfast Co. Antrim BT1 6FD
<b>REGISTERED NUMBER:</b>	N.I. 32245
<b>AUDITORS:</b>	Baker Tilly Mooney Moore Registered Auditors 24-38 Gordon Street Belfast Co. Antrim BT1 2LG
<b>BANKERS:</b>	Bank of Ireland Campsie Road Omagh Co. Tyrone BT79 0AE
<b>SOLICITORS:</b>	Elliot Duffy Garrett Royston House 34 Upper Queen Street Belfast BT1 6FD

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# **GALANTAS IRISH GOLD LIMITED**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007**

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The directors present their report with the financial statements of the company for the year ended 31 December 2007.

### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the manufacturing and sale of jewellery made from Irish gold.

### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2007.

### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2007 to the date of this report.

R Phelps  
LJ Gunter  
B McAleer

Other changes in directors holding office are as follows:

M J Lavigne - resigned 2 August 2007

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **GALANTAS IRISH GOLD LIMITED**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007**

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### **AUDITORS**

The auditors, Baker Tilly Mooney Moore, will be proposed for re-appointment in accordance with Article 393 of the Companies (Northern Ireland) Order 1986.

### **ON BEHALF OF THE BOARD:**



.....  
R Phelps - Director

Date: 29<sup>th</sup> April 2008.....

## **REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF GALANTAS IRISH GOLD LIMITED**

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We have audited the financial statements of Galantas Irish Gold Limited for the year ended 31 December 2007 on pages six to twelve. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986; and
- the information given in the Report of the Directors is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
GALANTAS IRISH GOLD LIMITED**

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**Emphasis of matter - Going Concern**

In forming our opinion we have considered the adequacy of the disclosures made in note 15 of the financial statements concerning the company's dependence on the continuation of financial support by both Cavanacaw Corporation and Galantas Gold Corporation and the effect that the withdrawal of such support would have on the company's ability to continue as a going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

*Baker Tilly Mooney Moore*

Baker Tilly Mooney Moore  
Registered Auditors  
24-38 Gordon Street  
Belfast  
Co. Antrim  
BT1 2LG

Date: 29<sup>th</sup> April 2008

# **GALANTAS IRISH GOLD LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007**

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	Notes	31.12.07 £	31.12.06 £
<b>TURNOVER</b>		<b>16,153</b>	15,293
Cost of sales		<u>50,874</u>	<u>8,223</u>
<b>GROSS (LOSS)/PROFIT</b>		<b>(34,721)</b>	7,070
Administrative expenses		<u>50,197</u>	<u>20,526</u>
<b>OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<b>(84,918)</b>	(13,456)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<b><u>(84,918)</u></b>	<b><u>(13,456)</u></b>

### **CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year.

### **TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the losses for the current year or previous year.

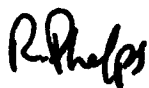


# GALANTAS IRISH GOLD LIMITED

## BALANCE SHEET 31 DECEMBER 2007

	Notes	31.12.07 £	£	31.12.06 £	£
<b>FIXED ASSETS</b>					
Tangible assets	5		3,536		3,726
<b>CURRENT ASSETS</b>					
Stocks	6	156,767		44,130	
Debtors	7	25,747		10,028	
Cash at bank and in hand		<u>3,696</u>		<u>6,636</u>	
		186,210		60,794	
<b>CREDITORS</b>					
Amounts falling due within one year	8	<u>333,499</u>		<u>123,355</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(147,289)</u>		<u>(62,561)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(143,753)		(58,835)
<b>CREDITORS</b>					
Amounts falling due after more than one year	9		<u>397,277</u>		<u>397,277</u>
<b>NET LIABILITIES</b>			<u>(541,030)</u>		<u>(456,112)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		2		2
Profit and loss account	11		<u>(541,032)</u>		<u>(456,114)</u>
<b>SHAREHOLDERS' FUNDS</b>	14		<u>(541,030)</u>		<u>(456,112)</u>

The financial statements were authorised for issue by the Board of Directors on 29<sup>th</sup> April 2008 and were signed on its behalf by:



.....  
R Phelps - Director

# **GALANTAS IRISH GOLD LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

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### **1. ACCOUNTING POLICIES**

#### **Accounting convention**

The financial statements have been prepared under the historical cost convention.

#### **Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

Revenue is recognised upon shipment of products, which is when title to the product is transferred to the customer.

#### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 20% on reducing balance
Fixtures and fittings	- 15% on reducing balance
Moulds	- 25% on cost

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost comprises materials, direct wages and other direct production costs together with a proportion of production overheads relevant to the stage of completion of work in progress and finished goods.

#### **Deferred tax**

Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences. Deferred tax assets are recognised only to the extent they are regarded as recoverable.

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

### **2. STAFF COSTS**

There were no staff costs for the year ended 31 December 2007 nor for the year ended 31 December 2006.

The average monthly number of employees during the year was as follows:

	<b>31.12.07</b>	<b>31.12.06</b>
Selling and distribution	<b>3</b>	<b>3</b>
Administration	<b>1</b>	<b>1</b>
	<b><u>4</u></b>	<b><u>4</u></b>

# **GALANTAS IRISH GOLD LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2007**

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### **3. OPERATING LOSS**

The operating loss is stated after charging:

	31.12.07	31.12.06
	£	£
Depreciation - owned assets	828	887
Auditors' remuneration	<u>2,250</u>	<u>3,000</u>
Directors' emoluments	<u>-</u>	<u>-</u>

### **4. TAXATION**

#### **Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2007 nor for the year ended 31 December 2006.

#### **Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.07	31.12.06
	£	£
Loss on ordinary activities before tax	<u>(84,918)</u>	<u>(13,456)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%)	(25,475)	(4,037)
Effects of:		
Capital allowances in excess of depreciation	(3)	34
Disallowable expenditure	-	53
Losses in year not relieviable against current tax	<u>25,478</u>	<u>3,950</u>
Current tax charge	<u>-</u>	<u>-</u>

# GALANTAS IRISH GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2007

### 5. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Moulds £	Totals £
<b>COST</b>				
At 1 January 2007	2,132	8,369	36,373	46,874
Additions	-	639	-	639
At 31 December 2007	<u>2,132</u>	<u>9,008</u>	<u>36,373</u>	<u>47,513</u>
<b>DEPRECIATION</b>				
At 1 January 2007	1,821	4,955	36,373	43,149
Charge for year	47	781	-	828
At 31 December 2007	<u>1,868</u>	<u>5,736</u>	<u>36,373</u>	<u>43,977</u>
<b>NET BOOK VALUE</b>				
At 31 December 2007	<u>264</u>	<u>3,272</u>	<u>-</u>	<u>3,536</u>
At 31 December 2006	<u>311</u>	<u>3,414</u>	<u>-</u>	<u>3,725</u>

### 6. STOCKS

	31.12.07 £	31.12.06 £
Stocks	<u>156,767</u>	<u>44,130</u>

### 7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.07 £	31.12.06 £
Trade debtors	1,977	4,617
Value Added Tax	10,846	-
Prepayments	<u>12,924</u>	<u>5,411</u>
	<u>25,747</u>	<u>10,028</u>

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.07 £	31.12.06 £
Trade creditors	78,638	1,317
Amounts owed to group undertakings	179,660	117,195
Value Added Tax	-	370
Directors' current accounts	11,351	-
Accrued expenses	<u>63,850</u>	<u>4,473</u>
	<u>333,499</u>	<u>123,355</u>

# **GALANTAS IRISH GOLD LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2007**

### **9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>31.12.07</b>	<b>31.12.06</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	<u><b>397,277</b></u>	<u><b>397,277</b></u>

### **10. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	<b>31.12.07</b>	<b>31.12.06</b>
			<b>£</b>	<b>£</b>
1,000,000	Ordinary	£1	<u><b>1,000,000</b></u>	<u><b>1,000,000</b></u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	<b>31.12.07</b>	<b>31.12.06</b>
			<b>£</b>	<b>£</b>
2	Ordinary	£1	<u><b>2</b></u>	<u><b>2</b></u>

### **11. RESERVES**

	<b>Profit and loss account</b>
	<b>£</b>
At 1 January 2007	<b>(456,114)</b>
Deficit for the year	<u><b>(84,918)</b></u>
At 31 December 2007	<u><b>(541,032)</b></u>

### **12. ULTIMATE PARENT COMPANY**

The company's immediate parent undertaking is Cavanacaw Corporation, a company incorporated in Canada.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Galantas Gold Corporation which is also incorporated in Canada. Copies of the group financial statements are available from the company secretary at 360 Bay Street, Suite 500, Toronto, Canada, M5H 2V6.

# **GALANTAS IRISH GOLD LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2007**

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### **13. RELATED PARTY DISCLOSURES**

Galantas Irish Gold Limited and Omagh Minerals Limited are both controlled by Cavanacaw Corporation.

During the year the following transactions took place:

- (a) Expenses paid by Omagh Minerals Limited on behalf of Galantas Irish Gold Limited totalling £72,037.
- (b) Expenses paid by Galantas Irish Gold Limited on behalf of Omagh Minerals Limited totalling £9,573.

The ultimate parent company of Galantas Irish Gold Limited is Galantas Gold Corporation.

At 31 December 2007 the amount owed by the company to:

- (a) Omagh Minerals Limited was £179,659.
- (b) Cavanacaw Corporation was £201,543.
- (c) Galantas Gold Corporation was £195,734.

### **14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>31.12.07</b>	<b>31.12.06</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	<u><b>(84,918)</b></u>	<u><b>(13,456)</b></u>
<b>Net reduction of shareholders' funds</b>	<b>(84,918)</b>	<b>(13,456)</b>
Opening shareholders' funds	<u><b>(456,112)</b></u>	<u><b>(442,656)</b></u>
<b>Closing shareholders' funds</b>	<u><b>(541,030)</b></u>	<u><b>(456,112)</b></u>

### **15. GOING CONCERN**

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the continued support of both Cavanacaw Corporation and Galantas Gold Corporation. The financial statements do not include any adjustments that would result if the aforementioned companies withdrew their support.

Both Cavanacaw Corporation and Galantas Gold Corporation have indicated their willingness to continue to support the company, therefore the directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

Based on the financial projections which have been prepared for the period 2008 to 2012 using assumptions which the directors believe to be prudent, the Directors believe it is appropriate to prepare the financial statements on the going concern basis.

# **GALANTAS IRISH GOLD LIMITED**

## **TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007**

	31.12.07		31.12.06
	£	£	£
<b>Sales</b>		<b>16,153</b>	<b>15,293</b>
<b>Cost of sales</b>			
Opening stock	44,130		50,530
Purchases	<u>163,511</u>		<u>1,823</u>
	207,641		52,353
Closing stock	<u>(156,767)</u>		<u>(44,130)</u>
		<u>50,874</u>	<u>8,223</u>
<b>GROSS (LOSS)/PROFIT</b>		<b>(34,721)</b>	<b>7,070</b>
<b>Expenditure</b>			
Telephone	1,694		1,812
Post and stationery	400		2,005
Advertising	2,581		2,431
Repairs and renewals	140		613
Insurance	3,767		3,640
Computer Maintenance	1,946		797
Bad Debt	146		-
Sundry expenses	180		173
Accountancy	3,150		3,275
Consultancy Fees	30,883		-
Auditors' remuneration	2,250		3,000
Commission paid	<u>1,665</u>		<u>809</u>
		<u>48,802</u>	<u>18,555</u>
		<b>(83,523)</b>	<b>(11,485)</b>
<b>Finance costs</b>			
Bank charges	694		765
Exchange Loss	<u>(127)</u>		<u>319</u>
		<u>567</u>	<u>1,084</u>
		<b>(84,090)</b>	<b>(12,569)</b>
<b>Depreciation</b>			
Plant and machinery	47		55
Fixtures and fittings	<u>781</u>		<u>832</u>
		<u>828</u>	<u>887</u>
<b>NET LOSS</b>		<b><u>(84,918)</u></b>	<b><u>(13,456)</u></b>