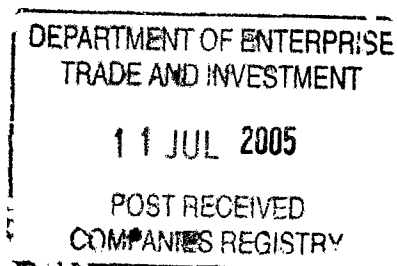




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GALANTAS IRISH GOLD LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

GALANTAS IRISH GOLD LIMITED

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GALANTAS IRISH GOLD LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2004

DIRECTORS:

R Phelps
LJ Gunter
B McAleer

SECRETARY:

JB Garrett

REGISTERED OFFICE:

Royston House
34 Upper Queen Street
Belfast
Co. Antrim
BT1 6FD

REGISTERED NUMBER:

N.I. 32245

AUDITORS:

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

BANKERS:

Bank of Ireland
Campsie Road
Omagh
Co. Tyrone
BT79 0AE

SOLICITORS:

Elliot Duffy Garrett
Royston House
34 Upper Queen Street
Belfast
BT1 6FD

GALANTAS IRISH GOLD LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report with the financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the manufacturing and retailing 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 2004.

DIRECTORS

The directors during the year under review were:

R Phelps
LJ Gunter
B McAleer

The directors holding office at 31 December 2004 did not hold any beneficial interest in the issued share capital of the company at 1 January 2004 or 31 December 2004.

In accordance with the Articles of Association, B McAleer will retire at the forthcoming Annual General Meeting, and being eligible, will stand for re-election.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those 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.

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:


.....
Director

Date: 24 May 2005

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

We have audited the financial statements of Galantas Irish Gold Limited for the year ended 31 December 2004 on pages five to eleven. These financial statements have been prepared under the historical cost convention and 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

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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.

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in note 16 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.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

Baker Tilly Mooney Moore

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

Date: *25th May 2005*

GALANTAS IRISH GOLD LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	31.12.04 £	31.12.03 £
TURNOVER		63,524	83,933
Cost of sales		<u>78,814</u>	<u>28,569</u>
GROSS (LOSS)/PROFIT		(15,290)	55,364
Administrative expenses		<u>102,919</u>	<u>135,625</u>
		(118,209)	(80,261)
Other operating income		<u>-</u>	<u>25,000</u>
OPERATING LOSS	3	(118,209)	(55,261)
Interest payable and similar charges	4	<u>148</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(118,357)	(55,261)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(118,357)	(55,261)
DEFICIT FOR THE YEAR		(118,357)	(55,261)

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

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

The notes form part of these financial statements

GALANTAS IRISH GOLD LIMITED

BALANCE SHEET 31 DECEMBER 2004

		31.12.04		31.12.03	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	6		16,725		27,576
Investments	7		-		909
			<u>16,725</u>		<u>28,485</u>
CURRENT ASSETS					
Stocks	8	60,725		96,640	
Debtors	9	20,041		31,346	
Cash at bank and in hand		12,639		23,617	
		<u>93,405</u>		<u>151,603</u>	
CREDITORS					
Amounts falling due within one year	10	138,372		82,132	
		<u>138,372</u>		<u>82,132</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(44,967)</u>		<u>69,471</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(28,242)</u>		<u>97,956</u>
CREDITORS					
Amounts falling due after more than one year	11		399,077		406,918
			<u>(427,319)</u>		<u>(308,962)</u>
CAPITAL AND RESERVES					
Called up share capital	12		2		2
Profit and loss account	13		(427,321)		(308,964)
SHAREHOLDERS' FUNDS	16		<u>(427,319)</u>		<u>(308,962)</u>

ON BEHALF OF THE BOARD:



.....
Director

Approved by the Board on 24.5.05

The notes form part of these financial statements

GALANTAS IRISH GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES

Accounting convention

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

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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

	31.12.04	31.12.03
	£	£
Wages and salaries	25,041	30,670
Social security costs	2,489	3,281
	<hr/>	<hr/>
	27,530	33,951
	<hr/>	<hr/>

GALANTAS IRISH GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2004

2. STAFF COSTS - continued

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

	31.12.04	31.12.03
Selling and distribution	3	3
Administration	1	1
	<u>4</u>	<u>4</u>

3. OPERATING LOSS

The operating loss is stated after charging:

	31.12.04	31.12.03
	£	£
Depreciation - owned assets	11,827	11,763
Auditors remuneration	3,988	5,049
	<u> </u>	<u> </u>
Directors' emoluments	-	-
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.04	31.12.03
	£	£
Hire purchase	148	-
	<u> </u>	<u> </u>

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2004 nor for the year ended 31 December 2003.

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:

	31.12.04	31.12.03
	£	£
Loss on ordinary activities before tax	(118,357)	(55,261)
	<u> </u>	<u> </u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	(35,507)	(16,578)
Effects of:		
Depreciation in excess of capital allowances	3,148	2,774
Disallowable expenditure	-	676
Losses in year not relieviable against current tax	32,359	13,128
	<u> </u>	<u> </u>
Current tax charge	-	-
	<u> </u>	<u> </u>

GALANTAS IRISH GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2004

6. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Moulds £	Totals £
COST				
At 1 January 2004	2,132	14,992	36,373	53,497
Additions	-	977	-	977
At 31 December 2004	2,132	15,969	36,373	54,474
DEPRECIATION				
At 1 January 2004	1,274	4,879	19,769	25,922
Charge for year	426	2,309	9,092	11,827
At 31 December 2004	1,700	7,188	28,861	37,749
NET BOOK VALUE				
At 31 December 2004	432	8,781	7,512	16,725
At 31 December 2003	858	10,113	16,604	27,575

7. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 1 January 2004	909
Disposals	(909)
At 31 December 2004	-
NET BOOK VALUE	
At 31 December 2004	-
At 31 December 2003	909

8. STOCKS

	31.12.04 £	31.12.03 £
Stocks	60,725	96,640

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.04 £	31.12.03 £
Trade debtors	12,057	27,036
Other debtors	2,071	-
Prepayments	5,913	4,310
	20,041	31,346

GALANTAS IRISH GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2004

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.04	31.12.03
	£	£
Trade creditors	2,433	25,655
Amounts owed to group undertakings	85,986	35,240
Social security and other taxes	-	2,598
Value Added Tax	964	-
Omagh Enterprises	-	343
Directors' current accounts	42,496	5,866
Accrued expenses	6,493	12,430
	<u>138,372</u>	<u>82,132</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.04	31.12.03
	£	£
Amounts owed to group undertakings	<u>399,077</u>	<u>406,918</u>

12. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.12.04	31.12.03
			£	£
1,000,000	Ordinary	£1	<u>1,000,000</u>	<u>-</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.04	31.12.03
			£	£
2	Ordinary	£1	<u>2</u>	<u>2</u>

13. RESERVES

	Profit and loss account
	£
At 1 January 2004	(308,964)
Deficit for the year	<u>(118,357)</u>
At 31 December 2004	<u>(427,321)</u>

14. 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 56 Temperance Street, 4th Floor, Toronto, Canada, MSH 3V5.

GALANTAS IRISH GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2004

15. 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) Purchases from Omagh Minerals Limited totalling £12,016.
- (b) Loans from Omagh Minerals Limited totalling £70,000.
- (c) Expenses paid by Omagh Minerals Limited on behalf of Galantas Irish Gold Limited totalling £10,871.
- (d) Expenses paid by Galantas Irish Gold Limited on behalf of Omagh Minerals Limited totalling £42,140.
- (e) There were no transactions with Cavanacaw during the year.

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

During the year the following transactions took place:

- (a) Expenses paid by Galantas Irish Gold Limited on behalf of Galantas Gold Corporation totalling £7,841.

At 31 December 2004 the amount owed by the company to:

- (a) Omagh Minerals Limited was £85,986.
- (b) Cavanacaw Corporation was £201,543.
- (c) Galantas Gold Corporation was £197,534.

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.04	31.12.03
	£	£
Loss for the financial year	(118,357)	(55,261)
Net reduction of shareholders' funds	(118,357)	(55,261)
Opening shareholders' funds	(308,962)	(253,701)
Closing shareholders' funds	(427,319)	(308,962)
Equity interests	(427,319)	(308,962)

17. 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 financial 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.

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