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# **GALENA CAPITAL CORPORATION**

*(An Exploration Stage Company)*

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

*(Unaudited – prepared by management)*  
*(Expressed in Canadian Dollars)*

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**MANAGEMENT'S COMMENTS ON UNAUDITED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Galena Capital Corporation for the three months ended March 31, 2009 and 2008, have been prepared by and are the responsibility of the Company's management.

**GALENA CAPITAL CORPORATION**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
*(Unaudited – prepared by management)*  
*(Expressed in Canadian Dollars)*

	<b>Mar 31, 2009</b>	<b>Dec 31, 2008</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	361,405	819,601
GST recoverable	7,875	43,750
Other receivables and prepaids	81,715	60,447
Note receivable (Note 4)	<u>775,662</u>	<u>840,420</u>
	1,226,657	1,764,218
<b>PROPERTY, PLANT AND EQUIPMENT</b> (Note 5)	353,292	335,647
<b>MINERAL PROPERTY INTERESTS AND DEFERRED COSTS</b> (Note 6)	<u>4,587,986</u>	<u>4,250,086</u>
	<u>6,167,935</u>	<u>6,349,951</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	391,749	319,164
<b>FUTURE INCOME TAX LIABILITY</b>	<u>165,757</u>	<u>165,757</u>
	<u>557,506</u>	<u>484,921</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b> (Note 7)	13,401,888	13,401,888
<b>WARRANTS</b> (Note 7)	1,441,352	1,441,352
<b>CONTRIBUTED SURPLUS</b>	2,617,329	2,617,329
<b>DEFICIT</b>	<u>(11,850,140)</u>	<u>(11,595,539)</u>
	<u>5,610,429</u>	<u>5,865,030</u>
	<u>6,167,935</u>	<u>6,349,951</u>

**NATURE OF OPERATIONS AND GOING CONCERN** (Note 1)

**SUBSEQUENT EVENT** (Note 13)

APPROVED BY THE BOARD

“*Arni Johannson* ” \_\_\_\_\_, Director

“*John Seaman* ” \_\_\_\_\_, Director

*The accompanying notes form an integral part of these unaudited interim consolidated financial statements*

**GALENA CAPITAL CORPORATION**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT**  
*(Unaudited – prepared by management)*  
*(Expressed in Canadian Dollars)*

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
Advertising	6,595	28,579
Amortization	6,260	7,934
Conferences and events	872	28,867
Consulting and salaries	128,574	118,448
General exploration	7,269	112,796
Meals and entertainment	2,039	20,283
Office	28,953	34,538
Professional fees	58,736	150,922
Rent	24,681	17,656
Telephone	10,934	1,879
Transfer agent	7,219	67,029
Travel	15,790	13,647
	297,922	602,578
<b>LOSS BEFORE OTHER ITEMS</b>	(297,922)	(602,578)
<b>OTHER ITEMS</b>		
Foreign exchange gain (loss)	42,898	(35,189)
Interest income	423	32,484
	43,321	(2,705)
<b>NET AND COMPREHENSIVE LOSS</b>	(254,601)	(605,283)
<b>DEFICIT – BEGINNING OF PERIOD</b>	(11,595,539)	(1,033,871)
<b>DEFICIT – END OF PERIOD</b>	(11,850,140)	(1,639,154)
 <b>BASIC AND DILUTED NET LOSS PER SHARE</b>	 \$(0.01)	 \$(0.04)
 <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	 27,403,379	 15,589,806

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**GALENA CAPITAL CORPORATION**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited – prepared by management)*  
*(Expressed in Canadian Dollars)*

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED FROM (USED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for period	(254,601)	(605,283)
Items not affecting cash:		
Unrealized foreign exchange	(2,130)	-
Amortization	6,260	7,934
	(250,471)	(597,349)
Change in non-cash working capital items		
GST recoverable	35,875	(18,851)
Other receivables and prepaids	(21,268)	(206,057)
Accounts payable and accrued liabilities	72,585	996,989
	(163,279)	174,732
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares and warrants	-	3,089,312
Share issue costs	-	(281,186)
	-	2,808,126
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral property interest and deferred exploration	(337,900)	(1,124,034)
Short term loan	94,635	402,720
Purchase of property, plant and equipment	(51,652)	(269,657)
	(294,917)	(990,971)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	(458,196)	1,991,887
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	819,601	3,935,051
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	361,405	5,926,938
<b>CASH AND CASH EQUIVALENTS IS COMPRISED OF:</b>		
Cash	361,405	4,183,738
Short term money market investments	-	1,743,200
	361,405	5,926,938

**ADDITIONAL SUPPLEMENTARY CASH FLOW INFORMATION** (Note 10)

*The accompanying notes form an integral part of these unaudited interim consolidated financial statements*

**GALENA CAPITAL CORPORATION**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
*(Unaudited – prepared by management)*  
*(Expressed in Canadian Dollars)*

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>SHARE CAPITAL</b>		
Balance, beginning of period	13,401,888	4,126,337
Fair value of shares issued on acquisition of Norma Mines Ltd.	-	6,500,447
Private placement	-	3,000,000
Corporate finance shares	-	97,000
Exercise of warrants and reallocation of contributed surplus	-	115,145
Warrant valuation on private placement	-	(270,000)
Share issue costs	-	(419,943)
Balance, end of period	13,401,888	13,148,986
<b>WARRANTS</b>		
Balance, beginning of period	1,441,352	1,155,150
Warrants valuation on private placement	-	270,000
Warrant valuation on agent warrants issued on private placement	-	41,757
Exercise of agent warrants	-	(25,555)
Balance, end of period	1,441,352	1,441,352
<b>CONTRIBUTED SURPLUS</b>		
Balance, beginning of period	2,617,329	345,395
Balance, end of period	2,617,329	345,395
<b>DEFICIT</b>		
Balance, beginning of period	(11,595,539)	(1,033,871)
Net and comprehensive loss	(254,601)	(605,283)
Balance, end of period	(11,850,140)	(1,639,154)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5,610,429</b>	<b>13,296,579</b>

*The accompanying notes form an integral part of these unaudited interim consolidated financial statements*

**GALENA CAPITAL CORPORATION**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS AND DEFERRED COSTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**  
*(Unaudited – prepared by management)*  
*(Expressed in Canadian Dollars)*

	MEXICO			PERU	Total \$
	Maureen \$	Mercedes \$	Judith \$	Tablachaca \$	
Balance, Dec 31, 2008	2,479,765	1,271,513	310,962	187,846	4,250,086
Expenditures					
Acquisition	864	2,447	63,371	-	66,682
Assays	1,604	-	21,621	-	23,225
Professional fees	-	-	2,597	-	2,597
Site access and preparation	61,683	-	26,516	11,608	99,807
Salaries and contractors	56,542	-	34,069	-	90,611
Travel	8,783	11	7,468	-	16,262
	129,476	2,458	155,642	11,608	299,184
Foreign value added tax	22,366	234	14,806	1,310	38,716
Balance, Mar 31, 2009	2,631,607	1,274,205	481,410	200,764	4,587,986

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**GALENA CAPITAL CORPORATION**  
*(An Exploration Stage Company)*  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS AND DEFERRED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
*(Expressed in Canadian Dollars)*

	MEXICO					PERU				Total \$
	Maureen \$	Mercedes \$	Judith \$	Maria \$	Melissa \$	Tablachaca \$	Chimu \$	Bolognesi \$	Trujillo \$	
Balance, Dec. 31, 2007	196,533	-	-	-	-	-	-	-	-	196,533
Fair valuation adjustment of Norma Assets acquired	1,793,268	650,947	-	1,089,255	2,017,902	4,953	785,726	1,417,877	861,459	8,621,387
Expenditures										
Acquisition	1,070	56,988	65,103	16,230	69,012	128,066	104,411	-	60,715	501,595
Assays	20,795	69,388	4,276	42,725	82,736	-	-	-	-	219,920
Environmental	-	-	-	-	-	-	-	-	-	-
Office	29	19,740	234	13,351	6,960	-	-	-	-	40,314
Professional fees	3,303	14,006	-	13,352	7,277	-	-	-	-	37,938
Site Access	344,304	187,429	125,850	427,665	281,132	-	-	-	-	1,366,380
Salaries and contractors	16,289	171,439	67,695	328,891	236,501	-	-	-	-	820,815
Travel	38,529	29,863	11,869	69,360	29,286	-	-	-	-	178,907
	424,319	548,853	275,027	911,574	712,904	128,066	104,411	-	60,715	3,165,869
Foreign value added tax	65,645	71,713	35,935	119,106	93,148	54,827	-	-	-	440,374
Write-off of mineral properties including Future Income Taxes	-	-	-	(2,119,935)	(2,823,954)	-	(890,137)	(1,417,877)	(922,174)	(8,174,077)
Balance, Dec 31, 2008	2,479,765	1,271,513	310,962	-	-	187,846	-	-	-	4,250,086

*The accompanying notes form an integral part of these unaudited interim consolidated financial statements*

**GALENA CAPITAL CORPORATION**  
*(An Exploration Stage Company)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**  
*(Unaudited – prepared by management)*  
*(Expressed in Canadian Dollars)*

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Galena Capital Corp. (the "Company" or "Galena") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on September 26, 2006. The Company is a natural resource company engaged in the acquisition and exploration of resource properties in Mexico and Peru. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company.

On August 29, 2007 Galena and Minas Vallarta Resources Ltd. ("MV Canada") entered into a letter agreement under which the shareholders of MV Canada would acquire Galena through a reverse takeover transaction ("RTO"). On November 27, 2007 the Company received all required approvals and the transaction was completed. Galena Capital Corporation was retained as the name for the ongoing entity and is the continuation of MV Canada. MV Canada was incorporated on May 14, 2007 pursuant to the provisions of the Business Corporations Act (British Columbia).

On January 15, 2008, the Company entered into a letter agreement with Norma Mines Ltd. ("Norma") whereby Galena agreed, subject to various conditions precedent, to acquire all of the issued and outstanding securities of Norma (the "Acquisition"). The Acquisition was an arm's length transaction within the meaning of the TSX Venture Exchange's policies and was completed on March 20, 2008. Galena issued 4,200,000 common shares to shareholders of Norma in exchange, on a one-for-one basis, for all the outstanding shares of Norma.

The amounts shown as mineral property interests and deferred costs represent expenses incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties and deferred costs is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties. As a direct result of the recent volatility in the markets, the Company has significantly reduced its overhead in order to conserve its treasury. The Company is currently focussing on projects which have potential for near-term production and/or have the potential for joint venture partners. The Company believes it presently has adequate resources to progress at least one of its near-term production projects as well as cover its overhead for the next 12 months.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These unaudited interim financial statements of the Company have been prepared by management on the basis of the Company's continuance as a going-concern and follow the same accounting policies as the most recent annual audited financial statements. The financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles applicable for annual financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the December 31, 2008 audited consolidated financial statements.

**Adoption of accounting policy**

*Goodwill and Intangible Assets*

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009.

**3. FUTURE ACCOUNTING CHANGES**

**International Financial Reporting Standards**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use IFRS, which will replace Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

**GALENA CAPITAL CORPORATION**  
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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**  
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*(Expressed in Canadian Dollars)*

**3. FUTURE ACCOUNTING CHANGES (continued)**

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**Recent Accounting Pronouncements**

**Business Combinations**

CICA Handbook Section 1582, *Business Combinations* will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, “Business Combinations” and replace the existing Section 1581, *Business Combinations*. The new Section 1582 will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*.

Section 1601, *Consolidated Financial Statements* establishes standards for the preparation of consolidated financial statements and will replace the existing Section 1600, *Consolidated Financial Statements*. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1602, *Non-Controlling Interests*.

Section 1602, *Non-controlling Interests* establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1601, *Consolidated Financial Statements*.

The Company is assessing the impact of these new standards on its consolidated financial statements.

**4. NOTE RECEIVABLE**

The note receivable of CDN \$775,662 is an advance to an unrelated company. The note was issued to a third party in the amount of USD \$600,000 and initially matured on Dec 19, 2008. The note is to earn 15% on maturity. Subsequent to the period end, the maturity date was renegotiated to July 15, 2009. As of March 31, 2009, the Company received USD \$75,000 as payment towards the note receivable. On April 30, 2009, the Company received USD \$100,000 as another payment towards the note receivable.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	Mar 31, 2009	Dec 31, 2008
	\$	\$	\$	\$
<b>CANADA</b>				
Furniture	2,522	1,070	1,452	1,816
Network equipment	11,126	6,492	4,634	6,620
Computer hardware	6,202	4,412	1,790	3,254
Computer software	2,593	2,593	-	128
	22,443	14,567	7,876	11,818

**GALENA CAPITAL CORPORATION**  
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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**  
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*(Expressed in Canadian Dollars)*

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Cost \$	Accumulated Amortization \$	Mar 31, 2009 \$	Dec 31, 2008 \$
<b>MEXICO</b>				
Machinery	53,061	338	52,723	1,103
Transport equipment	242,181	79,235	162,946	174,996
Furniture and fixtures	15,638	2,349	13,289	13,644
Computers	17,248	7,414	9,834	10,993
Leaseholds	-	-	-	9,232
	328,128	89,336	238,792	209,968
<b>PERU</b>				
Machinery	95,100	19,175	75,925	80,970
Transport equipment	24,359	6,177	18,182	19,487
Furniture and fixtures	4,502	529	3,973	4,131
Computers	11,892	3,348	8,544	9,273
	135,853	29,229	106,624	113,861
<b>TOTAL</b>	486,424	133,132	353,292	335,647

**6. MINERAL PROPERTY INTERESTS AND DEFERRED COSTS**

**MEXICO**

**Maureen Property (formerly “La Suerte”)**

The Maureen Property (“Maureen”) is located 20 km SSE of the city of Tepic, Nayarit, Mexico. The property is accessible by road and is comprised of 3 non-contiguous claim blocks totalling 186 hectares:

- 1) La Suerte;
- 2) La Suerte Fraction 1; and
- 3) La Suerte Fraction 2.

The property is situated in an active volcanic area with structures showing evidence of hydrothermal alteration. Two of these mineralized structures, the La Suerte and the La Escondida, show characteristics of low sulfidation epithermal gold silver deposits. Many historical tunnel workings and sampling programs have targeted the Maureen structure. Gold and silver are the target commodities being investigated at Maureen.

The Company’s wholly-owned subsidiary, Minas Vallarta S.A. de C.V. , owns 100% of the property and there are no further financial obligations other than the statutory semi-annual exploration rights payments.

**Mercedes Property (formerly “Yecora”)**

The Mercedes Property (“Mercedes”) is located approximately 200 kilometres ESE of Hermosillo, state of Sonora, Mexico. The property consists of 3 claims totalling 360 hectares: La Mina del Oro, titulo, 16 hectares; Ampliacion Mina del Oro, titulo, 251 hectares; C.R., titulo, 93 hectares.

The Mercedes deposit is mostly comprised of a brecciated and sheared porphyritic intrusive (“QFP”) in contact with andesitic flows and tuffs. The mineralization can be classified as being of hydrothermal type, comprised of quartz stringers and veinlets and also of crystallized open space filling type. There seems to be a close relation between the quartz and the deposition of gold, especially within the silicified zones.

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**6. MINERAL PROPERTY INTERESTS AND DEFERRED COSTS (continued)**

There also seems to be more gold within the oxidized zone than the sulphide zone where in both cases the main sulphides that are present are fine grained disseminated pyrite with minor amounts of arsenopyrite. The main control on the mineralization is structural, through faults (thrust faults, normal faults and reverse faults) and shear zones.

This fault marks the contact between the QFP and the andesites. 110 meters NE of that previously mentioned fault, there is another fault oriented N310° and dipping 75° to the SW. On the northwestern edge of the deposit the contact between the QFP and the andesites has been determined to be N030°.

The most northeastern portion of the orebody is comprised of numerous intersections of faults showing variable orientations which have provoked an intense shearing pattern which enabled the hydrothermal fluids to circulate and thus carry the precious metals within the deposit.

The Company's wholly owned subsidiary, Norma Mines S.A. de C.V. ("Norma Mexico"), entered into an arrangement with the owner of the Mercedes property whereby Norma Mexico earns the exclusive exploration and exploitation rights on the property by paying USD \$20,000 (paid) prior to signing and USD \$30,000 (paid) upon signing the contract. As part of the contract, Norma Mexico will earn 70% of any profits arising from the property and the current owner will earn 30%. This ratio will also be utilized for allocating the funding of any extraordinary expenses, as determined by Norma Mexico, which are above and beyond any exploration and exploitation expenses incurred by Norma Mexico. After two years, Norma Mexico has the option to buy out the mineral concessions from the current owner for USD \$1,800,000 less the original USD \$50,000 already paid on signing. The company is also responsible for maintaining the properties in good standing.

**Judith Property**

The Judith property is a project in the State of Chihuahua, Mexico and consists of claims totalling 597.5 hectares. The location is 30 km to the north of the city of Chihuahua. Three diamond drill holes were done on the project to locate known structures at depth, structures were crossed at 170 vertical meters and initial evaluation of the project is in process. The project at this moment is surface geological work, old mine sampling and general topographical work.

In January 2009, the Company's wholly owned subsidiary, Norma Mexico, entered into an arrangement with the owners of the Judith property whereby Norma Mexico earns the exclusive exploration and exploitation rights on the property by paying a total of USD \$100,000 (paid) at or before signing.

As part of the contract, Norma Mexico will earn 80% of any profits arising from the property and the current owners will earn 20%. This ratio will also be utilized for allocating the funding of any extraordinary expenses, as determined by Norma Mexico, which are above and beyond any exploration and exploitation expenses incurred by Norma Mexico. Norma Mexico must also spend USD \$1,000,000 in exploration expenses within two years of signing and has the option to purchase the current owners' mining concessions after five years for USD \$1,500,000 less the original USD \$100,000 already paid upon signing. The company is also responsible for maintaining the properties in good standing.

During the period, the Company entered into a letter agreement dated March 10, 2009 with QRS Capital Corp. ("QRS"). Under the terms of the agreement, it is proposed that Galena will earn the exclusive and irrevocable right and then option to QRS to acquire, subject to a 3.0% net smelter return royalty, seventy percent of all rights and interests (the "Option") to explore and exploit six contiguous mineral claims (the "Judith Project") lying within the Chihuahua area, Municipality of Aldama, Chihuahua State, Mexico. To exercise the option, QRS is required to pay Galena \$50,000 on the closing date (the "Closing Date") and \$1,000,000 on the date that is twelve months from the Closing Date. QRS is also required to issue Galena 250,000 common shares on the Closing Date and 250,000 common shares on the date that is twelve months from the Closing Date. Additionally, QRS is required to incur \$250,000 in exploration expenditures prior to the date that is twelve months from the Closing Date, \$500,000 prior to the date that is twenty-four months from the Closing Date and \$1,000,000 prior to the date that is thirty-six months from the Closing Date. The Closing Date is subject to a number of conditions including due diligence, financing and conditional approval by the TSX Venture Exchange. QRS and the Company have a director in common, however the director is not a control person of either party nor are they an associate of the Company and therefore the transaction does not constitute a related party transaction.

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**6. MINERAL PROPERTY INTERESTS AND DEFERRED COSTS (continued)**

**PERU**

**Tablachaca**

The Tablachaca river property is located in Ancash in the province of Pallasca. The average elevation on the property is approximately 1,500 meters above sea level. The property totals 1,105.1 hectares of mining concessions.

The property comprises six exploration claims: Golden 2008-1 of 499.8 hectares, Golden 2008-2 of 147.1 hectares, 2008-3 of 57.5 hectares, Golden 2008-4 of 76.4 hectares, Golden 2008-5 of 289.4 hectares and Golden 2008-6 of 34.9 hectares.

There are no further financial obligations of the Company other than to maintain the property in good standing.

**7. SHARE CAPITAL**

Authorized - unlimited common shares without par value

	#	\$
Issued - common shares		
Outstanding shares of Galena	4,004,000	187,480
RTO: Issued on a one-for-one basis to shareholders of MV Canada	12,800,000	1,384,000
Concurrent financing		
Short form offering	2,105,263	2,000,000
Private placement	2,394,737	2,275,000
Corporate finance shares	75,000	71,250
Agent commission shares	163,431	155,259
Less: warrant value	-	(1,155,150)
Warrants exercised subsequent to RTO	4,448	445
Reallocation of contributed surplus relating to exercise of warrants	-	271
Less: Share issue costs	-	(792,218)
Balance, December 31, 2007	21,546,879	4,126,337
Issued on a one-for-one basis to shareholders of Norma Canada	4,200,000	6,753,704
Private Placement	1,500,000	3,000,000
Corporate Finance Shares	50,000	97,000
Exercise of agent warrants	106,500	89,312
Reallocation of contributed surplus on exercise of agent warrants	-	25,285
Less: warrant value	-	(689,750)
Balance, March 31, 2009 and December 31, 2008	<u>27,403,379</u>	<u>13,401,888</u>

**Escrowed shares**

Under the requirements of the TSX Venture Exchange, the 2,000,000 seed shares of Galena were being held pursuant to an escrow agreement dated November 26, 2006. Upon completion of the RTO transaction, these escrowed shares, along with an additional 5,449,322 of the private placement shares issued on July 31, 2007 were transferred to an escrow agreement dated November 22, 2007. The first release occurred on November 27, 2007 for 10% of the escrowed shares and an additional 15% will be released every six months thereafter commencing six months following the initial release on November 27, 2007.

**Stock options**

The Company has established a rolling stock option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan are not to exceed 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the grant date, less allowable discounts in accordance with the policies of the TSX Venture Exchange.

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**7. SHARE CAPITAL (continued)**

A summary of the Company's exercisable and outstanding options at March 31, 2009 is presented as follows:

Options Exercisable #	Options Outstanding #	Exercise Price \$	Expiry Date
160,000	160,000	0.10	May 14, 2012
1,365,000	1,365,000	0.95	November 22, 2012
561,000	561,000	1.00	November 28, 2012
<u>2,086,000</u>	<u>2,086,000</u>		

**Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agent warrants at March 31, 2009 and the changes for the period then ended is presented below:

	#	\$
Balance, beginning of period	11,385,215	1,441,352
Issued	-	-
Expired	-	-
Exercised	-	-
Balance, end of period	<u>11,385,215</u>	<u>1,441,352</u>

Common shares reserved pursuant to warrants and agent warrants outstanding at March 31, 2009 is presented below:

#	Exercise Price \$	Expiry Date
135,802	0.10	May 30, 2009
7,800,000	0.15	November 22, 2009
2,199,249	1.65	November 22, 2009
392,514	1.65	November 28, 2009
750,000	2.50	March 20, 2010
107,650	2.50	March 20, 2010
<u>11,385,215</u>		

**8. RELATED PARTY TRANSACTIONS**

During the period ended March 31, 2009 the Company was charged for various services and related out-of-pocket expenses paid on behalf of the Company by directors and officers, or by companies which are under their control.

Related party transactions which are not disclosed elsewhere in the financial statements are as follows:

- i) \$37,329 (2008 - \$19,100) was expensed by the Company for consulting services of the CEO. Of this amount \$19,177 (2008-NIL) remains in accounts payable as at March 31, 2009.
- ii) \$6,900 (2008 - NIL) was paid to an officer of the Company for corporate secretarial services
- iii) \$7,800 (2008 - \$12,985) was paid to a company controlled by an officer of the Company for professional services relating to CFO and accounting services.

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**8. RELATED PARTY TRANSACTIONS (continued)**

- iv) \$44,395 (2008 – \$40,665) was paid to a company controlled by a director and officer of the Company for reimbursement of various administrative and overhead costs. These reimbursed expenses did not include any mark-up and consisted of the following: \$11,100 (2008 - \$12,750) for office rent, \$23,500 (2008 – NIL) related to shared office consultants, \$2,315 (2008 - \$1,557) related to telephone expenses and the balance of \$7,480 (2008 - \$26,358) related to general office and administration expenses.
- v) \$7,500 (2008 – \$16,500) was paid to a director of Minas Vallarta Ltd.

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

**9. SEGMENTED INFORMATION**

The Company is currently involved in the mineral exploration activities in Mexico and Peru. The Company is in the exploration stage, and accordingly, has no reportable segment or operating revenues for the period.

The Company's total assets at March 31, 2009 are segmented geographically as follows:

	<b>Canada</b> \$	<b>Mexico</b> \$	<b>Peru</b> \$	<b>Total</b> <b>Mar 31,</b> <b>2009</b> \$
Current Assets	1,127,105	73,360	26,192	1,226,657
Property, Plant and Equipment	7,877	238,791	106,624	353,292
Mineral Property and Deferred Costs	-	4,387,222	200,764	4,587,986
	<u>1,134,982</u>	<u>4,699,373</u>	<u>333,580</u>	<u>6,167,935</u>

The Company's total assets at December 31, 2008 are segmented geographically as follows:

	<b>Canada</b> \$	<b>Mexico</b> \$	<b>Peru</b> \$	<b>Total</b> <b>Dec 31,</b> <b>2008</b> \$
Current Assets	1,603,552	130,268	30,398	1,764,218
Property, Plant and Equipment	11,818	209,967	113,862	335,647
Mineral Property and Deferred Costs	-	4,062,240	187,846	4,250,086
	<u>1,615,370</u>	<u>4,402,475</u>	<u>332,106</u>	<u>6,349,951</u>

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

Non-cash activities were conducted by the Company during the period ended March 31, 2009 and 2008 as follows:

	<b>Mar 31,</b> <b>2009</b> \$	<b>Mar 31,</b> <b>2008</b> \$
<b>Financing activities</b>		
Share issuance costs	-	(138,757)
Shares issued for payment of agent's fees	-	138,757
	<u>-</u>	<u>-</u>

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**11. MANAGEMENT OF CAPITAL RISK**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The capital structure of the Company includes the components of shareholders' equity as well as cash and cash equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

The Company has no externally imposed debt requirements as of the balance sheet date.

**12. MANAGEMENT OF FINANCIAL RISK**

The Company's financial instruments are exposed to certain financial risks, including credit risk, foreign exchange risk, liquidity risk and interest rate risk.

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held through large Canadian financial institutions. Cash equivalents are comprised of financial instruments guaranteed by the bank. The Company has a note receivable calculated at a fair value of \$775,662 outstanding as at March 31, 2009 with a third party. This amount is past due as of March 31, 2009, however, subsequent to the period end the Company re-negotiated the payment terms to be paid on or before July 15, 2009. Should the Company not receive the principal and interest in whole or in part, the Company believes it will still have sufficient funds to continue its exploration and pay its general overhead over the next 12 months.

(b) Foreign Exchange Risk

The Company's operations are in Mexico and Peru; therefore foreign exchange risk exposures from transactions denominated in United States Dollars, Mexican Pesos and/or Peruvian Soles. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The recent economic turmoil has resulted in significant volatility in foreign exchange rates, including those in which the Company conducts its operations. The sensitivity of the Company's net and comprehensive loss due to changes in the exchange rate between its operating currencies and the Canadian dollar are summarized in the table below:

	5% decrease in \$CDN	5% increase in \$CDN
Approximate decrease (increase) in net and comprehensive loss for the three months ended March 31, 2009	<u>8,227</u>	<u>(7,837)</u>

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has implemented a budgeting process which is reviewed regularly to help determine the funding requirements of the Company's exploration and overhead requirements. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for the next 12 months. The Company has no credit facilities as of March 31, 2009.

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**12. MANAGEMENT OF FINANCIAL RISK (continued)**

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a significant loss as a result of a decline in the fair market value of cash equivalents is limited due to the relatively short maturity of the investments.

**13. SUBSEQUENT EVENTS**

On April 29, 2009 the Company completed a non-brokered private placement and issued 10,722,000 units at a price of \$0.075 per unit for gross proceeds of \$804,150. Each unit is comprised of one common share in the capital of the Company and one transferable share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company for \$0.15 at any time within 5 years after the warrants are issued. Proceeds from the financing will be used to advance one or more of the Company's mineral property interests and for general working capital.

On May 28, 2009 the Company announced that it has sought consent of warrant holders to amend the Company warrants originally issued on November 22, 2007 and on March 20, 2008 as follows:

- i) 2,199,249 of the November 22, 2007 warrants currently outstanding and originally priced at \$1.65 will be re-priced to \$0.40. The original expiration date of November 22, 2009 will be extended to April 15, 2012.
- ii) 750,000 of the March 20, 2008 warrants currently outstanding and originally priced at \$2.50 will be re-priced to \$0.40. The original expiration date of March 20, 2010 will be extended to April 15, 2012.

These amendments are subject to TSX-Venture Exchange approval.

**14. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in 2009.