GALANTAS GOLD CORPORATION

Management's Discussion and Analysis

Three and Nine Months Ended

September 30, 2011

GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Three and Nine Months ended September 30, 2011

This document constitutes management's discussion and analysis (MD&A) of the financial and operational results of Galantas Gold Corporation (the Company) for the three and nine months ended September 30, 2011. This MD&A supplements, but does not form part of the consolidated financial statements of the Company, and should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2011 and the audited consolidated financial statements and related notes for the year ended December 31, 2010. The currency referred to in this document is the Canadian dollar. The MD&A is prepared in conformance with National Instrument 51-102F1 and was approved by the Company's Audit Committee on November 22, 2011.

As of January 1, 2010, Galantas adopted International Financial Reporting Standards ("IFRS"). The unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), and using accounting policies consistent with IFRS. Readers of this MD&A should refer to Section 1.13 Changes in Accounting Policies including Initial Adoption included in this MD&A for a discussion of IFRS and its effect on the Company's financial presentation.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Galantas's properties to contain gold, silver and lead deposits; the Company's ability to meet its working capital needs at the current level, the plans, costs, timing and capital for future exploration and development of Galantas's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Galantas's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, gold deposits, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to its properties, the possibility that future exploration results will not be consistent with Galantas's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the mining industry, as well as those risk factors listed in the "Risk Factors" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Galantas's exploration and development activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Galantas's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

OVERVIEW – STRATEGY - DESCRIPTION OF BUSINESS

Company Overview

Galantas Gold Corporation is a producing mineral resource issuer and the first to acquire planning consent to mine gold in Northern Ireland. The Company's wholly owned Ontario holding company, Cavanacaw Corporation, owns all of the shares of two Northern Ireland companies – Omagh Minerals Limited, owner of prospecting and mining rights, planning consent plus land, buildings and equipment; and Galantas Irish Gold Limited. a former jewellery business which is no longer being pursued and for which the Company is examining the availability of a joint venture opportunity.

Mining at the Omagh mine is conducted by open pit methods. The mine produces a flotation concentrate most of which is shipped to a smelter in Canada under a life of mine off-take agreement. The Company's strategy to increase shareholder value is to:

- Increase the production of the open pit mine and processing plant on its Kearney and Kerr deposits;
- Continue to explore and develop extensions to the Kearney, Kerr, Joshua and nearby known deposits so as to expand minable reserves and increase gold production in stages;
- Explore its 2 prospecting licences which aggregate 435 square kilometres, focusing on the more than 50 gold targets identified to date; and

Reserves and Resources

During 2008, ACA Howe International Ltd prepared an updated estimate of mineral resources for the Omagh mine. The report, entitled Technical Report on the Omagh Gold Project is dated 28th May 2008 and is published on www.sedar.com and www.galantas.com. Authors are G. White FGS MAusIMM, J. Bennett C.Eng MIMMM and N. Holloway C.Eng MIMMM.

Mining Project

The project currently embraces an open pit mine capable of supplying ore to a crushing-grinding-froth flotation plant. The plant is designed to produce a gold and silver rich sulphide flotation concentrate for sale to a commercial smelter. The plant was commissioned as stated in a press release dated June 26, 2007.

Galantas Irish Gold Limited

Market conditions in the jewellery trade remain poor. Galantas jewellery sales continue to remain very low. As a consequence, management focus has been entirely on the mine operation during 2011. Galantas announced during the quarter that it will review joint venture opportunities related to its gold jewellery business.

Management and Staff

Overall management is exercised by one Executive Director along with a General Manager who is in charge of operations in Omagh where the mine, plant and administration currently employs 50 people.

Key Performance Driver

The key performance driver is the achievement of production and cash flow from profitably mining the deposits at Omagh.

Overview of Third Quarter 2011

The Financial statements for the Three and Nine Months ended September 30, 2011 together with the comparative Financial statements for the Three and Nine Months ended September 30, 2010 are being reported under International Reporting Financial Standards ("IFRS") which has replaced Canadian GAAP effective January 1, 2010 for all publicly accountable enterprises in Canada.

Production at the Omagh mine during the three months ended September 30, 2011 was well above production levels achieved during both the first quarter of 2011 and the corresponding third quarter of 2010 but below the record quarterly production achieved during the second quarter of 2011

Galantas Gold Corporation had a Net Income of $ 445,646 for the three months ended September 30, 2011 compared with a net income of $ 206,069 for the three months ended September 30, 2010. When the net income is adjusted for non cash items before changes in non-cash working capital the cash generated from operating activities amounted to $ 792,682 for the three months ended September 30, 2011 compared to $ 358,514 for the three months ended September 30, 2010 as per the Condensed Consolidated Interim Statement of Cash Flows. The cash generated from operating activities after changes in non-cash working capital amounted to $1,514,081 for the third quarter of 2011compared to $ 338,892 for the corresponding period of 2010

The Company had cash balances at September 30, 2011 of $ 4,629,598 compared to $ 2,661,798 at December 31, 2010. The working capital deficit at September 30, 2011 amounted to $ 507,132 which compared with a deficit of $ 292,336 at December 31, 2010.

Galantas continued to progress its 15,000 metre drilling program during the third quarter when 16 drill holes were completed on the Joshua, Kearney and Kerr veins resulting in a total of 33 holes being drilled to end September. Channel sampling was also carried out on the Kerr and Joshua vein systems with the focus being mainly on the Joshua vein system. Assay results released to date from both the drilling and channel sampling programme have been encouraging with significant gold intersections being identified.

1.1 DATE OF THE MD&A

The MD&A was prepared on November 22, 2011.

1.2 REVIEW OF FINANCIAL RESULTS

Three Months Ended September 30, 2011

The Net Income for the three months ended September 30, 2011 amounted to $ 445,646 compared to a Net Income of $ 206,069 for the three months ended September 30, 2010 as summarized below.

	Three Months ended September 30, 2011	Three Months ended September 30, 2010
Revenues	**$ 2,510,985**	**$ 1,759,978**
Production costs	$ 1,269,752	$ 1,120,774
Inventory movement	$ (22,523)	$ (1,967)
Cost of sales	**$ 1,247,229**	**$ 1,118,807**
Income before the undernoted	**$ 1,263,756**	**$ 641,171**
Amortization and depreciation	$ 222,079	$ 133,961
Loss on sale of asset	$ 0	$ 0
General administrative expenses	$ 655,568	$ 250,566
Foreign exchange loss (gain)	$ (59,537)	$ 50,575
Net Income for the quarter	**$ 445,646**	**$ 206,069**

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the quarter. Sales revenues from for the three months ended September 30, 2011 amounted to $ 2,510,985 which compared to revenues of $ 1,759,978 for the corresponding period of 2010. The increase in sales revenues during the third quarter of 2011 was due mainly to the higher gold prices that prevailed during the quarter and also to the increased level of metal produced and shipped when compared to the third quarter of 2010.

Cost of sales includes production costs at the mine and inventory movements. Production costs for the third quarter of 2011 amounted to $ 1,269,752 compared to $ 1,120,774 for the third quarter of 2010 – an increase of $ 148,978. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, carriage, consumables and royalties. The increased production costs for the third quarter of 2011 was due to a number of factors including increases in Production Wages of $ 22,000 to $ 426,000, Oil and Fuel increases of $ 122,000 to $ 364,000 arising mainly from increased fuel prices during the quarter and also higher usage arising from increased production levels, Repairs and Servicing cost increases of $ 5,000 to $ 209,000, Royalty cost increases, which are based on sales revenues, of $ 20,000 to $ 54,000, Consumable costs increases of $ 11,000 to $ 39,000 arising from the increased usage of mill consumables, and carriage costs increases of $ 11,000 to $ 24,000 due to the higher level of shipments during the quarter. These increases were partially offset by Equipment hire decreases of $ 48,000 to $ 111,000 mainly arising from savings achieved following the purchase of mobile equipment early in the first quarter of 2011 which had previously been on hire.

The inventory movement credits of $ (22,523) and $ (1,967) for the third quarters of 2011 and 2010 respectively reflect an increase in inventory at September 30, 2011 and 2010 when compared to inventory at the beginning of the respective quarters.

This resulted in a Net Income before amortization and depreciation, general administrative expenses and foreign exchange loss (gain) for the three months ended September 30, 2011 of $ 1,263,756 compared to Income of $ 641,171 for corresponding period of 2010.

Amortization of deferred development and exploration costs for the quarter ended September 30, 2011 amounted to $ 94,945 compared to $ 68,632 for the quarter ended September 30, 2010. The amortization charge for the third quarter of 2011, which is calculated on the unit of production basis, is higher than that for the corresponding period of 2010 due mainly to the increased amortization arising from the higher production in the third quarter of 2011. Depreciation of property, plant and equipment during the third quarter of 2011 totalled $ 127,134 which compared with $ 65,329 for the corresponding period of 2010. This increase is due mainly to the depreciation on additional plant and equipment acquired subsequent to the third quarter of 2010.

The loss on sale of an asset during the third quarter amounted to $ Nil in 2011 compared to $ Nil for the third quarter of 2010.

General administrative expenses for the three months ended September 30, 2011 amounted to $ 655,568 compared to $ 250,566 for the corresponding period of 2010. General administrative expenses are reviewed in Section 1.15 Other MD&A Requirements.

There was a Foreign exchange gain of $ 59,537 for the third quarter of 2011 which compared with a Foreign exchange loss of $ 50,575 for the third quarter of 2010.

This has resulted in a Net Income of $ 445,646 for the three months ended September 30, 2011 compared to a Net Income of $ 206,069 for the corresponding period of 2010. When the Net Income is adjusted for non cash items before changes in non-cash working capital the cash generated from operating activities amounted to $ 792,682 for the three months ended September 30, 2011 compared to $ 358,514 for the three months ended September 30, 2010 as per the unaudited condensed consolidated interim Statement of Cash Flows. The cash generated from operating activities after changes in non-cash working capital amounted to $ 1,514,081 for the third quarter of 2011compared to $ 338,892 for the corresponding period of 2010.

Foreign Currency Translation Gain which is included in Other Comprehensive Income (Loss) amounted to $ 299,876 for the three months ended September 30, 2011 which compared to a Foreign Currency Translation Gain of $ 76,332 for the corresponding period of 2010. This resulted in a Total Comprehensive Income of $ 745,522 for the three months ended September 30, 2011 compared to $ 282,401 for the three months ended September 30, 2010.

Total assets at September 30, 2011 amounted to $ 14,357,180 compared to $ 9,912,522 at December 31, 2010.

The working capital deficit at September 30, 2011 amounted to $ 507,132 compared to $ 292,336 at December 31, 2010.

Cash at September 30, 2011 was $ 4,629,598 compared to $ 2,661,798 at December 31, 2010. Accounts receivable consisting mainly of trade debtors, reclaimable sales taxes and prepayments amounted to $ 1,251,916 at September 30, 2011 compared to $ 751,233 at December 31, 2010. The increase in receivables is due mainly to an increase in trade debtors reflecting the increased level of sales during the quarter. Inventory at September 30, 2011 amounts to $ 374,736 compared with an inventory of $ 411,605 at the end of 2010. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business. There was a low level of concentrate stocks at the end of the both periods due to almost all concentrates produced having been shipped at period end.

Property plant and equipment totalled $ 3,553,697 compared to $ 2,299,608 at December 31, 2010. The increase in property, plant and equipment assets is mainly due to additional capital expenditure during the first nine months of 2011 net of disposals and offset by depreciation. The additional capital expenditure consists mainly of additional mobile equipment for the mine, capital investment in the refurbishment of the mill designed to increase capacity, the purchase of two drill rigs and the construction of new offices. Deferred development and exploration costs totalled $ 4,182,035 at September 30, 2011 compared to $ 3,485,774 at the end of 2010. This increase is mainly due to the capitalization of exploration costs related to the expanded drilling programme in the first nine months of 2011 offset by amortization. Long term deposit at September 30, 2011, which represents funds held in trust in connection with the Company's asset retirement obligations, amounted to $ 365,198 compared to $ 302,504 at December 31, 2010. Following the transition to IFRS property, plant and equipment, deferred development and exploration costs and long term deposit at the Company's Omagh mine, all of which are denominated in UK£, and which were previously translated to Canadian $ at historical exchange rates under Canadian GAAP are now translated to Canadian $ at period end exchange rates. The Canadian $ has weakened against UK£ at September 30, 2011 compared to January 1, 2011 resulting in an increase in the $ value of these assets at period end when compared to January1, 2011.

Current liabilities at September 30, 2011 amounted to$ 6,763,382 compared to $ 4,116,972 at the end of 2010. Accounts payable and accrued liabilities totalled $ 2,116,373 compared to $ 1,127,803 at December 31, 2010. The current portion of the external financing facilities totalled $ Nil at September 30, 2011 and compares with $ 31,266 at the end of 2010 reflecting repayments during the period. Amounts due from related parties at September 30, 2011 amounted to $ 2,686,909 compared to $ 2,957,903 at the end of 2010. This reduction is partly due to a $ 552,685 (UK£ 350,000) repayment on the G&F Phelps loan during the period offset by an increase in accruals relating to directors remuneration combined with an increase arising from the weakening of the Canadian dollar against UK£ sterling exchange rate at September 30, 2011 compared to rate at January 1, 2011 resulting in an increase in the dollar value of amounts due to related parties. The convertible debenture amounted to $ 1,960,100 at September 30, 2011 compared to $ Nil at December 31, 2010. The asset retirement obligation at September 30, 2011 amounted to $ 405,775 compared to $ 387,825 at December 31, 2010.

Nine Months Ended September 30, 2011

The Net Income for the nine months ended September 30, 2011 amounted to $ 1,165,045 compared to a Net Income of $ 810,934 for the nine months ended September 30, 2010 as summarized below.

	Nine Months ended September 30, 2011	**Nine Months ended September 30, 2010**
Revenues	**$ 6,979,698**	**$ 5,244,089**
Production costs	$ 3,584,513	$ 3,107,890
Inventory movement	$ 36,869	$ 18,084
Cost of sales	**$ 3,621,382**	**$ 3,125,974**
Income before the undernoted	**$ 3,358,316**	**$ 2,118,115**
Amortization and depreciation	$ 603,939	$ 579,847
Loss on sale of asset	$ 1,264	$ 0
General administrative expenses	$ 1,646,654	$ 698,390
Foreign exchange loss (gain)	$ (58,586)	$ 28,944
Net Income (Loss) for the period	**$ 1,165,045**	**$ 810,934**

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the period. Sales revenues for the nine months ended September 30, 2011 amounted to $ 6,979,698 compared to revenues of $ 5,244,089 for the corresponding period of 2010. The increase in sales revenues during the first nine months of 2011 was mainly due to the higher gold prices during the first nine months of 2011 when compared to 2010. The increased level of metal produced and shipped during the nine months also contributed to the increase in revenues.

Cost of sales includes production costs at the mine and inventory movements. Production costs for the first nine months of 2011 amounted to $ 3,584,513 compared to $ 3,107,890 for the corresponding period of 2010 – an increase of $ 476,623. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, carriage, consumables and royalties. The increased production costs for the nine months ended September 30, 2011 were due to a number of factors including increases in Production Wages of $ 31,000 to $ 1,155,000, Oil and Fuel increases of $ 301,000 to $ 1,047,000 arising mainly from higher fuel prices during the nine months and also higher usage arising from increased production levels, Repairs and Servicing cost increases of

$ 150,000 to $ 553,000 due to due to a number of factors including both repairs to crushers and an increased level of repairs and maintenance on mobile equipment in the mine, Consumable costs increases of $ 40,000 to $ 203,000 arising from the increased usage of mill consumables, Assaying and laboratory consumables increases of $ 14,000 to $ 47,000 due to the increased assaying requirements arising from the higher production levels and carriage costs increases of $ 24,000 to $ 59,000 due to the higher level of shipments during the period. These increases were partially offset by Equipment hire costs decreases of $ 104,000 to $ 344,000 mainly arising from savings achieved following the purchase of mobile equipment early in the first quarter of 2011 which had previously been on hire.

The inventory movements of $ 36,869 and $ 18,084 for the nine months ended September 30, 2011 and 2010 respectively reflects a reduction in inventory at September 30, 2011 and September 30, 2010 when compared to inventory at the beginning of both periods.

This resulted in a Net Income before amortization and depreciation, general administrative expenses and foreign exchange loss (gain) for the nine months ended September 30, 2011 of $ 3,358,316 compared to Income of $ 2,118,115 for corresponding period of 2010.

Amortization of deferred development and exploration costs for the nine months ended September 30, 2011 amounted to $ 283,454 compared to $ 392,605 for the nine months ended September 30, 2010. The amortization charge for the first nine months of 2011, which is calculated on the unit of production basis, is substantially lower than that for the corresponding period of 2010 due to the higher level of till strip amortization incurred in the first nine months of 2010 which offsets the increased amortisation in the current period arising from the higher production. Depreciation of property, plant and equipment during the first nine months of 2011 totalled $ 320,485 which compared with $ 187,242 for the corresponding period of 2010. This increase is due mainly to the depreciation on the additional plant and equipment acquired subsequent to September 30, 2010.

The loss on sale of an asset during the period amounted to $ 1,264 in 2011 compared to $ Nil for the nine months ended June 30, 2010.

General administrative expenses for the nine months ended September 30, 2011 amounted to $ 1,646,654 compared to $ 698,390 for the corresponding period of 2010. General administrative expenses are reviewed in Section 1.15 Other MD&A Requirements.

There was a Foreign exchange gain of $ 58,586 for the nine months ended September 30, 2011 which compared with a Foreign exchange loss of $ 28,944 for the corresponding period of 2010.

This has resulted in a Net Income of $ 1,165,045 for the nine months ended September 30, 2011 compared to a Net Income of $ 810,934 for the corresponding period of 2010. When the Net Income is adjusted for non cash items before changes in non-cash working capital the cash generated from operating activities amounted to $ 2,001,466 for the nine months ended September 30, 2011 compared to $ 1,538,537 for the nine months ended September 30, 2010 as per the unaudited condensed consolidated interim Statement of Cash Flows. The cash generated from operating activities after changes in non-cash working capital amounted to $ 2,777,908 for the nine months ended September 30, 2011 compared to $ 573,585 for the corresponding period of 2010.

Foreign Currency Translation Gain which is included in Other Comprehensive Income amounted to $ 253,023 for the nine months ended September 30, 2011 which compared to a Foreign Currency Translation Loss of $ 100,064 for the corresponding period of 2010. This resulted in a Total Comprehensive Income of $ 1,418,068 for the for the nine months ended September 30, 2011 compared to $ 710,870 for the nine months ended September 30, 2010.

1.3 SELECTED ANNUAL INFORMATION

Not applicable to Quarterly MD&A

1.4 RESULTS OF OPERATIONS

Third Quarter 2011 Financing Activities

There were no financing activities during the third quarter of 2011.

During the first quarter of 2011 Galantas announced that it had entered into a convertible unsecured £ 1,250,000 loan agreement with Kenglo One Limited (see March 10, 2011 Press Release). This convertible loan carries interest of 2% per annum above the base rate of Barclays Bank plc. The amount of the loan outstanding at September 30, 2011 totalled $ 1,960,100. The funds from the loan can be used to further expand the Company's exploration drilling program which includes the acquisition of two drill rigs. The Loan will be repaid upon exercise by Kenglo of the previously issued warrants of the Company held by Kenglo, subject to the terms of the warrants and the loan agreement. If the warrants are not exercised by Kenglo by the applicable expiry dates of the warrants (being June 8, 2012 and July 22, 2012, as applicable), the Company shall issue shares to Kenglo, in lieu of a cash repayment of the loan, in accordance with the terms of the loan agreement, subject to the minimum conversion price of $ 0.10 per share. There were no finder's fees or bonus payable in connection with the loan.

Production

Production at the Omagh mine during the three months ended September 30, 2011 was well above production levels achieved during both the first quarter of 2011 and the corresponding third quarter of 2010 but below the record quarterly production achieved during the second quarter of 2011 as summarized in the table below.

	Three Months to September 30 2011	Three Months to September 30 2010
Tonnes Milled	13,707	8,375
Average Grade g/t gold	4.34	4.75
Concentrate Dry Tonnes	545	309
Gold Grade	91.2	131
Gold Produced (oz)	1,597	1,303
Gold Produced (kg)	49.6	40.5
Silver Grade	236.5	296.1
Silver Produced (oz)	4,142	2,942
Silver Produced (kg)	128.8	91.5
Lead Produced tonnes	56.3	51
Gold Equivalent (oz)	1,766	1,426

Tonnes milled during the three months ended September 30, 2011 totalled 13,707 tonnes compared to 8,375 tonnes for the corresponding period in 2010. Concentrate production for the third quarter of 2011 amounted to 545 dry tonnes which compares to 309 dry tonnes for the corresponding period of 2010 – an increase of 76%. The metal content of production for the third quarter of 2011 totalled 1,597 ounces of gold (49.6 kg), 4,142 ounces of silver (128.8 kg), and 56.3 tonnes of lead. This compares with metal content for the corresponding period of 2010 of 1,303 ounces of gold (40.5kg), 2,942 ounces of silver (91,5kg) and 51 tonnes of lead which represents an 23% increase in gold output, a 41% increase in silver output and a 10% increase in lead output. Gold equivalent for the third quarter of 2011 was 1,766 oz which compares to 1,426 oz for the third quarter of 2010 which represents a 24% increase. The 2011 production figures and metal contents are provisional and subject to averaging or umpiring provisions under the concentrate off – take agreement detailed in a press release dated October 3, 2007.

Mining during the third quarter of 2011, while well above 2010 levels, was adversely impacted by both the high level of rainfall during the quarter and the high level of equipment breakdowns in the mine. In addition mining from the Kearney pit was restricted during the quarter which resulted in additional ore being mined from other lower grade areas. Production from Kearney was restricted due to limitations in the disposal of surplus rock from the Kearney pit. Whilst the mine is required under its planning permission to dispose of the surplus rock from the site the consent to transport the surplus rock offsite from the current stockpile has not yet been confirmed by the relevant local authority. This has resulted in the level of stockpiled surplus rock now being at capacity levels which has and will impact negatively on production from the Kearney open pit. Because of this risk to current and future production levels, discussions commenced with employees at the Omagh mine during the second quarter with regards to number redundancies being made later in 2011.

Mill production was also below target during the quarter due to the high level of unplanned breakdowns and excessive time spent on planned breakdowns which has now been addressed and includes the purchase of a new cone crusher due for delivery during the fourth quarter which will alleviate future downtime. These interruptions also had a negative effect on the concentrate grades during the quarter.

The relocation of the site offices is expected to be completed by end November. This, together with the resolution of the surplus rock issue, will allow the mine to further extend the northerly extent of the Kearney pit within the existing planning consents. Discussions with the regulatory authorities in Northern Ireland continued during the third quarter with regard to obtaining approval for the closure plan, which approval has not yet been forthcoming. Additionally a further permitting application will require to be submitted by the mine in order to make additional ore available for mining and in particular for the proposed potential underground mine on the Kearney/Joshua deposits. Further progress was made on both these underground development plans and the surface infrastructure development during the third quarter.

Production at the Omagh mine during the nine months ended September 30, 2011 is summarized in the table below.

	Nine Months to September 30 2011	**Nine Months to September 30 2010**
Tonnes Milled	36,539	29,729
Average Grade g/t gold	4.73	4.73
Concentrate Dry Tonnes	1,582	1,226
Gold Grade	98.3	119.9
Gold Produced (oz)	5007	4,729
Gold Produced (kg)	155.6	147.1
Silver Grade	239.4	337.6
Silver Produced (oz)	12,176	13,299
Silver Produced (kg)	378.7	413.6
Lead Produced tonnes	227	202.4
Gold Equivalent (oz)	5,658	5,283

Despite the good production levels achieved during the second and third quarters production for the fist nine months of 2011 was adversely affected by the poor production performance of the first quarter of 2011.Tonnes milled during the nine months ended September 30, 2011 totalled 36,539 tonnes which included low grade ore compared to 29,729 tonnes for the same period in 2010. Concentrate production for the first nine months of 2011 amounted to 1,582 dry tonnes which compares to 1,226 dry tonnes for the corresponding period of 2010 – an increase of 29%. Metal content of production for the nine months ended September 30, 2011 totalled 5007 ounces of gold (155.6kg), 12,176 ounces of silver (378.7kg) and 227 tonnes of lead. This compares with metal content for the first nine months of 2010 of 4,729 ounces of gold (147.1kg), 13,299 ounces of silver (413.6kg) and 202.4 tonnes of lead which represents a 6% increase in gold output, an 8% decrease in silver output and a 12% increase in lead output. Gold equivalent for the first nine months of 2011 was 5,658 oz which compares to 5,283 oz for the corresponding period of 2010. The 2011 production figures and metal contents are provisional and subject to averaging or umpiring provisions under the concentrate off – take agreement detailed in a press release dated October 3, 2007.

Exploration

During the first quarter of 2011, the Company reported that following the successful channel sampling program carried out earlier at the Omagh mine a core drilling contract had been arranged which includes 2,000 metres of diamond drilling. Galantas subsequently announced that, following the both the receipt of loan funds in the first quarter and the improved financials results in the second quarter, the 2,000 metre diamond drilling program was to be expanded up to a 15,000 metre program utilising four rigs, two of which were acquired by the Company's subsidiary Omagh Minerals Limited during the second quarter. This combined drilling program will concentrate mainly on the Joshua and Kearney veins. This upgraded program is seeking to extend the depth and northern extent of the Joshua vein with a view to the possibility of working part of it by a shallow open pit. The drilling program on the Kearney vein will provide data for a potential underground operation based upon both of these veins. The geological team at the mine has been strengthened to cope with this expanded program.

During the third quarter sixteen drill holes were completed resulting in 33 holes being drilled to end September. Drilling during the quarter focused on the Joshua vein with three holes being drilled on the Kearney vein and two on the Kerr vein. Channel sampling was also carried out on the Kerr and Joshua vein systems with the focus being mainly on the Joshua vein system. Assay results released to date from both the drilling and channel sampling programme have been encouraging with significant gold intersections being identified (see press releases dated September 15, 2011, September 20, 2011, October 4, 2011 and October 20, 2011). Assay results from this programme will continue to be announced as and when they are received.

Omagh Minerals will continue to explore the Joshua vein at depth together with the continued drilling programme on the Kearney vein. To date the funding of the drilling programme has been financed from cash flow generated from operations at the mine and this, together with the encouraging exploration results to date, has enabled a further expansion of the program to receive active ongoing consideration.

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and financial results in Canadian dollars for the first quarter of 2011 and for the seven preceding quarters are summarized below:

Quarter Ended	Accounting Policies	Total Revenue	Net Profit (Loss)	Net Profit (Loss) per share & per share diluted
September 30, 2011	IFRS	$ 2,510,985	$ 445,646	$ (0.00)
June 30,2011	IFRS	$ 3,266,572	$ 1,039,384	$(0.00)
March 31,2011	IFRS	$ 1,202,141	$ (319,985)	$ (0.00)
December 31, 2010	IFRS	$ 1,587,321	$ (60,734)	$ (0.00)
September 30, 2010	IFRS	$ 1,759,978	$ 206,066	$ 0.00
June 30, 2010	IFRS	$ 1,503,296	$ 118,727	$ 0.00
March 31, 2010	IFRS	$ 1,980,815	$ 486,141	$ 0.00
December 31, 2009	Canadian GAAP	$ 1,667,716	$ (5,672,371)	$ (0.03)

The results for the Quarter ended September 30, 2011 are discussed under Section 1.2 – Review of Financial Results. Revenues are primarily from the sales of concentrates. There had been losses in each of the quarters up to December 31, 2009. The increase in the Net Loss in the quarter ended December 31, 2009 to $ 5,672,371 is due primarily to the impairment of assets which resulted in an additional charge in the fourth quarter of $ 5,314,412. Subsequent to January 1, 2010, the Company has been profitable in the first three quarters of 2010 mainly as a result of higher gold prices. A fall in metal production during the fourth quarter of 2010 and a further fall in production during the first quarter of 2011 resulted in a losses being incurred in both these quarters. The return to profitability in the second and third quarters of 2011 was due to both the increased production levels and higher gold prices during those quarters. The current quarter's results are discussed in Section 1.2 – Review of Financial Results.

1.6 LIQUIDITY

The Company had a cash balance of $ 4,629,598 at September 30, 2011 compared with a cash balance of $ 2,661,798 at December 31, 2010.

As at September 30, 2011, the Company's working capital deficit amounted to $ 507,132 which compared with a deficit of $ 292,336 at December 31, 2010.

There were no financing activities during the third quarter of 2011.During the first quarter of 2011, Galantas announced that it had entered into a convertible unsecured £ 1,250,000 loan agreement with Kenglo One Limited (see March 10, 2011 Press Release). The convertible loan carries interest of 2% per annum above the base rate of Barclays Bank plc. The Loan will be repaid upon exercise by Kenglo of the previously issued warrants of the Company held by Kenglo, subject to the terms of the warrants and the loan agreement. Earlier in 2010 Galantas had completed a private placement in two tranches with Kenglo. The gross amount raised was $ 2,277,500.

The Company's is using the funds from both the convertible loan secured during the first quarter of 2011 and the 2010 private placing to finance the fixed plant refurbishment completed in 2011, mobile equipment purchases and the further expanded drilling program at the Omagh mine which commenced during the first quarter of 2011 and which includes the acquisition of two drill rigs.

Related Party loans repayments during the three and nine months ended September 30, 2010 amounted to $ 552,685 (UK£ 350,000). Repayments on the Financing Facility were $ 31,266 during the first nine months of 2011.

The Company may be required in the future to continue its efforts to raise funds for future developments and operations. There is however, no assurance that the Company will be successful in its efforts, in which case the Company may not be able to meet its obligations. The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis as discussed in Note 1 of the September 30, 2011 condensed consolidated interim financial statements.

Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the unaudited condensed consolidated interim statements of financial position.

1.7 CAPITAL RESOURCES

As at September 30, 2011, the Company had capital requirements to repay, under existing arrangements.

a) Accounts payable and accrued liabilities amounting to $ 2,116,573 incurred in the normal course of business.

b) A UK £ loan facility from G&F Phelps Limited, a company controlled by a director of the Company, in the amount of $ 2,169,358 (£ 1,336,552). This loan bears interest at 2% above base rate, is repayable on demand and is secured by a mortgage debenture over all the Company's assets. Interest accrued on related party loans is included under due to related parties. As at September 30, 2011, the amount of interest accrued amounted to $ 31,795.

c) Amounts due to directors of the Company $ 485,756 (£ 299,277).

d) A UK£ convertible loan from Kenglo One Limited in the amount of $ 1,960,100 (£ 1,250,000) which carries interest at 2% above base rate. The Loan will be repaid upon exercise by Kenglo of the previously issued warrants of the Company held by Kenglo, subject to the terms of the warrants and the loan agreement.

Contingent Liability

During 2010, the Company's subsidiary Omagh Minerals Limited received a payment demand from Her Majesty's Revenue and Customs in the amount of $ 516,151 (UK£ 333,151) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company's subsidiary Omagh Minerals Limited intends to vigorously defend itself against this claim. No provision has been made for the claim in the unaudited condensed consolidated interim financial statements.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet transactions.

1.9 RELATED PARTY TRANSACTIONS

Director fees of $ 11,000 and $ 31,500 respectively were paid or accrued for the three and nine months ended September 30, 2011 ($ 10,000 and $ 29,000, respectively for the three and nine months ended September 30, 2010). Remuneration accrued for the President CEO totalled $ 78,925 (UK£ 50,000) and $ 236,855 (UK£ 150,000) respectively for the three months and nine months ended September 30, 2011 ($ 16,080 (UK£ 10,000) and $ 47,655 (UK £ 30,000) respectively for the three and nine months ended September 30, 2010).

During 2009, the Company signed an agreement for the rent of mining equipment with G&F Phelps Limited ("G&F Phelps"), a Company controlled by a director of the Company. The rental charged for the rental of this equipment for the three and nine months ended September 30, 2011 amounted to $ Nil and $ Nil respectively (three and nine months ended September 30, 2010 $ 60,147 and $ 145,429 respectively). In January 2011 Omagh Minerals Limited the operator of the Omagh mine acquired this mining equipment at a cost of £ 192,500 exclusive of VAT. At September 30, 2011 the amount payable to G&F Phelps for the rent of this mining equipment amounted to $ Nil (December 31, 2010 - $ 137,741 (UK£ 88,791)).

At September 30, 2011 G&F Phelps Limited, a company controlled by director of the Company, had amalgamated loans to Galantas of $ 2,169,358 (UK£1,336,552) (December 31, 2010 $ 2,616,349 (UK£ 1,686,552)) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets.

The interest charged on the loan for the three and nine months ended 30, September 30, 2011 amounted to $ 14,328 and $ 47,351 respectively (three and nine months ended September 30, 2010 $ 19,716 and $ 55,711 respectively).Interest accrued on related party loans is included under due to related parties. As at September 30, 2011, the amount of interest accrued is $ $ 31,795 (UK£ 19,589) (December 31, 2010 - $ 34,291 (UK£ 22,105)).

Amounts due to Directors totalled $ 485,756 (UK£ 299,277) at September 30, 2011 (December 31, 2010 $ 231,573 (UK£ 149,277)).

Transactions with related parties were in the normal course of operations and were measured at the exchange amounts.

1.10 FOURTH QUARTER

Not applicable to Quarterly MD&A

1.11 PROPOSED TRANSACTIONS

The Company presently has no planned or proposed business or asset acquisitions or dispositions.

1.12 CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reported period. 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:

- the recoverability of accounts receivable that are included in the unaudited condensed consolidated interim statements of financial position;
- the recoverability of deferred development and exploration costs incurred on the Omagh mine;
- the estimated life of the ore body based and the estimated recoverable ounces or pounds mined from proven and probable reserves of deferred development and exploration costs which are included in the unaudited condensed consolidated interim statements of financial position and the related amortization and depreciation included in profit of loss;

- the estimated useful lives and residual value of property, plant and equipment which are included in the unaudited condensed consolidated interim statements of financial position and the related amortization and depreciation included in profit or loss;
- the inputs used in accounting for stock-based compensation transactions in profit or loss;
- Management applied judgment in determining the functional currency and presentation currency based on the facts and circumstances that existed during the period;
- Management assumption of amount of material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the period; and
- Management's position that there is no income tax considerations required within these unaudited condensed consolidated interim financial statements.

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Transition to and Initial Adoption of IFRS

The Accounting Standards Board (AcSB) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company has prepared its third unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011 in accordance with IAS 34, using accounting policies consistent with IFRS and which include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three and nine months ending September 30, 2011 also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position as at January 1, 2010.

The preparation of these unaudited condensed consolidated interim financial statements has resulted in changes to the accounting policies compared with the most recent annual financial statements prepared under Canadian GAAP.

The accounting policies listed below have been applied consistently to all periods presented in the financial statements. They have also been applied in preparing an opening IFRS statement of financial position as of January 1, 2010, for the purposes of transition to IFRS as required by IFRS1, First Time Adoption of International Financial Reporting Standards.

Impact of Adopting IFRS on the Company's Business

The adoption of IFRS has not resulted in any material changes to Galantas's accounting systems and business processes as the changes identified to date are minimal and the systems and processes can accommodate the necessary changes. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's staff and advisers involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and the Audit Committee have been regularly updated throughout the Company's transition process and are aware of the key aspects of IFRS affecting Galantas.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, 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, the Company's transition date:

- To apply IFRS 2 Share-based Payments only to equity instruments issued after November 7, 2002, and that had not vested by the transition date.
- To apply IFRS 3 Business Combinations prospectively from the transition date, therefore not restating business combinations that took place prior to the transition date.
- To apply IAS 21, The Effects of Changes in Foreign Exchange Rates, prospectively from the transition date. The Company elected to reset all cumulative transaction gains and losses to zero in the opening deficit at its transition date.
- To apply IAS 23 Borrowing Costs prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

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 consolidated statement of financial position as at the transition date will be consistent with those made under current Canadian GAAP.

The Company's transition date IFRS unaudited consolidated statement of financial position is included as comparative information in the unaudited condensed consolidated interim statements of financial position in these unaudited condensed consolidated interim financial statements.

Impact of Adopting IFRS on the Company's Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS effective January 1, 2011, the Company's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes made to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes to its adoption of IFRS that would affect the summary provided below.

1. Exploration and Evaluation Expenditures

   IFRS allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions.

   On transition to IFRS Galantas has retained its current accounting policy of deferring exploration and evaluation expenditures until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. Therefore there is no significant change to the related line items within its financial statements.

2. Impairment of (Non-financial) Assets

   IFRS, like Canadian GAAP, requires an assessment at each reporting date as to whether there are indicators of impairment of both property plant and equipment and deferred development and exploration costs. The factors considered under IFRS are quite similar to Canadian GAAP, but there are some differences.

IFRS requires a write down of assets if the higher of the fair market value 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. Current Canadian GAAP requires 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.

Also IFRS requires reversal of impairment losses to assets other than goodwill if certain criteria are met. Canadian GAAP does not permit reversal of impairment.

The Company's accounting policies related to impairment have been changed to reflect these differences. However this change has had no impact to the carrying value of the Company's assets.

3. Cumulative Translation Differences

IFRS requires that the functional currency of each entity in the consolidated Group be determined separately in accordance with the indicators as per IAS 21 – Foreign exchange and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The group's functional currency is the GBP/UK£ except for Galantas Gold Corporation (parent company) which has Canadian dollar as the functional currency. The consolidated financial statements are presented in Canadian dollars which is the group's presentation currency.

Under IFRS, the results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

4. Warrants/Share-based Payments

Prior to 2011 under Canadian GAAP the Company recorded the value of warrants issued to warrants and share based payments to contributed surplus. IFRS requires an entity to present for each component of equity, reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for Warrants", "Reserves for Share Based Payments" and any other component of equity. There is no impact on the unaudited condensed consolidated interim financial statements.

5. Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of Asset Retirement Obligations (Decommissioning Liabilities) 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 asset Retirement Obligations (Decommissioning Liabilities) have been changed to reflect these differences. There is no impact on the unaudited condensed consolidated interim financial statements.

6. Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than under current Canadian GAAP.

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

7. Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

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

Presentation

Certain amounts in the unaudited condensed consolidated interim statements of financial position, statements of comprehensive (loss) income and statements of cash flows have been reclassified to conform to the presentation adopted under IFRS.

The Significant Accounting Policies adopted by Galantas following the transition to IFRS are set out in Note 4 of the September 30, 2011 Condensed Consolidated Interim Financial Statements.

Transition to IFRS – Impact on Financial Statements

The main impact on the Company's financial statements arising from the transition to IFRS relates to Cumulate Translation Differences as outlined on Note 21 (iii) (c) on the September 30, 2011 unaudited condensed consolidated financial statements. IFRS requires that the functional currency of each entity in the consolidated Group be determined separately in accordance with the indicators as per IAS 21 – Foreign exchange and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company's operating subsidiaries is the GBP/UK£. Galantas Gold Corporation (parent company) has Canadian dollar as the functional currency. The consolidated financial statements are presented in Canadian dollars which is the group's presentation currency.

Effect on Condensed Consolidated Interim Statements of (Loss) Income and Comprehensive (Loss) Income

Under Canadian GAAP all Foreign Exchange Gains/Losses were included as one line item in the Consolidated Statement of (Loss) Income. Following the transition to IFRS foreign exchange translation adjustments, arising from the translation to Canadian dollars of assets and liabilities of the Company's foreign subsidiaries with UK£ functional currencies, are recognised as a separate component of shareholders equity – Other Comprehensive Income (Loss). Foreign currency differences arising from transactions in currencies other than functional currencies in each entity are included in the Statement of (Loss) Income.

The effect of the transition to IFRS on the Condensed Consolidated Interim Statement of Income and Comprehensive Income for the three months and nine months ended September 30, 2010 and the year ended December 31, 2010 are set out on the Reconciliation between IFRS and Canadian GAAP on Note 21(v) of the September 30,2011 Condensed Consolidated Interim Financial Statements.

Effect on Condensed Consolidated interim Statements of Financial Position

Under Canadian GAAP Property, Plant and Equipment, Deferred Development and Exploration Costs, Long Term Deposit and Asset Retirement Obligation of the Company's foreign subsidiaries were translated to Canadian Dollars at historical exchange rates. Following the transition to IFRS these subsidiaries are deemed to have UK£ functional currencies and assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are recognized as a separate component of shareholders equity – Other Comprehensive Income (Loss). Due to the Canadian dollar historical exchange rates that were in effect to translate UK£ assets to Canadian dollars being at much higher levels than the Canadian$/UK£ exchange rate that prevailed at transition date the carrying value of these assets under IFRS is materially lower in Canadian dollars at January 1, 2010 than the carrying value under Canadian GAAP at that date. This reduction in carrying value is included in Deficit as set out in the reconciliation of the Canadian GAAP and IFRS Consolidated Balance Sheets at the January 1, 2010 transition date on Note 21(v) of the September 30, 2011 Condensed Consolidated interim Financial Statements.

The reconciliations of the Canadian GAAP and IFRS Consolidated Balance Sheets subsequent to transition date as at September 30, 2010 and December 31, 2010 are set out on Note 21(v) of the September 30, 2011 Condensed Consolidated interim Financial Statements.

The aforementioned foreign exchange translation adjustments arising from the translation to Canadian dollars of assets and liabilities of the Company's foreign subsidiaries with UK£ functional currencies for both the three and nine months ended September 30, 2010 and the year ended December 31, 2010 are recognised as a separate component of shareholders equity – Other Comprehensive Income (Loss)/Reserves in the Financial Statements.

The Reconciliation between IFRS and Canadian GAAP is set out in Note 21 of the September 30, 2011 Condensed Consolidated Interim Financial Statements.

Future accounting changes

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board or International Financial Reporting Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 Financial instruments ("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.

(ii) IFRS 10 'Consolidated Financial Statements' ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier adoption is permitted.

(iii) IFRS 11 Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement usingthe equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) IFRS 12 'Disclosure of Interests in Other Entities' ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 13 'Fair Value Measurement' ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- Fair value is measured using the price in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorised under Level 3 of the fair value hierarchy to significant unobservable inputs;
- and information must be provided on an entity's valuation processes for fair value measurements categorize Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) IAS 1 – Presentation of financial statements ("IAS1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July1, 2012.

(VII) IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20"). On October 19, 2011 the IASB issued IFRIC 20. The interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's current financial instruments consist of cash, accounts receivable and advances, long term deposit, accounts payable and other liabilities financing facility and due to related parties and convertible debentures. The carrying values approximate the fair values of these financial instruments due to the short-term maturity of these items.

1.15 OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Issuers without Significant Revenue or Exploration Disclosure of Outstanding Share Data

General Administrative Expenses for the Three Months ended September 30, 2011 and September 30, 2010 are detailed below:

Expense Account	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
Management & administrative wages	$ 148,130	$ 78,383
Other operating expenses	$ 133,274	$ 44,831
Accounting & corporate	$ 18,415	$ 15,225
Legal & audit	$ 49,376	$ 47,343
Stock based compensation	$ 140,987	$ 2,500
Shareholder communication	$ 69,704	$ 25,198
Transfer agent	$ 3,642	$ 3,605
Directors fees	$ 11,000	$ 10,000
General office	$ 9,498	$ 86
Accretion expenses	$ 43,507	$ 0
Bank interest and charges	$ 28,035	$ 23,395
Total	**$ 655,568**	**$ 250,566**

General Administrative Expenses for the three months ended September 30, 2011 totalled $ 655,568 compared to $ 250,566 for the quarter ended September 30, 2010.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs at both Galantas corporate and the Omagh mine which totalled $ 148,130 for the third quarter ended September 30, 2011 compared to $ 78,383 for the corresponding period of 2010. The increase in wage costs in the third quarter of 2011 was mainly attributable to the increased remuneration of the President and CEO accrued in the third quarter of 2011. Other operating expenses, the majority of which are also incurred in UK£, and include amongst others professional fees, insurance costs, travel together with the ongoing expenses of the Company's jewellery business amounted to $ 133,274 for the three months ended September 30, 2011 compared to $ 44,831 for the corresponding period of 2010. The increase in costs in the third quarter of 2011 compared to 2010 is mainly due to one off costs in connection with a provision for restructuring costs at the Omagh mine together with increases in travel costs, local authority costs, insurance costs and training costs. Accounting and corporate costs for the quarter amounted to $ 18,415 compared to $ 15,225 for the corresponding period of 2010. This increase reflects the higher level of external accounting and corporate services required during the third quarter of 2011 and in particular with regards to IFRS transition issues. Legal and audit costs totalled $ 49,376 for the quarter compared to $ 47,343 for the third quarter of 2010. Legal fees include both legal costs incurred by Omagh Minerals Limited and legal costs incurred at the corporate level in connection with ongoing corporate matters.

Stock based compensation costs for the third quarter of 2011 amounted to $ 140,987 compared to $ 2,500 for the corresponding period of 2010. The increase in third quarter 2011 costs is mainly as a result of the granting of stock options during the third quarter of 2011. The low amount of Stock based compensation expense for the three months ended September 30, 2010 was due to most of the outstanding stock options being fully vested at that time.

Shareholder communication costs amounted to $ 69,704 for the third quarter of 2011 compared to $ 25,198 for the corresponding period of 2010. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees. Shareholder communications costs were higher in the third quarter of 2011 due to a number of factors including costs incurred in connection with an investor relations programme undertaken during the quarter and increased investor relations fees in relation to its listing on the AIM market in the UK. Transfer agents fees for the third quarter of 2011 amounted to $ 3,642 which compared to $ 3,605 for the corresponding period of 2010. Directors' fees for the third quarter of 2011 totalled $ 11,000 compared to $ 10,000 for the corresponding period of 2010. General office expenses for the third quarter of 2011 amounted to $ 9,498 compared to $ 86 for the third quarter of 2010 which increase was due mainly to costs incurred on upgrading the Company's website together with increased corporate insurance charges.

Accretion expenses on the convertible loan for the third quarter of 2011 amounted to $ 43,507 compared to $ Nil for the corresponding period of 2010. The accretion charge arises as the carrying value of the loan is less than its face value due to it being a convertible loan with the discount being accreted over the term of the loan. Bank interest and charges for the third quarter of 2011 amounted to $ 28,035 compared to $ 23,395 for the quarter ended September 30, 2010. The higher level of bank interest and fees in 2011 reflects the inclusion of interest on the convertible loan in the third quarter of 2011 when compared to 2010.

This resulted in General administrative expenses totalling $ 655,568 and $ 250,566 for the respective periods.

General Administrative Expenses for the Nine Months ended September30, 2011 and September 30, 2010 are detailed below:

Expense Account	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Management & administrative wages	$ 416,955	$ 225,292
Other operating expenses	$ 369,993	$ 118,202
Accounting & corporate	$ 55,267	$ 43,943
Legal & audit	$ 177,411	$ 99,441
Stock based compensation	$ 194,148	$ 7,947
Shareholder communication	$ 193,061	$ 78,559
Transfer agent	$ 18,396	$ 24,406
Directors fees	$ 31,500	$ 29,000
General office	$ 13,614	$ 990
Accretion expenses	$ 95,656	$ 0
Bank interest and charges	$ 80,653	$ 70,610
Total	**$ 1,646,654**	**$ 698,390**

General Administrative Expenses for the nine months ended September 30, 2011 totalled $ 1,646,654 compared to $ 698,390 for the nine months ended September 30, 2010.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs at both Galantas corporate and the Omagh mine which totalled $ 416,955 for the nine months ended September 30, 2011 compared to $ 225,292 for the corresponding period of 2010. The increase in wage costs in the first nine months of 2011 was attributable mainly to the increased remuneration of the President and CEO accrued in 2011. Other operating expenses, the majority of which are also incurred in UK£, and include amongst others professional fees, insurance costs, travel together with the ongoing expenses of the Company's jewellery business amounted to $ 369,993 for the nine months ended September 30, 2011 compared to $ 118,202 for the corresponding period of 2010. The increase in costs in the first nine months of 2011 compared to 2010 is mainly due to one off costs totalling $ 174,000 in connection with both a local tribunal award to an ex-employee and a provision for restructuring costs at the Omagh mine. In addition there were increases in insurance costs of $ 16,000, health and safety training costs of $ 21,000, travel expenses of $ 18,000 and local authority charges of $ 9,000. Accounting and corporate costs for the nine months ended September 30 amounted to $ 55,267 compared to $ 43,943 for the corresponding period of 2010. This increase reflects the higher level of external accounting and corporate services required during the first nine months of 2011 and in particular with regards to IFRS transition issues. Legal and audit costs totalled $ 177,411for the nine months compared to $ 99,441 for the nine months ended September 30 2010.The main reason for the 2011 increase was due to both higher legal costs incurred by Omagh Minerals Limited during the period in connection with the tribunal hearing and increased legal costs at the corporate level in connection with ongoing corporate matters and in particular the convertible debenture loan. There were also additional audit fees during the period in connection with an audit review of the Company's first quarter's financials following the transition to IFRS.

Stock based compensation costs in 2011 amounted to $ 194,148 for the nine months ended September 30, 2011 compared to $ 7,947 for the corresponding period of 2010. The increase in 2011 costs is as a result of the granting of additional stock options during 2011. The low amount of Stock based compensation expense for the nine months ended September 30, 2010 was due to most of the outstanding stock options being fully vested at that time.

Shareholder communication costs amounted to $ 193,061 for the nine months ended September 30, 2011 compared to $ 78,559 for the corresponding period of 2010. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees. Shareholder communications costs were higher in the first nine months of 2011 due to a number of factors including costs incurred in connection with an investor relations programme undertaken during the period and increased investor relations fees in relation to its listing on the AIM market in the UK. Transfer agent's fees for the nine months amounted to $ 18,396 which compared to $ 24,406 for the corresponding period 2010. Transfer agents costs for the first nine months include certain costs in connection with the holding of Company's annual general meeting. The higher costs in the first nine months of 2010 arise from the holding of an additional shareholders meeting during that period. Directors' fees for the nine months totalled $ 31,500 compared to $ 29,000 for the corresponding period of 2010. General office expenses for the nine months amounted to $ 13,614 compared to $ 990 for the corresponding period of 2010 with the increase being mainly due to increased costs incurred on upgrading the Company's website together with increased corporate insurance charges.

Accretion expenses on the convertible loan for the first nine months of 2011 amounted to $ 95,656 compared to $ Nil for the corresponding period of 2010. The accretion charge arises as the carrying value of the loan is less than its face value due to it being a convertible loan with the discount being accreted over the term of the loan. Bank interest and charges for the nine months ended September 30, 2011 amounted to $ 80,653 compared to $ 70,610 for the nine months ended September 30, 2010. The higher level of bank interest and fees in the first nine months of 2011 when compared to 2010 reflects the inclusion of interest on the convertible loan.

This resulted in General administrative expenses totalling $ 1,646,654 and $ 698,390 for the respective periods.

Disclosure of Outstanding Share Data

Share Capital

The Company is authorized to issue in series an unlimited number of common and preference shares. At November 22, 2011 there were a total of 235,650,055 shares issued, 45,550,000 warrants outstanding expiring from June 2012 to July 2012 and 15,750,000 stock options expiring from June 2012 to September 2016.

TRENDS AFFECTING THE COMPANY'S BUSINESS

Gold Price in US Dollars and UK Sterling

The Gold concentrate output from the Omagh Mine, which also contains silver and lead credits, is sold in US dollars. Most of the value is accrued from the gold content. The following table is composed from data published by the Bank of England of average monthly gold price in US$ and UK £ (Sterling) per troy ounce. The gold price in both US$ and UK£ continued to strengthen in the third quarter of 2011 when it averaged US$ 1,700 and UK£ 1056 compared to US $ 1,226 and UK£ 792 for the third quarter of 2010 an increase of 38% and 33% respectively. The gold price for the nine months ended September 30, 2011 averaged US$ 1,530 and UK£ 948 compared to US $ 1,177 and UK£ 769 for the corresponding period of 2010 an increase of 30% and 23% respectively. Subsequent to September 30, 2011 the gold price fell back but now appears to be continuing a rising trend. The majority of costs at the mine are incurred in UK£ Sterling and the Company's US dollar sales revenues are converted to Sterling.

MONTH	Gold Price US $ per oz	Gold Price UK£ per oz	Quarterly Average US$	Quarterly Average UK£
JANUARY 2011	1,356.40	859.27		
FEBRUARY 2011	1,372.30	851.52		
MARCH 2011	1,424.01	881.19	1,384.24	863.99
APRIL 2011	1,473.81	901.49		
MAY 2011	1510.44	926.06		
JUNE 2011	1528.66	942.95	1504.30	923.50
JULY 2011	1572.81	974.50		
AUGUST 2011	1755.81	1073.17		
SEPT 2011	1771.85	1121.46	1700.16	1056.38
OCTOBER 2011	1665.21	1057.05		

Galantas has a policy of being un-hedged in regard to gold production.

The US Dollar / UK Sterling Currency Exchange Rate

The following table is drawn from Bank of England data that gives the monthly average spot exchange rate of US $ into UK Sterling. The trend of the first and second quarters of 2011 was that of a strengthening of sterling against the US Dollar. That trend appears to have reversed in September with sterling averaging $1.58 for the months of September and October.

MONTH	Average US $:£	Quarterly Average US$:£
JANUARY 2011	1.58	
FEBRUARY 2011	1.61	
MARCH 2011	1.62	1.60
APRIL 2011	1.63	
MAY 2011	1.63	
JUNE 2011	1.62	1.63
JULY 2011	1.61	
AUGUST 2011	1.63	
SEPT 2011	1.58	1.61
OCTOBER 2011	1.58	

A currency policy has been adopted of converting incoming payments into the currency required within a short period of when they are received, thus avoiding the taking of a large currency position on either side of the market.

The Canadian Dollar / UK Sterling Currency Exchange Rate.

The accounts of the corporation are expressed in Canadian Dollars. The majority of costs at the mine are incurred in UK£ Sterling and are converted to Can$ at the average rate for the relevant accounting period. When these are expressed in Canadian Dollars terms within the Corporation's accounts, there is an increase in costs when there is a fall in value or weakening of the Canadian Dollar against Sterling.

The Can $ has stayed broadly flat during the third quarter and first nine months of 2011 although it has weakened subsequently during October to $1.61 / UK£.

MONTH	Average Can$:£	Quarterly Average Can$:£
JANUARY 2011	1.57	
FEBRUARY 2011	1.59	
MARCH 2011	1.58	1.58
APRIL 2011	1.57	
MAY 2011	1.58	
JUNE 2011	1.58	1.58
JULY 2011	1.54	
AUGUST 2011	1.61	
SEPT 2011	1.58	1.58
OCTOBER 2011	1.61	

Difficulties in the Western credit markets have impacted on all companies entering into banking credit arrangements. However, the company is not seeking bank finance at this time.

In Northern Ireland, the widely acknowledged political agreement has consolidated the positive financial effects of peace and stability in the province, but there continues a low level of activity by those not allied to the peace process.

Recent local and regional elections have appeared to produce a political environment not dissimilar to that previously occurring and there appears to be a growing appreciation of the employment opportunities within the Corporation's operations.

RISKS AND UNCERTAINTIES

Galantas operates in a sector – mineral production and exploration – which carries inherent risks only some of which are within management's ability to reduce or remove. The main sector risk is always metal price. The Company's other business, high value Irish gold jewellery, is dependent upon the mine consistently being able to supply reliable certified Irish gold.

The Company has assessed the risks surrounding its business. It has concluded that most if not all of the risks are standard to the industry and none of them so profound as to inhibit pursuit of the Company's strategy. The main risks identified and considered are:

Current Global Financial and Economic Conditions

Current global financial and economic conditions have been characterized by extreme volatility. Several financial institutions and other major business have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact the Company's ability to obtain funding in the future and on favourable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary. If such volatility and market turmoil continue, the Company's business and financial condition could be adversely impacted

Additional Funding Requirements

Although not required at present, additional funds, if required, may not be available. Further exploration and development of the Corporation's properties may require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production at the Omagh mine. The ability of the Company to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on satisfactory terms. If additional financing is raised by the issuance of shares from the Company's treasury, control of the Company may change and existing security holders may suffer additional dilution of their interests.

Uncertainty of Mineral Resource and Mineral Reserve Estimates

The estimates for mineral resources and mineral reserves are determined in accordance with NI 43-101 and CIM Standards. There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of metals from such resources may not be realized. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect in the future on the Company's financial position and results of operations. Estimated mineral resources may have to be recalculated based on changes in mineral resource prices, further exploration or development activity, or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence reserve or resource estimates. Market price fluctuations for mineral resources, increased production costs or reduced recovery rates, or other factors can render proven and probable mineral reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated mineral reserves could require material writedowns in investment in the affected mining property and increased amortization, reclamation and closure charges.

Uncertainty of Inferred Mineral Resources

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

Exploration, Development and Operations Risks

Mining operations generally involve a high degree of risk. The Company’s operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

The nature of the Corporation’s business is highly speculative due to its proposed involvement in the exploration, development and production of minerals. The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. No assurance can be given that additional minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis or at all. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Substantial additional expenditures will be required to locate and establish additional mineral reserves, to develop metallurgical processes and to expand mining and processing facilities at the Omagh site. It is impossible to ensure that the exploration or development programs planned by the C0mpany will result in a profitable commercial mining operation. The commercial viability of an additional mineral deposit, if one is discovered, depends on a number of factors, including the particular attributes of the deposit (such as size and grade), proximity to infrastructure, metal prices, which are highly cyclical, and regulations imposed by various levels of government, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Most of these factors are beyond the control of the Corporation. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mineral exploration and development are highly speculative and few properties that are explored are ultimately placed into commercial production. There is no certainty that the expenditures made by the Corporation on the search and evaluation of additional mineral deposits will result in discoveries of commercial quantities of ore.

Mineral Processing

Generally the plant performs in line with the prior technical guidance. Alterations and modifications to equipment and operating practices have been made and have resulted in improvements in comminution and concentrate quality. However, there is no certainty that the improvements will persist and were these not to do so there would be a risk to cash flow and budget.

Environmental

The project was subject to one of Ireland's lengthiest public enquiries whereat its design and operating fundamentals were challenged and defended to the satisfaction of the independent assessors and industry experts representing regulators and the Company. In operation, the facilities are subject to self monitoring and monitoring by regulators. The Company's activities are subject to laws and regulations controlling not only mining activities but also the possible effects of such activities upon the environment. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities.

Environmental legislation is evolving in a manner which may mean stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company does not maintain environmental liability insurance.

The Corporation notes the positive results of a recent detailed Compliance Study by the Northern Ireland Environment Agency and continues its policy of best achievable environmental practice.

Permitting

The Company has permission to carry out its activities. Overall consents were granted in 2000 after fulfillment of more than 30 pre-conditions which attached to the provisional consent granted in 1995. In all jurisdictions, regulatory provisions are subject to change and the Company may be faced with additional constraints in the future. The Company will require making additional applications for permitting in order to make additional ore available for mining. The Company has applied for a variation of its consent to confirm early restoration activities are permitted and understands that it has the support of Department of Environment Northern Ireland.

Regulations and Permits

While Galantas holds the required permits for current operations at the Omagh Mine there is no guarantee that these permits, if and when required, will be renewed, or renewed on terms acceptable to the Company. Furthermore, the Company may be required to obtain additional licenses and permits from various governmental authorities to continue and expand its development and production activities. The Company's activities are also subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. Galantas is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's operating and exploration activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the

Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict Galantas from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Risks Relating to Government Regulation

The Company's operations and properties are subject to laws and regulations governing mineral concession acquisition, mine development and prospecting, mining, production, occupational health and safety, labor standards, employment, waste disposal, toxic substances, land use, environmental protection, use of water, exports, taxes, royalties and other matters. It is possible that the Company may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of the Company's permits and agreements, which could have a material adverse impact on the Company's current operations and future development projects. The Company may experience increased costs and delays in production as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there is no assurance that Galantas will be able to obtain all required permits on reasonable terms or on a timely basis. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder including the loss of the Company's mining concessions, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

Title

The Company owns the land in secure freehold on which the project is located. Precious metal licenses and mining licenses have been granted to the Company by the Crown Estate and renewed as required since the mid – 1990's when initially granted. Licenses and Leases are subject in the usual way to minimum performance requirements which are set at a level so as not to inhibit development. There is a dialogue ongoing with the Northern Ireland Development of Enterprise Trade and Industry (DETI) concerning a license to extract base metals which occur with the gold and silver in the quartz-sulphide veins and which may be recovered as a by-product of gold and silver. The license if applicable may require a fee payable to owners of surface rights. In the case of the Company's mine, since the owner is the Company itself, it is thought unlikely that there will be a material impact.

Political

Northern Ireland has achieved a stable political status conducive to business as is evidenced by the relatively large amounts of inward investment that the province has enjoyed over the past decade. It is noted that there was recently an increase in activity by parties not allied to the peace process which now appears to have abated. The mine is well removed from areas of potential urban disturbance.

Insurance and Uninsurable Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability. The Company currently has liability insurance in an amount that management considers adequate. However, such insurance may not cover all the potential risks associated with a mining company's operations. In addition, in the future, the costs of such insurance may become prohibitive and, in any event, the nature of the risks for mining companies is such that liabilities might exceed policy limits. Insurance coverage may not continue to be available at all or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Revenue

The Company has contracted sale of its concentrate to Xstrata. While the payment terms are specific, there is risk that unit income may fall short of forecast. This could be due to a number of factors including failure of the concentrate to be within the specification contracted as regards both value elements and penalty elements and failure to produce concentrate of consistent quantity.

Currency Fluctuations

Currency fluctuations may affect the Company's future operations, financial position and results. The Company's revenues are in US dollars. Most of the costs and expenditures of the Company are incurred in UK Pounds Sterling resulting in dollar revenues being converted to sterling on an ongoing basis. The value of sterling against the US dollar constantly fluctuates which impacts on sterling revenue available to the Company. The appreciation of the UK£ against the U.S. dollar would reduce the UK£ revenues at the Omagh mine which could materially and adversely affect the Corporation's profitability, results of operation and financial condition. Financial results are published in Canadian dollars with the UK£ operating results being converted at average exchange rates for each period. There is also a currency risk arising mainly from the Company's net liabilities being denominated in sterling, which liabilities will fluctuate in Canadian dollar terms giving rise to exchange gains/losses in line with the ongoing fluctuations in the exchange rates.

Gold Price

The price of gold may affect the Company's future operations. The price of gold is beyond the Company's control, can fluctuate drastically and could adversely affect the Company. Gold prices have fluctuated significantly in recent years. Market prices for gold are volatile and are affected by numerous factors beyond the Company's control, including expectations regarding inflation, global and regional demand, speculative activities, political and economic conditions and production costs in major gold-producing regions. The aggregate effect of these factors on gold prices, both in the current financial environment and generally, is impossible for the Company to predict. While Galantas would benefit from an increase in the value of gold, the Company could be adversely affected by a decrease in the value of gold.The Company's policy is to not sell forward its bullion.

Construction and Development

Most construction costs have been incurred and are therefore known and reflected in the accounts. Future development risk is attached to development of the Kearney orebody, such as till stripping, where quantities are only estimated and subject to adverse variance.

Dependence on Key Employees and Skilled Personnel

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key employees and qualified personnel. To a significant extent, the success of the Company is, and will continue to be, dependent on the expertise and experience of these employees. Continued operations at the Omagh Mine will require the Company to successfully retain its skilled personnel. The number of persons skilled in the development and production of mining properties is limited and competition for this workforce is intense. Although the Corporation believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success. The loss of one or more of the Corporation's key employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Share Price Fluctuations

In recent years, and particularly in the current global financial conditions, the securities markets in Canada and the UK have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Dividends

The Corporation has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term. Earnings, if any, will be retained to finance further exploration and development of the Corporation's business.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.