GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Three and Six Months ended June 30, 2010

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 six months ended June 30, 2010. This MD&A is to be read in conjunction with the unaudited consolidated financial statements for six months ended June 30, 2010 and the audited consolidated financial statements for the year ended December 31, 2009. The MD&A does not form part of these financial statements. The Company prepares and files its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). 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 August 19, 2010.

FORWARD LOOKING STATEMENTS

The information in the MD&A contains forward looking statements, including statements about anticipated operating and financial performance. Such statements are not guarantees of future performance which is subject to risks and uncertainties only some of which are within the Company's control, and any or all of which could cause the Company's performance to be materially different from what directors may believe. Given the uncertainties associated with forward looking statements, readers are cautioned not to place undue reliance on them. The Company does not undertake to update any forward looking statements contained herein.

OVERVIEW – STRATEGY - DESCRIPTION OF BUSINESS

<u>Company Overview</u>

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, owner of rights to work, market and sell part of the Company's gold production as certified Irish gold jewellery.

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. Some concentrate is occasionally set aside from that sold to the smelter for separate processing in a specialist facility. The gold produced by the separate facility becomes feed – stock for the Galantas Irish gold jewellery business.

The Company's strategy to increase shareholder value is to:

- Increase the production of the open pit mine and processing plant on its Kearney deposit;

- Continue to explore and develop extensions to the Kearney and nearby known deposits so as to expand minable reserves and increase gold production in stages;

- Explore its 3 prospecting licences which aggregate 653 square kilometre, focusing on the more than 100 gold targets identified to date, and

- Promote and expand on a commercial basis the Galantas®Irish gold jewellery business now that certified Irish gold from the mine has become available.

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 embraces an open pit mine which supplies ore to a crushing-grinding-froth flotation plant. The plant produces a gold and silver rich sulphide flotation concentrate which is sold to a commercial smelter. The plant was commissioned as stated in a press release dated June 26, 2007.

Galantas Irish Gold Limited

Presently market conditions generally in the jewellery trade are poor and retailers have become cautious in the current economic climate resulting in a low level of jewellery sales. As a consequence, management focus has continued to be on the mine operation during the second quarter and first six months of 2010.

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 employs 43 people.

Key Performance Driver

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

1.1 DATE OF THE MD&A

The MD&A was prepared on August 19, 2010.

1.2 REVIEW OF FINANCIAL RESULTS

Three Months Ended June 30, 2010

The net income for the three months ended June 30, 2010 amounted to $ 71,968 compared to a net loss of $ 234,235 for the three months ended June 30, 2009.

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the quarter. Sales revenues for quarter ended June 30, 2010 amounted $ 1,503,296 which compared to revenues of $ 1,648,243 for the corresponding period of 2009. Despite the lower quantity of concentrates produced and shipped during the quarter, when compared to the second quarter of 2009, the Company's sales revenues in 2010 were boosted by the favourable movement in both gold prices and exchange rates during the second quarter of 2010. Additionally, an uplift in revenues from prior periods shipments arising from the better than anticipated concentrate grades resulted in increased revenues during the second quarter.

Cost of sales includes production costs at the mine and inventory movements and are summarized below:

	Three Months ended June 30, 2010	**Three Months ended June 30, 2009**
Production costs	$ 967,683	$ 951,575
Inventory movement	$ (14,739)	$ 37,710
Cost of sales	$ **952,944**	$ **989,285**

Production costs for the three months ending June 30, 2010, which consist mainly of production costs at the mine, amounted to $ 967,683 compared to $ 951,575 for the corresponding period of 2009. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil, equipment hire, repairs and servicing, consumables and royalties. Whilst there was a slight increase of $ 16,108 in dollar production costs during the second quarter of 2010 when compared to 2009 there was a more substantial increase in the underlying UK£ production costs which are not reflected in the dollar equivalent costs due to the stronger dollar/weaker sterling exchange rate that prevailed during the second quarter of 2010 when compared to the corresponding period of 2009. The increase in UK£ production costs during 2010 when compared to 2009 included increases in wages $ 69,000 which was mainly due to both the employment of additional production personnel and particular wage costs, which in 2009 were classified within the Other operating expenses category, and which in 2010 are being classified as production costs. Other increases included Oil and Fuel increases $ 89,000 arising from both higher fuel prices and increased consumption on additional hired equipment. Equipment Hire increases $ 28,000 relating to additional hired equipment at the pit, and general consumables increases $ 21,000. All these cost increases were partially offset by a favourable exchange variance arising from the weaker UK£ exchange rate which prevailed during the second quarter when compared to the rate that prevailed during the corresponding period of 2009. This resulted in lower production costs when converted to Canadian Dollars.

The inventory movement of $ (14,739) for the second quarter compares to an inventory movement of $ 37,710 for the corresponding period of 2009 which reflects an increase in inventory levels at June 30, 2010 and reduction in inventory levels at June 30, 2009 when compared to inventories at the beginning of both periods.

Amortization of deferred development and exploration costs for the second quarter of 2010 amounted to $ 100,968 compared to $ 193,607 for the second quarter of 2009. The lower level of level of amortization charges in 2010 is due primarily to the amortization charge now being calculated on reduced deferred development and exploration costs following the asset impairment at the end of 2009. Depreciation of property, plant and equipment during the second quarter of 2010 totalled $ 58,367 which compared with $ 131,954 for the second quarter of 2009. The reduction in depreciation is due to the depreciation charge now being calculated on a lower book value following the asset impairment at the end of 2009.

This resulted in a Net Income before General administrative expenses and Foreign exchange adjustment for the three months ended June 30, 2010 of $ 391,017 compared to $ 333,397 for the corresponding period of 2009. General administrative expenses for the three months ended June 30, 2010 amounted to $ 243,444 compared to $ 330,344 for the corresponding period of 2009. General administrative expenses are discussed in Section 1.15 Other MD&A Requirements. There was a Foreign exchange loss of $ 75,605 for the three months ending June 30, 2010 which compared with a Foreign exchange loss of $ 237,378 for the corresponding period of 2009.

The foreign exchange losses in the first quarters of both 2010 and 2009 are primarily due to the weaker exchange rate of the UK£ currency against the Canadian dollar at the end of the second quarters of 2010 and 2009 when compared to the beginning of the respective quarters.

This has resulted in a Net Income for the three months ended June 30, 2010 of $ 71,968 compared to a Net Loss of $ 234,325 for the corresponding period of 2009.

Cash balances at June 30, 2010 amounted to $ 1,509,858 compared to $ 485,997 at December 31, 2009. The cash balance at June 30, 2010 includes the first tranche of the private placement of $1,050,000 received during June. Accounts receivable at June 30, 2010 amounted to $ 1,116,722 at June 30, 2010 compared to $ 657,515 at December 31, 2009 and consist primarily of trade debtors from the sale of concentrates. Accounts receivable also includes reclaimable sales taxes and prepayments. This increase in accounts receivable at June 30, 2010 is due to an increase in trade debtors. Inventory at June 30, 2010 amounts to $ 425,615 and compares with inventory of $ 445,666 at December 31, 2009. Inventory consists mainly of jewellery products and unworked gold belonging to the jewellery business.

Long-term deposit at June 30, 2010 amounted to $ 237,708 at June 30, 2010 compared to $ 118,818 at December 1, 2009. Property plant and equipment net of depreciation at June 30, 2010 totalled $ 3,570,217 compared to $ 3,691,172 at December 31, 2009. The decrease of $ 120,955 was primarily due to the depreciation charged during the period. Deferred development and exploration costs net of accumulated amortization totalled $ 6,226,382 at June 30, 2010 compared to $ 6,547,135 at the end of 2009 with the decrease being due to the amortization charge for the six months ended June 30, 2010.

Current liabilities at June 30, 2010 totalled $ 4,578,133 compared to $ 5,300,950 at December 31, 2010. The working capital deficit June 30, 2010 amounted to $ 1,525,938 compared to $ 3,711,772 at December 31, 2009. Accounts payable and accrued liabilities amounted to $ 1,591,223 compared to $ 2,097,396 at December 31, 2009. The current portion of the external financing and term loan facilities totalled $ 54,861 at June 30, 2010 and compares with $ 77,830 at the end of 2009 reflecting repayments made during the quarter. Loans from related parties at June 30, 2010 amounted to $ 2,932,049 compared to $ 3,125,724 at December 31, 2009. The asset retirement obligation at December 31, 2008 amounted to $ 447,400 at June 30, 2010 and December 31, 2009. Non-current external financing facilities totalled $ 14,219 at June 30, 2010 compared to $ 34,102 at December 31, 2009.

Six Months Ended June 30, 2010

The net income for the six months ended June 30, 2010 amounted to $ 844,386 compared to a net loss of $ 524,338 for the six months ended June 30, 2009.

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the first six months of 2010. Sales revenues from for the first half of 2010 amounted to $ 3,484,111 which compared to revenues of $ 2,791,247 for the corresponding period of 2009. Despite the level of concentrates produced and shipped during the first six months being at similar levels to those of the first half of 2009 the Company's sales revenues in the first half of 2010 were above those of 2009 boosted by the favourable movement in both gold prices and exchange rates during the period. Additionally, an uplift in revenues from prior periods shipments arising from the better than anticipated concentrate grades resulted in increased revenues during the first six months of 2010.

Cost of sales includes production costs at the mine and inventory movements and are summarized below:

	Six Months ended June 30, 2010	**Six Months ended June 30, 2009**
Production costs	$ 1,987,116	$ 1,831,221
Inventory movement	$ 20,051	$ (28,552)
Cost of sales	$ **2,007,167**	$ **1,802,669**

Production costs for the six months ending June 30, 2010, which consist mainly of production costs at the mine, amounted to $ 1,987,116 compared to $ 1,831,221 for the corresponding period of 2009. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil, equipment hire, repairs and servicing, consumables and royalties. The increase of $ 155,895 in production costs during the first half of 2010 when compared to 2009 included increases in wages $ 130,000 which was mainly due to the employment of increased production personnel and particular wage costs, which in 2009 were classified within Other operating expenses category, and which in 2010 are being classified as production costs. Other increases included Oil and Fuel increases $ 150,000 arising from both higher fuel prices and increased consumption on additional hired equipment, Equipment Hire increases $ 79,000 arising from additional mobile equipment being hired at the pit, Repairs and Servicing increases $ 55,000 due partially to abnormal repair bills arising from frost and water damage to mill and laboratory equipment early in the first quarter and general consumables increases $ 41,000. All these cost increases were partially offset by a favourable exchange variance arising from the weaker UK£ exchange rate which prevailed during the first six months of 2010 when compared to the rate that prevailed during the corresponding period of 2009. This resulted in lower production costs when converted to Canadian Dollars.

The inventory movement reflects a reduction in inventory at June 30, 2010 and an increase in inventory at June 30, 2009 when compared to inventories at the beginning of the respective years.

Amortization of Deferred development and exploration costs for the six months ended June 30, 2010 amounted to $ 325,773 compared to $ 338,995 for the corresponding period of 2009. The amortization charges in 2010 includes an increase in till strip amortization during the first quarter when compared to 2009 which is more than offset by a reduced amortization charge due to the amortization charge now being calculated on lower deferred development and exploration costs following the asset impairment at the end of 2009. Depreciation of property, plant and equipment during the first six months of 2010 totalled $ 123,241 which compared with $ 290,444 for the first half of 2009. The reduction in depreciation is due the depreciation charge now being calculated on a lower book value following the asset impairment at the end of 2009.

This resulted in a Net Income before General administrative expenses and Foreign exchange adjustment for the six months ended June 30, 2010 of $ 1,027,930 compared to $ 359,139 for the corresponding period of 2009. General administrative expenses for the six months ended June 30, 2010 amounted to $ 447,824 compared to $ 622,249 for the corresponding period of 2009. General administrative expenses are reviewed in Section 1.15 Other MD&A Requirements.

There was a Foreign exchange gain of $ 264,280 for the six months ending June 30, 2010 which compared with a Foreign exchange loss of $ 261,228 for the corresponding period of 2009. The foreign exchange gain in the first six months of 2010 is due to the weaker exchange rate of the UK£ currency against the Canadian dollar at the end of the first half of 2010 when compared to exchange rate that prevailed at the beginning of the year. The foreign exchange loss in the first six months of 2009 is due to the stronger UK£ rate against the Canadian dollar at the end of the first half of 2009 when compared to exchange rate that prevailed at the beginning of the year.

This has resulted in a Net Income for the six months ended June 30, 2010 of $ 844,386 compared to a Net Loss of $ 524,338 for the corresponding period of 2009.

1.3 SELECTED ANNUAL INFORMATION

Not applicable to Quarterly MD&A

1.4 RESULTS OF OPERATIONS

2010 Financing Activities

During the second quarter of 2010 Galantas announced a proposed private placement (See June 3, 2010 Press Release) of up to 50,000,000 units. Each unit is priced at $ 0.05 and is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $ 0.10. On June 10, 2010 Galantas completed the first tranche of the private placement whereby the Company issued 21,000,000 units pursuant to the first tranche. The gross amount raised by the first tranche of the placing is $1,050,000. Kenglo One Ltd who subscribed for all of the shares in the first tranche has expressed willingness to participate in the second tranche of the offering.

Subsequent to June 30, 2010 the Company reported that it had completed the second tranche of the private placement announced on June 3, 2010. The Company issued 24,550,000 units pursuant to the second tranche to Kenglo One Ltd who were the subscriber to the first tranche. This placing is the final part of the larger offering of 45,550,000 units announced on June 3, 2010. Each unit is priced at CDN$0.05 and is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of CDN$0.10. The gross amount raised by the second tranche of the placing is CDN$1,227,500. This subscription will increase Kenglo's holding in the Company to approximately 19.3 % of the issued shares in the Company immediately following the second tranche. If warrants within the Offering are exercised, Kenglo's stake in the Company could rise to approximately 32.4% of the issued shares in the Company immediately following the second tranche.

The Company intends to use the funds from the placing for an expanded drilling program, mobile and fixed plant improvements and working capital. The expanded drilling program will concentrate initially on targets close to the operating mine site that have already been reported upon by consultants ACA Howe (Press Release 12th June 2008) and will commence in the summer 2010.

Production

Concentrate production for the second quarter of 2010 amounted to 322.4 dry tonnes of concentrate which compares to 661.0 dry tonnes for the second quarter of 2009, a decrease of 51%. Metal content of production for the three months ended June 30, 2010 totalled 1,331 ounces of gold (41.4kg), 3,715 ounces of silver (115.5kgs) and 57 tonnes of lead. This compares with metal content for the corresponding period of 2009 of 1,977 ounces of gold (61.5kgs), 5,972 ounces of silver (185.8kgs) and 90.4 tonnes of lead which represents a 33% decrease in gold output, a 38% decrease in silver output and a 37% decrease in lead output. These 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. The production levels achieved during the second quarter were below target. Mining operations concentrated in a northerly direction on the Kearney vein during the second quarter, removing an approximate combined total of peat, till and waste rock of 307,870 m^3. The average process plant head grade for the quarter reduced due in part to mining through a wide fault zone of severely fractured psammite and schist. Additionally a trial operation of the processing plant was conducted on a lower than previous cut-off grade of ore (1.6g/t versus 3g/t gold). The trial was a technical success in that it demonstrated that lower grade material could be processed satisfactorily in volume. A number of pinch points and improvements have been identified in the processing circuit to increase throughput. These are being systematically addressed. There was an increase in the average concentrate grades during the quarter.

Plant throughput during the second quarter 2010 rose to approximately 10,602 tonnes of ore at a head grade of 3.19 g/t gold compared to the second quarter of 2009 when 8,344 tonnes of ore were produced at an average grade of 6.1 g/t gold. This increase in tonnage and reduction in grade is as a result of the process plant trial operation referred to above. Average concentrate grades for the second quarter increased to approximately 128.9 g/t gold, 335.4 g/t silver and 14% lead against the second quarter 2009 of 89.0 g/t gold, 268.3 g/t silver and 13.3% lead.

Overburden stripping on Kearney continued during the quarter, with further stripping being carried out on the Kerr Vein. A small quantity of Kerr ore has been mined and blended with feed from the Kearney vein.

Concentrate production for the six months of 2010 amounted to 917.3 dry tonnes of concentrate which compares to 1,141.7 dry tonnes for the first six months of 2009 – a decrease of 20%.

Metal content of production for the six months ended June 31, 2010 totalled 3,427 ounces of gold (106.6kg), 10,357 ounces of silver (322.1kgs) and 151.2 tonnes of lead. This compares with metal content for the first six months of 2009 of 3,487 ounces of gold (108.5kgs), 10,757 ounces of silver (334.6kgs) and 132.6 tonnes of lead which represents a 2% decrease in gold output, a 4% decrease in silver output and a 14% increase in lead output. These 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

Exploration activity continued during the second quarter and first half of 2010 remained at low levels due to the Company's working capital restrictions and followed on from the prospecting work which recommenced during the second half of 2009 on the three licence areas in Counties Tyrone and Fermanagh, Northern Ireland with most work concentrated on licence area OM1 in developing a greater understanding of the structural controls of mineralisation in the Lack inlier where indicator minerals were identified and correlated with known gold bedrock occurrences. In licences OM2 and OM3, during the latter half of 2009, a contract geochemist was employed to work on area and infill soil sample grids. These areas were selected from Tellus Survey data that showed promise. The Company issued a press release early in the year summarising the results of the exploration carried out on these three licences and announcing that analyses of the results had disclosed 13 new gold targets additional to those drill ready targets reported in 2008 bringing the number of targets for follow up operation to 122.

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and net financial results in Canadian dollars for the first quarter of 2010 and for the seven preceding quarters are summarized below:

Quarter Ended	Total Revenue	Net Profit (Loss)	Net Profit (Loss) per share & per share diluted
June 30, 2010	$ 1,503,296	$ 71,968	$ (0.00)
March 31, 2010	$ 1,980,815	$ 772,418	$ (0.00)
December 31, 2009	$ 1,667,716	$ (5,672,371)	$ (0.03)
September 30, 2009	$ 950,950	$ (164,988)	$ (0.00)
June 30, 2009	$ 1,648,243	$ (234,325)	$ (0.00)
March 31, 2009	$ 1,143,004	$ (290,013)	$ (0.00)
December 31, 2008	$ 1,955,509	$ (216,072)	$ (0.00)
September 30, 2008	$ 1,175,104	$ 113,170	$ 0.00

The results for the Quarter ended June 30, 2010 are discussed under Section 1.2 – Review of Financial Results. The decrease in Net Income during this quarter when compared to the previous quarter is due primarily to the reduced sales revenues due to lower production during the second quarter. Revenues commencing quarter ended September 30, 2007, when the Omagh mine commenced production, are primarily from sales of concentrates. The sales increase in quarter ended December 31, 2008 is due to changes in the revenue recognition policy adopted by the Company. The changes in accounting policy did not impact on the Net Loss for either year. With the exception of quarters ended September 30, 2008, March 31, 2010 and the current quarter there have been losses in each of the quarters to June 30, 2010. The Net Income in the Quarter ended September 30, 2008 when compared to the losses incurred in earlier quarters is due primarily to a substantial foreign exchange gain incurred during that quarter. The Net Income for the period March 31, 2010 is due to both the increased production levels achieved during the quarter and foreign exchange gains. 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.

1.6 LIQUIDITY

The Company had a cash balance of $ 1,509,858 at June 30, 2010 which compared with $ 485,997 at December 31, 2009.

As at June 30, 2009 the Company's working capital was in a deficit of $ 1,525,938 which compared with a deficit of $ 3,711,772 at December 31, 2009. This deficit is expected to reduce during the remainder of 2010 following the completion of the second tranche of the private placement. Ore supply continues to be a challenge with management focusing heavily on pit operations and there is steady progress. The additional working capital provided by the private placement referred to below has alleviated some of the production constraints.

During the second quarter of 2010 Galantas announced a proposed private placement (See June 3, 2010 Press Release) of up to 50,000,000 units. Each unit is priced at $ 0.05 and is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $ 0.10. On June 10, 2010 Galantas completed the first tranche of the private placement whereby the Company issued 21,000,000 units pursuant to the first tranche. The gross amount raised by the first tranche of the placing is $ 1,050,000. Kenglo One Ltd who subscribed for all of the shares in the first tranche has expressed willingness to participate in the second tranche of the offering.

Subsequent to June 30, 2010 the Company announced that Galantas has completed the second tranche of the private placement announced on June 3, 2010. The Company issued 24,550,000 units pursuant to the second tranche to Kenglo One Ltd who were the subscriber to the second tranche. This placing is the final part of the larger offering of 45,550,000 units announced on June 3, 2010. Each unit is priced at CDN$0.05 and is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of CDN$0.10. The gross amount raised by the second tranche of the placing is CDN$1,227,500. This subscription will increase Kenglo's holding in the Company to approximately 19.3% of the issued shares in the Company immediately following the second tranche. If warrants within the Offering are exercised, Kenglo's stake in the Company could rise to approximately 32.4% of the issued shares in the Company immediately following the second tranche.

The Company intends to use the funds from the placing for an expanded drilling program, mobile and fixed plant improvements and working capital. The expanded drilling program will concentrate initially on targets close to the operating mine site that have already been reported upon by consultants ACA Howe (Press Release 12th June 2008) and will commence in the summer 2010.

There were no additional Related Party loans received during the three months and six months ended June 30, 2010. Repayments on the financing facility were $ 96,235 and $ 36,239 during the second quarter and first six months of 2010 respectively.

The Company is continuing its efforts to raise funds for future developments and operations to meet its ongoing obligations. 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 consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the June 30, 2010 consolidated 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 consolidated balance sheet.

1.7 CAPITAL RESOURCES

As at June 30, 2010, the Company had capital requirements to repay, under existing arrangements.

a) Accounts payable and accrued liabilities incurred in the normal course of business.

b) A £ financing facility with Barclays Lease Finance. The amounts outstanding on this facility at March 31, 2010 amounted to $ 69,080 (£ 43,578).

c) A UK £ loan facility from G&F Phelps Limited, a company controlled by a director of the Company, in the amount of $ 2,673,408 (£ 1,686,480) 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.

d) Amounts due to directors of the Company $ 173,226 (£ 109,277).

Contingent Liability

During the first quarter of 2010 the Company's subsidiary Omagh Minerals Limited received a payment demand from Her Majesty's Revenue and Customs in the amount of $ 513,785 (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. A formal 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 consolidated financial statements.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet transactions.

1.9 RELATED PARTY TRANSACTIONS

Director fees of $ 10,000 and $ 19,000 respectively ($ 9,000 and $ 18,000, respectively for the three and six months ended June 30, 2009) were accrued during the three months and six months ended June 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. During the three and six months ended June 30, 2010 the amount charged by G&F Phelps for the rental of the mining equipment totalled $ 42,641 and $ 85,282 respectively ($ 40,075 for the three and six months ended June 30, 2009). At June 30, 2010 the amount payable to G&F Phelps for the rent of the mining equipment which is currently due and is included with loans to related party on the balance sheet amounted to $ 85,415 (UK£53,883) (December 31, 2009 $ 129,827 UK£ 76,745).

During 2009, G&F Phelps and the Company entered into the following agreement:

- G&F Phelps amalgamated its UK loans to the Company and took over all loans from Welsh Gold plc and the President and Chief Executive Officer of the Company to Galantas. The amalgamated loans bear interest at 2% above UK base rate, are repayable on demand and are secured by a mortgage debenture over all the Company's assets;
- G&F Phelps extended this loan arrangement with the Company by repaying the balance of $ 140,012 (UK£ 82,126) on the Company's UK£ term loan facility;
- The Company has accrued a fee of $ 39,630 (UK£ 25,000) payable to G&F Phelps arising from the provision of limited support by them on certain financial obligations of the Company, and
- The Company to repay to G&F Phelps any costs incurred by G&F Phelps as a result of it entering into these agreement.

G&F Phelps, a company controlled by a director of the Company, had amalgamated loans to Galantas of $ 2,673,408 (UK£ 1,686,480) (December 31, 2009 $ 2,811,014 (UK£ 1,661,552)) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets.

Directors current accounts amounted to $ 173,226 at June 30, 2010 (UK£ 109,277) (December 31, 2009 $ 184,874 (UK£ 109,277)).

Interest accrued on related party loans is included under accounts payable and accrued liabilities. As at December 31, 2009, the amount of interest accrued is $ 236,377(UK£ 149,115) (December 31, 2009 - $ 213,713 (UK£ 126,323)).

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 Canadian GAAP 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. Actual results could differ significantly from those estimates. Specific items requiring estimates are ore reserves, accounts receivable, property, plant and equipment, deferred development and exploration costs, revenues, depreciation and amortization, asset retirement obligations, future income taxes, stock based compensation, accrued liabilities and contingent liabilities.

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Future Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

On January 2006, the CICA’s Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. The Company is currently in the process of evaluating the potential impact of IFRS to its financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. It is anticipated that the Company's financial results and financial position as disclosed in the Company’s current Canadian GAAP financial statements will not be significantly different when presented in accordance with IFRS which is discussed in more detail in Section 1.15 Other MD&A Requirements.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements. The Company is in the process of evaluating the requirements of the new standards.

1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's current financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. 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 June 30, 2010 and June 30, 2009 are detailed below:

Expense Account	**Three Months ended June 30, 2010**	**Three Months ended June 30, 2009**
Other operating expenses	$ 98,638	$ 160,641
Accounting & corporate	16,203	13,200
Legal & audit	31,553	24,196
Stock based compensation	2,500	35,505
Shareholder communication	38,576	40,581
Transfer agent	18,737	11,376
General office	10,609	12,139
Bank interest and charges	26,628	32,706
Total	$ **243,444**	**$ 330,344**

General administrative expenses for the three months ended June 30, 2010 totalled $ 243,444 compared to $ 330,344 for the three months ended June 30, 2009.

Other operating expenses comprise mainly of various administration expenses at the mine together with the ongoing expenses of the Company's jewellery business. The administration costs at the mine include administration and technical wages, professional fees, and insurance. The decrease in Other operating expenses to $ 98,638 for the three months ended June 30, 2010 from $ 160,641 for the three months ended June 30, 2009 is due to primarily to a reduction in wage costs in the second quarter of 2010. This arises from a 2010 reclassification of wages from Other operating expenses to Production costs which wages had been included in Other operating costs in 2009. In addition the lower costs of the jewellery business during 2010 contributed to the reduced costs. Accounting and corporate costs for the three months ended June 30, 2010 amounted to $ 16,203 compared to $ 13,200 for the corresponding period of 2009. Increased accounting costs relating to the 2009 year end contributed to this increase. Legal and audit costs totalled $ 31,553 for the second quarter of 2010 compared to $ 24,196 for the second quarter of 2009. The main reason for the 2010 increase was legal costs incurred by Omagh Minerals Limited during the quarter. Galantas provide for annual audit costs on a quarterly basis.

Stock based compensation costs in the second quarter 2010 totalled $ 2,500 compared to $ 35,505 for the 2009 second quarter. This reduction in cost is mainly as a result of the reduced level of options outstanding in 2010 which are not fully vested.

Shareholder communication and investor relations costs at $ 38,576 for the three months ended June 30, 2010 amounted to $ 38,576 compared to $ 40,581 for the corresponding period of 2009. Shareholder communication costs are at a higher level during the second quarter as a result of costs associated with the holding of the Company's annual general meeting during the period. Transfer agents fees for second quarter of 2010 amounted to $ 18,737 which compared to $ 11,376 for second quarter 2009. Again the higher level of transfer agent's costs in the second quarter is due to the holding of the Company's annual general meeting during the period. General office expenses for 2010 amounted to $ 10,609 compared to $ 12,139 for the second quarter of 2009.

Bank interest and fees have reduced to $ 26,628 for the three months ended June 30, 2010 from $ 32,706 for the for the three months ended June 30, 2009 due mainly to the positive impact of lower interest rates.

This resulted in General administrative expenses totalling $ 243,444 and $ 330,344 for the respective periods.

General administrative expenses for the Six Months ended June 30, 2010 and June 30, 2009 are detailed below:

Expense Account	**Six Months ended June 30, 2010**	**Six Months ended June 30, 2009**
Other operating expenses	$ 220,280	$ 315,442
Accounting & corporate	28,718	26,993
Legal & audit	52,098	38,589
Stock based compensation	5,447	73,234
Shareholder communication	53,361	69,922
Transfer agent	20,801	12,652
General office	19,904	21,075
Bank interest and charges	47,215	64,342
Total	$ **447,824**	**$ 622,249**

General administrative expenses for the six months ended June 30, 2010 totalled $ 447,824 compared to $ 622,249 for the six months ended June 30, 2009.

Other operating expenses comprise mainly of various administration expenses at the mine together with the ongoing expenses of the Company's jewellery business. The administration costs at the mine include administration and technical wages, professional fees, and insurance. The decrease in Other operating expenses to $ 220,280 for the six months ended June 30, 2010 from $ 315,442 for the six months ended June 30, 2009 is due to primarily to a reduction in wage costs in the first half of 2010. This arises from a 2010 reclassification of wages from

Other operating expenses to Production costs which wages had been included in Other operating costs in 2009. In addition the lower costs of the jewellery business during 2010 contributed to the reduced costs. Accounting and corporate costs for the six months ended June 30, 2010 amounted to $ 28,718 compared to $ 26,993 for the corresponding period of 2009. Legal and audit costs totalled $ 52,098 for the first half of 2010 compared to $ 38,589 for the first half of 2009. The main reason for the 2010 increase was legal costs incurred by Omagh Minerals Limited during the period. Galantas provide for annual audit costs on a quarterly basis.

Stock based compensation costs in the first half of 2010 totalled $ 5,447 compared to $ 73,234 for the first half of 2009. This reduction in cost is mainly as a result of reduced level of options outstanding in 2010 which are not fully vested.

Shareholder communication and investor relations costs at $ 53,361 for the six months ended June 30, 2010 compared to $ 69,922 for the corresponding period of 2009. Shareholder communication costs for the first half of both 2010 and 2009 include the costs associated with the holding of the Company's annual general meeting. Shareholder communications costs were higher in the first half of 2009 due to an overprovision in the first quarter of 2009. Transfer agents fees for first six months of 2010 amounted to $ 20,801 which compared to $ 12,652 for corresponding period of 2009. Transfer agent's costs for the first half of both 2010 and 2009 include the costs associated with the holding of the Company's annual general meeting. General office expenses for 2010 amounted to $ 19,904 compared to $ 21,075 for the first half of 2009.

Bank interest and fees have reduced to $ 47,215 for the six months ended June 30, 2010 from $ 64,342 for the for the six months ended June 30, 2009 due mainly to the positive impact of lower interest rates.

This resulted in General administrative expenses totalling $ 447,824 and $ 622,249 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 August 18, 2010, there were a total of 235,650,055 shares issued, 45,550,000 warrants outstanding expiring from June 2012 to July 2012 and 7,300,000 stock options expiring from June 2012 to October 2013.

IFRS Transition Plan

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 will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended March 31, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

The Company is proceeding with the development of a comprehensive IFRS transition plan to assist with the planning and implementation of its transition to IFRS. The Company has evaluated the key areas where changes to current accounting policies may be required including the application of IFRS 1 First-time adoption of International Financial Reporting Standards.

The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011 will 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.

Impact of Adopting IFRS on the Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

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

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas Galantas has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required 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 prior to its adoption of IFRS that would affect the summary provided below.

1. Exploration and Evaluation Expenditures

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

Galantas expects to retain its current 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 the Company does not expect that the adoption of IFRS will result in any 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 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.

The Company's accounting policies related to impairment will be changed to reflect these differences, however the Company does not expect this change will have an impact to the carrying value of its assets. Galantas will perform impairment assessments as at the transition date in accordance with IFRS.

3. Foreign Currency

IFRS requires that the functional currency of Galantas, and its subsidiaries be determined separately, and the factors considered to determine functional currency are somewhat different than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to foreign currency that would result in a significant change to line items within its financial statements at the Transition Date.

4. Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

Galantas does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

5. Asset Retirement Obligations (Decommissioning Liabilities)

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

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences, however Galantas does not expect this change will have an immediate impact to the carrying value of its assets.

6. Property and Equipment

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

Galantas does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

7. Income Taxes

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

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Further disclosure of the IFRS transition process will be included in the Company's MD&A for the 2010 interim periods and year ended December 31, 2010. The MD&A will include updates on the progress of the transition plan, and to the extent known, further information regarding the impact of adopting IFRS in the financial statements.

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 GB £ (sterling) per troy ounce. In the second quarter of 2010, the gold price in both sterling and US$ terms strengthened, with a peak monthly average in June of $1,232.92 and £835.90 per ounce. The majority of costs at the mine are incurred in United Kingdom Pounds Sterling and US dollar revenues are converted to sterling. Data from the Bank of England demonstrates that, during the second quarter of 2010, there was a gold price increase in US$ terms of 7.8% and in sterling terms of 12.9%. Subsequent to the quarter end the gold price has steadied to a range between $1160 and $1210, but the effect of sterling strengthening subsequent to quarter end has seen a price reduction to the £740 - £770 range.

MONTH	Gold Price US $ per ounce	Gold Price GB £ per ounce	Quarter end Average US$	Quarter end Average GB £
JANUARY 2010	1117.96	691.65		
FEBRUARY 2010	1095.41	701.79		
MARCH 2010	1113.34	739.61	1108.90	711.02
APRIL 2010	1148.69	749.61		
MAY 2010	1205.43	823.86		
JUNE 2010	1232.92	835.90	1195.68	802.96
JULY 2010	1192.97	780.34		

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. Since year end the trend of the first quarter of 2010 was that of sterling weakness, and the trend continued in the second quarter. That trend has reversed subsequent to the second quarter end with some sterling intra-day highs approaching $1.60.

MONTH	Average US $ to UK £	Quarter 2009 Average $ / £
JANUARY 2010	1.62	
FEBRUARY 2010	1.56	
MARCH 2010	1.51	1.56
APRIL 2010	1.53	
MAY 2010	1.46	
JUNE 2010	1.48	1.49
JULY 2010	1.53	

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. In the second quarter, sterling appears to have traded against the Canadian dollar within a band between $1.52 and $1.55. Since the end of the second quarter, sterling has strengthened against the Canadian dollar, with highs approaching CDN$1.63.

MONTH (BOE average spot)	Average CAN $ to UK £	Quarter end Avrg. CAN$ / £
JANUARY 2010	1.69	
FEBRUARY 2010	1.65	
MARCH 2010	1.54	1.63
APRIL 2010	1.54	
MAY 2010	1.52	
JUNE 2010	1.53	1.53
JULY 2010	1.60	

Difficulties in the Western credit markets have impacted on all companies entering into banking credit arrangements and these may affect the ability of the company to raise funds for capital expenditure.

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

RISKS AND UNCERTAINTIES

Current Global Financial and Economic Conditions

Current global financial and economic conditions have been characterized by extreme volatility. Several financial institutions and other major businesses 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

The risk is that additional funds, if required, may not be available. Continued delays and difficulties in bringing the production up to capacity has resulted in a cash shortage. Management continues to actively pursue additional working capital and has implemented an aggressive ore extraction program. Until such funds are secured and the mine consistently produces at an increased capacity there is the uncertainty of continued operation. There is no guarantee that future sources of funding will be available to the Company as and when required in the current volatile markets.

Ore Reserves

Tonnage and grade of ore may be lower than anticipated. The Kearney deposit along strike and to depth has been proven within the confines of the initial open pit and indicated well beyond. Nevertheless, the ore is variable in detail and it has proved difficult to mine at a consistent grade and supply the plant with sufficient ore regularly and although the issue is being addressed, this may persist into the future.

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. 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.

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 to make 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.

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.

Uninsurable Risks

Mining activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the common shares of the Company. The Company does not maintain insurance against environmental risks.

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/Bullion Price

Currency fluctuations and the price of gold may affect the Company's future operations, financial position and results. The Company's revenues are in US dollars. Most of the costs of the company are incurred in British 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. Financial results are published in Canadian dollars. There is therefore 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.

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. 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.

Personnel

Notwithstanding the relatively small scale of the Kearney mine, a level of expertise is required in the mine, plant and ancillary activities including geology and accounting. Albeit that a slow down worldwide in minerals development has eased the shortage of skilled professionals, the Company foresees potential difficulties in recruiting additional qualified people. The risk is that costs, operations, future expansion and indeed excellence may be impacted negatively.

Share Price Fluctuations

In recent years, and particularly in the current global financial conditions, the securities markets in Canada 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.

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.