GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2009

This document constitutes management's discussion and analysis (MD&A) of the financial and operational results of Galantas Gold Corporation (the Company) for the year ended December 31, 2009. 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 audited consolidated financial statements and related notes for the year ended December 31, 2009. 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 April 26, 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 50 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 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

Presently market conditions in the jewelry trade are poor and retailers have become cautious in the current economic climate resulting in very low jewelry sales. As a consequence, management focus has been on the mine operation during 2009.

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 April 26, 2010.

1.2 REVIEW OF FINANCIAL RESULTS

Year Ended December 31, 2009

The net loss for the year ended December 31, 2009 before income taxes amounted to $ 6,361,397 compared to a restated loss of $ 2,452,220 for the year ended December 31, 2008. The primary reason for the increased loss in 2009 is due to an impairment charge totaling $ 5,314,412 on both deferred development and exploration ($ 3,448,716) and property, plant and equipment costs ($1,865,676) during 2009.

Revenues from the sale of concentrate and jewelry for the year ended December 31,2009 amounted to $ 5,409,913 which compared to revenues of $ 4,402,965 for the corresponding period of 2008 reflecting both an increased level of shipments in 2009 and the higher gold prices that prevailed during the year. Sales revenues primarily consisted of concentrate sales. Jewelry sales remained low during the year.

Cost of Sales consists mainly of production costs at the mine and inventory movements and can be summarized as follows:

	Year Ended December 31, 2009	**Year Ended December 31, 2008**
Production costs	$ 3,485,447	$ 3,528,366
Inventory movement	$ 206,640	$ 381,290
Cost of sales	$ **3,692,087**	$ **3,909,656**

Production costs for the year ending December 31, 2009, which consist mainly of production costs at the mine, amounted to $ 3,485,447 compared to $ 3,528,366 for the corresponding period of 2008. Production costs at the mine, the majority of which are incurred in UK£, include production wages, purchases and consumables, oil, equipment hire, repairs and servicing and royalties. The decrease in production costs during 2009 when compared to 2008 was due mainly to the weaker UK£ exchange which prevailed during 2009 resulting in lower production costs when expressed in Canadian Dollars. This favorable reduction was partially offset by increases in payroll, equipment hire, repair and servicing costs and royalties reflecting the increased level of production at the mine. The inventory movement reflects a reduction in inventory at December 31, 2009 and 2008 when compared to inventories at the beginning of the year.

Amortization of deferred development and exploration costs for the year ended December 31, 2009 amounted to $ 1,056,953 compared to $ 635,618 for 2008. The higher level of level of amortization charges in 2009 is due primarily to a significant increase in till strip amortization during the third and fourth quarters of 2009 together with increased amortization arising from the increased levels of production. Depreciation of property, plant and equipment during the year totaled $ 609,739 which compared with $ 923,061 for the year ended December 31, 2008. The reduction in depreciation is due the depreciation charge being based on the reducing balance of the assets.

This resulted in a Net Income before Other expenses and Income for the year ended December 31, 2009 of $ 51,134 compared to a Net Loss before Other expenses and Income of $ 1,065,370 for the corresponding period of 2008. Other Expenses and Income for the year ended December 31, 2009 consist of an asset impairment charge and general administrative expenses. The impairment charge for the year ended December 31,2009 totaled $ 5,314,412 and consists of an impairment of deferred development and exploration costs of $ 3,448,736 and an impairment of property , plant and equipment $ 1,865,676. There was no impairment charge in 2008. This impairment of assets is a write down of the Company's assets as a result of the fair value of the Company's assets being less than estimated carrying value. Fair value of the assets in use is determined using discounted estimated future cash flows. After completing a review of the discounted value of future cash flows it was determined that the carrying value was not likely to be fully recoverable. Key assumptions for inflation, discount rates and foreign exchange rates were based on information available from third party sources that management believed to be reasonable in the circumstances. The difference between the carrying value and the discounted future cash flow has been recognized as an impairment.

General administrative expenses which include a foreign exchange gain of $ 119,559 amounted to $ 1,098,419 compared to $ 1,386,850, which included a foreign exchange gain of $ 628,391, for the corresponding period of 2008. These exchange gains are primarily due to the weakening of the UK£ currency against the Canadian dollar at both 2009 and 2008 year ends. Other Expenses and Income are reviewed in Section 1.15 Other MD&A Requirements.

This has resulted in a Loss of $ 6,361,697 for 2009 compared to a restated Loss of $ 2,452,220 for 2008. When the Net Loss is adjusted for non cash items the cash generated from operating activities amounted to $ 545,828 for the year ended December 31, 2009 compared to $ 39,670 for the year ended December 31, 2008 as per the Consolidated Statement of Cash Flows.

The Company is restating the comparative figures in the current year's consolidated financial statements to reverse the future tax asset that had been recognized in the prior years. As a result of this restatement, the total assets in the Company's consolidated balance sheet for 2008 will be $18,426,892 which is $2,094,043 less than originally reported. The Company's opening deficit for 2008 will increase by $ 1,602,917 and its loss for that year will increase by $ 491,126 from the respective amounts originally reported. Hence the Company's restated closing deficit for 2008 will be $18,015,080 which is $2,094,043 more than originally reported. See Note 15 Restatement of Future Income Tax in the December 31, 2009 Financial Statements.

Total assets at December 31, 2009 amounted to $ 11,946,303, a decrease of $ 6,480,589 from the December 31, 2008 restated total of $ 18,426,892. This reduction in assets is due primarily to the impairment charge during 2009.

Cash at December 31, 2009 was $ 485,997 compared to $ 587,480 at December 31, 2008. Accounts receivable consisting mainly of trade debtors, reclaimable sales taxes and prepayments amounted to $ 657,515 at year end compared to $ 330,467 at December 31, 2008. This increase at December 2009 is due primarily to an increase in trade debtors arising from the sale of concentrates. Inventory at December 31, 2009 amounts to $ 445,666 and consists mainly of jewelry products and unworked gold belonging to the jewelry business. There was a very low level of concentrate stocks at the end of 2009 due to almost all concentrates produced having been shipped at year end. This compares with an inventory of $ 652,306 at end 2008.

Property plant and equipment totaled $ 3,691,172 compared to $ 6,152,874 at December 31, 2008. Deferred development and exploration costs totaled $ 6,547,135 at December 31, 2009 compared to $10,601,856 at the end of 2008. This reduction in assets is due primarily to the impairment charge during 2009.

Current liabilities at $ 5,300,950 compare to $ 5,111,621 at the end of 2008. The working capital deficit December 31, 2009 amounted to $ 3,711,772 compared to $ 3,541,359 at December 31, 2008. Accounts payable and accrued liabilities totaled $ 2,097,396 compared to $ 2,298,303 at December 31, 2008. The current portion of the external financing and term loan facilities totaled $ 77,830 at December 31, 2009 and compares with $ 309,043 at the end of 2008 reflecting repayments during the year. Loans from related parties at December 31, 2009 amounted to $ 3,125,724 compared to $ 2,504,275 at the end of 2008. The increase at the end of 2009 reflects both the increased indebtedness from related parties as a result of a reclassification of related party debt from long term at the end of 2008 to current at December 31, 2009 together with additional funding during 2009.

The asset retirement obligation at December 31, 2009 amounted to $ 447,400 compared to $ 447,400 at December 31, 2008. Non current loans from related parties and external financing facility total $ 34,102 at December 31, 2009 compared to $ 618,025 at December 31, 2008.

1.3 SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2009	Year Ended December 31, 2008 (Restated)	Year Ended December 31, 2007
Revenue (including interest income)	$ 5,409,913	$ 4,403,114	$ 655,322
Net income (loss)	($ 6,361,697)	($ 2,452,220)	($ 2,165,656)
Net income (loss) per share basic	($ 0.03)	($ 0.01)	($ 0.01)
Net income (loss) per share diluted	($ 0.03)	($ 0.01)	($ 0.01)
Cash and cash equivalents	$ 485,997	$ 587,489	$ 21,308
Working Capital (Deficit)	($ 3,711,772)	($ 3,541,359)	($ 1,499,218)
Total Assets	$ 11,946,303	$ 18,426,892	$ 20,416,211
Long Term Liabilities	$ 34,102	$ 618,025	$ 1,504,185
Shareholders' Equity	$ 6,163,851	$ 12,249,846	$ 15,436,283

The December 31, 2008 amounts reflect the restated 2008 Financial Statements as detailed in Note 15 of the December 31, 2009 Financials.

The Company does not have any extraordinary items and has not declared a dividend for the years presented above.

The Net Income (Loss) is discussed in Section 1.2 Review of Financial Results

Revenue primarily consists of sales of concentrates from the Omagh mine with limited sales revenues from the Company's jewelry business. Revenue is discussed in Section 1.2 Review of Financial Results.

Cash levels at December 31, 2009 are slightly below those of December 31, 2008.

The Company's working capital deficit has been increasing from year to year due to both increases in loans from related parties and long term liabilities being reclassified as current liabilities.

Total assets have reduced at December 31, 2009 mainly as a result of the 2009 impairment charge and the amortization/depreciation of assets. Long term liabilities are lower in 2009 as a result of 2008 related party loans being reclassified as current liabilities in 2009 and loan repayments.

The reductions Shareholders Equity in 2009 and 2008 is due primarily due to the increased deficits as a result of the net loss incurred in 2009 and 2008.

1.4 RESULTS OF OPERATIONS

2009 Financing Activities

During the first quarter of 2009 the Company announced that it had received the consent of the TSX Venture Exchange in regard to the issue of 3,134,200 Galantas common shares in exchange for debt. The Company had arranged with a creditor supplying drilling services for the exchange of £78,355 of debt for the issue of 3,134,200 units with each unit comprising of one common share priced at £0.025 and one warrant. Galantas had previously reported in late December 2008 that it had completed a private placement for £282,250 through the placing of 11,290,000 common shares priced at £0.025 per share. The placing comprised of brokered and un-brokered parts. The brokered part, which raised £162,250 was subject to an arrangement fee of 5%. The Company reported that it intends to use the funds from the placing to purchase capital equipment and for general working capital purposes. There was no further funding during 2009.

During the third quarter of 2009 the Company entered into an agreement with G&F Phelps Limited, a related party, whereby G&F Phelps combined it's UK£ loans to Galantas with loans due by the Company to both Welsh Gold Limited and to the President and Chief Executive Officer of the Company. As part of this arrangement G&F Phelps also paid off the balance of the Company's UK£ 250,000 term loan facility and this repayment is now amalgamated into the G&F Phelps loan. The amalgamated loan bears interest at 2% above UK base rate, is repayable on demand and is secured by a mortgage debenture over all the Company's assets

Production

Production at the Omagh mine during the year ended December 31, 2009 showed an increase over production levels achieved during 2008. Concentrate production for 2009 amounted to 2,001.2 dry tonnes of concentrate which compares to 1,707.8 dry tonnes for the year ended December 31, 2008 – an increase of 17.2 %. Metal content of production for the year ended December 31, 2009 totaled 5,935 ounces of gold (184.6kg), 15,120 ounces of silver (470.3kgs) and 228.1 tonnes of lead. This compares with metal content for the corresponding period of 2008 of 5,288 ounces of gold (164.5 kgs), 12,147 ounces of silver (377.8kgs) and 187.2 tonnes of lead which represents a 12.2 increase in gold output, a 24.5% increase in silver output and a 21.8 % 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.

The improved production performance at the mine during 2009 was due to a combination of factors including an increase in ore output from the pit, processing plant enhancements and changes in the mineralogy of the ore. In addition the road contractor completed his requirement for the removal of surplus rock from the mine in early 2009. While this had a somewhat negative effect on mine costs the creation of space in the pit enabled additional equipment to operate which had a positive impact on production. In addition the completion of the excavation of the western ramp of the Kearney vein in the second quarter of 2009 had a positive impact on production. Mine production was also enhanced by the increased capability of pit equipment. However there were also a number of factors which impacted negatively on production during the year. In addition to breakdowns both in the mill and with pit equipment production was hampered during the third and fourth quarters by the decision to divert production to expand the operating length of the Kearney open pit by the stripping of overburden. A shortage of working capital prevented the overburden stripping being carried out independently of production. Stripping of overburden must be carried out as a precursor to exposing ore for mining. Approximately 120,000 cubic metres (loose) of overburden was moved into sound berms to the east of the Kearney vein and into a backfilling area in the south of the Kearney open pit. Additionally, during this period, the restricted pit production zone reduced the opportunity to blend lower grades from the southern-most part of the pit with higher grades from the north. The addition of a hired bull-dozer and truck increased productivity to partially offset the use of production equipment on the till strip. Overburden stripping of the Kerr vein commenced during the year and in December the Kerr vein was partially exposed readying it for mining in early 2010 when overburden stripping will continue.

The mill operated satisfactorily during 2009 with the ball mill being fully relined earlier in the year. The operating hours in the mill were increased in early 2009 to 128 hours per week organized as a five day week with one Saturday shift. The Company plans to increase capacity in the mill as additional ore becomes available from the open pits.

Exploration

Exploration activity slowed during the first half of 2009 due to a shift in focus to developing the pit. The earlier part of the year saw the continued development of a detailed exploration database following the acquisition and assessment of Tellus data in 2008. Tellus is a recent regional exploration program funded by the UK government. During the second half of 2009 prospecting work recommenced 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. Indicator minerals were identified and correlated with known gold bedrock occurrences. In licences OM2 and OM3 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. Analyses of the results have disclosed 13 new gold targets. This exploration programme also enabled the Company to test coincident targets identified from previous third party prospecting and from Tellus data. Subsequent to December 31, 2009 the Company issued a press release summarising the results of the exploration carried out on these three licences.

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and net financial results in Canadian dollars for the fourth quarter of 2009 and for the seven preceding quarters are summarized below:

Quarter Ended	Total Revenue	Net Profit (Loss)	Net Profit (Loss) per share & per share diluted
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 (Restated)	$ 1,955,509	$ (707,198)	$ (0.00)
September 30, 2008	$ 1,175,104	$ 113,170	$ 0.00
June 30,2008	$ 650,565	$ (712,273)	$ 0.00
March 31, 2008	$ 621,787	$ (1,145,919)	$ (0.01)

The results for the Quarter ended December 31, 2009 are discussed under Section 1.10 - Fourth 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 are due to changes in the revenue recognition policy adopted by the Company and are discussed in Section 1.10 – Fourth Quarter. The changes in accounting policy did not impact on the Net Loss for either year. With the exception of quarter ended September 30, 2008 there have been losses in each of the quarters which losses have increased since the Company commenced production. 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 increase in the Net Loss in the quarter ended December 31, 2009 to $ 5,672,371 is due primarily the impairment of assets which resulted in an additional charge in the fourth quarter charge of $ 5,314,412.

1.6 LIQUIDITY

The Company had a cash balance of $ 485,997 at December 31, 2009 compared with a cash balance of $ 587,489 at December 31, 2008.

As at December 31, 2009 the Company's working capital was in a deficit of $ 3,711,772 which compared with a deficit of $ 3,541,359 at December 31, 2008. This deficit is expected to persist in 2010. Ore supply continues to be a challenge with management focusing heavily on the development of the pit which is making slow progress. Additional working capital may be required in the short term.

Additional Related Party loans received during the year ended December 31 2009 amounted to $ 203,288. Repayments on the financing facility were $ 396,975 during 2009.

To date the company had been able to draw upon additional cash resources and loans from the President of the company for working capital and finance of plant and equipment but these may no longer be available going forward.

During the first quarter of 2009 the Company announced that it had received the consent of the TSX Venture Exchange in regard to the issue of 3,134,200 Galantas common shares in exchange for debt. The Company had arranged with a creditor supplying drilling services for the exchange of £78,355 of debt for the issue of 3,134,200 units with each unit comprising of one common share priced at £0.025 and one warrant. Galantas had previously reported in late December 2008 that it had completed a private placement for £282,250 through the placing of 11,290,000 common shares priced at £0.025 per share. The placing comprised of brokered and un-brokered parts. The brokered part, which raised £162,250 was subject to an arrangement fee of 5%. There was no further funding during 2009.

During the third quarter of 2009 the Company entered an arrangement with G&F Phelps Limited, a related party, whereby G&F Phelps combined it's UK£ loans to Galantas with loans due by the Company to both Welsh Gold plc and to the President and Chief Executive Officer of the Company. As part of this arrangement G&F Phelps paid off the balance of the Company's UK£ 250,000 term loan facility which is now amalgamated into this loan. The amalgamated 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

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 December 31, 2009 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 December 31, 2009, 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 December 31, 2009 amounted to $111,932 (£ 66,161).

c) A UK £ loan facility from G&F Phelps Limited, a company controlled by a director of the Company, in the amount of $ 2,940,850 (£1,738,297) 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 $ 184,874 (£ 109,277)

Contingent Liability
Subsequent to December 31, 2009 the Company's subsidiary Omagh Minerals Limited received a payment demand from Her Majesty's Revenue and Customs in the amount of $ 563,625 (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 $ Nil (2008 - $ 48,065) were paid or accrued during the year ended December 31, 2008.

During the period, 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 Company can decide to purchase the mining equipment within the next year. If the Company decides to purchase the mining equipment, the Company may deduct from the purchase price 50% of the charges that it has paid to rent the equipment. During the year ended December 31, 2009, the Company accrued charges of $ 129,837 (UK£ 76,745) (December 31, 2008 UK£ Nil), payable to G&F Phelps for the rent of the mining equipment. This fee has been added to the outstanding loan of G&F Phelps;

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

- G&F Phelps amalgamated it's 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 have accrued a fee of $ 42,895 (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 director of the Company, had amalgamated loans to Galantas of $ 2,811,014 (UK£1,661,552) (December 31, 2008 $ Nil) 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 amounting to $ 184,874 (UK£ 109,277 (December 31, 2008 $ Nil).

Included in due to related party is $ Nil (£ Nil) (December 31, 2008 - $ 1,556,597 (£ 869,801)) owing to a director and companies controlled by a director of the Company. At December 31, 2008 $ 481,011 (£ 268,781) of the loan was secured against a second charge on the land owned by Omagh Minerals Limited and the balance of the loan is unsecured. The loans bear interest at base rate plus 2%. At December 31, 2008 $701,132 (£ 391,781) was due over a period of 3 years.

The Company obtained a UK£ related party loan facility from G&F Phelps, a company controlled by a director of the Company, in the amount of $ Nil (£ Nil) (December 31, 2008 - $ 1,159,052 (£ 647,660) for the financing of mining equipment. At December 31, 2008 $ 738,496 (£ 412,660) of the term loan is for a period of 4.25 years bearing interest at 4.04% flat with monthly payments of $ 15,736 (£ 8,793) and was secured by all equipment owned by the Company's wholly-owned subsidiary Omagh Minerals Limited.

Also included in due to related party is $ Nil (£ Nil) (December 31,2008 - $ 206,787 (£ 115,549) owing to the President and Chief Executive Officer of the Company who in November 2008 agreed to lend up to a total amount of $ 943,000 (£ 500,000) to the Company for a period of six months. The loan facility was secured by the Company's inventory with cross guarantees provided by the Company's subsidiaries. The interest on this loan was at a base rate plus 4.5% per annum, such interest to be calculated monthly and compounded until repaid.

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 $ 213,486 (UK£ 126,323) (December 31, 2008 - $140,620(UK£78,576))

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

1.10 FOURTH QUARTER

	Quarter Ended December 31, 2009	**Quarter Ended December 31, 2008 (Restated)**
Revenues	**$ 1,667,716**	**$ 1,955,509**
Production costs	$ 905,746	$ 966,582
Inventory adjustment	$ 175,050	$ 1,189,055
Amortization	$ 640,072	$ 501,078
Cost of sales	$ **1,720,868**	$ **2,656,715**
Gain (Loss) before undernoted	**$ (53,152)**	**$(701,206)**
Impairment of assets	$5,314,412	$ 0
Other expenses	$ 258,707	$ 422,041
Foreign exchange (gain)	$ 46,100	$(416,049)
Net loss for quarter	**$ (5,672,371)**	**$ (707,198)**

Galantas reported a Net Loss of $ $ 5,672,371 for the three months ended December 31, 2009 compared to a restated Net Loss of $ 707,198 for the corresponding period of 2008.

Sales revenues for the fourth quarter of 2009 amounted to $ 1,667,716 compared to revenues of $ 1,955,509 for the corresponding period of 2008. Sales revenues for the fourth quarter of 2008 have been inflated as a result of the change in the Company's revenue recognition policy made during that quarter. Prior to this the Company's revenue recognition policy was that sales revenues were not recognized until final settlement on shipments had been agreed between buyer and seller. This revenue recognition policy was amended in the fourth quarter of 2008 whereby sales were recognized at time of shipment when title passed. Accordingly, for period ended September 30, 2008 revenues were not recognized until final settlement and this had the effect that shipments for the third quarter of 2008 were excluded from sales and included in inventories at September 30, 2008. This change in policy resulted in sales for the fourth quarter 2008 including shipments for both the fourth quarter and shipments for the months prior to the fourth quarter of 2008.

The high level of stocks at the beginning of the fourth quarter would have impacted negatively on fourth quarter 2008 cost of sales and thus eliminate the impact of the increased level of sales. The changes in accounting policy did not impact on the results for this quarter as concentrate inventories are valued at net realizable value – reflecting the accounting policy for inventories of being the lower of cost or net realizable value.

Production costs for the fourth quarter of 2009 which consist mainly of production costs at the mine amounted to $ 905,746 compared to $ 966,582 for the corresponding period of 2008. Production costs in UK£ terms for the fourth quarter were in line with production costs for the corresponding period of 2008 but were lower when converted to UK£ due mainly to the weaker UK£ exchange rate during the fourth quarter 2009. The inventory adjustments for both 2009 and 2008 fourth quarters of $ 175,040 and $ 1,189,055 respectively arose from the reduction in December 31 inventories over September 30 inventories. The increased level of inventory adjustment in 2008 was as a result of much higher concentrate inventories September 30, 2008 when compared to December 31, 2008 which arose from the differing revenue recognition policy in the third and fourth quarters of 2008 referred to in the previous paragraph. This high 2008 inventory movement had the effect of substantially increasing the fourth quarter 2008 cost of sales which eliminated the benefit of the increased sales for this period as a result of the change in revenue recognition policy. Amortization and depreciation for the three months ended December 31, 2009 amounted to $ 640,072 compared to $ 501,078 for the corresponding period of 2008. This increase was mainly due to till strip amortization which occurred during the fourth quarter of 2009. There was no till strip amortization during the corresponding period of 2008.

This resulted in a Loss before Other expenses and income of $ 53,152 for the fourth quarter of 2009 compared to a Loss of $ 701,206 for the corresponding period of 2008. This improvement in the operating result for the fourth quarter 2009 is directly attributable to the higher production and shipment levels achieved during this quarter. The asset impairment charge for the quarter ended December 31,2009 totaled $ 5,314,412 and consists of an impairment of deferred development and exploration costs of $ 3,448,736 and an impairment of property , plant and equipment $ 1,865,676. There was no impairment charge in 2008. This impairment of assets is a write down of the Company's assets as a result of the fair value of the Company's assets being less than estimated carrying value. Fair value of the assets in use is determined using discounted estimated future cash flows. After completing a review of the discounted value of future cash flows it was determined that the carrying value was not likely to be fully recoverable. Key assumptions for inflation, discount rates and foreign exchange rates were based on information available from third party sources that management believed to be reasonable in the circumstances. The difference between the carrying value and the discounted future cash flow has been recognized as an impairment.

Other expenses and income before foreign exchange adjustments totaled $ 258,707 for 2009 compared to $ 422,041 for the fourth quarter of 2008. The decrease in the fourth quarter of 2009 when compared to the corresponding period of 2008 was due to a number of factors including a decrease in other operating expenses from $ 206,289 in 2008 to $ 147,665 in 2009, a decrease of $ 58,624 which is mainly due to a reduction in costs of the jewelry business. In addition legal and audit costs decreased by $ 19,778 to $ 39,162 due mainly to the 2009 audit fee being accrued on a quarterly basis during 2009. In addition shareholder communications and public relations at $ 6,129 decreased by $ 80,436 due to an overprovision in fourth quarter 2008 which was reversed in the fourth quarter of 2009 and general office costs which decreased by $ 16,830 due mainly to a reduction in provisions for directors fees. There was a Foreign exchange loss of $ 46,100 in the fourth quarter of 2009 compared to a gain of $ 416,049 for the corresponding period of 2008. The 2008 foreign exchange gain was mainly due to the weakening of the UK£ against the Canadian Dollar at 2008 year end which reduced the Company's net £ liabilities when converted to Canadian dollars at December 31 giving rise to a foreign exchange gain.

This resulted in a Net Loss of $ 5,672,371 for the quarter ended December 31, 2009 compared to $ 707,198 for the corresponding period of 2008.

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

New Accounting Policies

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Section 3064, "Goodwill and Intangible Assets" which replaced the Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") sections 3062 and 3450, EIC-27 and part of Accounting Guideline 11. Under previous Canadian standards, more items were recognized as assets than under International Financial Reporting Standards ("IFRS"). The objectives of CICA 3064 are to reinforce the principle based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The portions in the new standard with respect to Goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets intends to reduce the differences with IFRS in the accounting for intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets.

The adoption of this standard had no impact on the Company’s presentation of its financial position or results of operations for the year ended December 31, 2009.

Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applied to the Company's fiscal year ending December 31, 2009. This adoption resulted in additional disclosure as provided below.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. Equity investments classified as available for sale that do not have an active trading market are recorded at cost. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company’s presentation of its financial position or results of operations for the year ended December 31, 2009.

Future Accounting Pronouncements

IFRS

In 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. While the Company has begun assessing the impact of the adoption of IFRS on its consolidated financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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

Other Operating Expenses and (Income) for the Years ended December 31, 2009 and December 31, 2008 are detailed below:

Expense Account	Year Ended December 31 2009	Year Ended December 31 2008
Other operating expenses	$ 622,639	$ 1,006,849
Accounting & corporate	$ 58,097	$ 70,109
Legal & audit	$ 107,988	$ 114,599
Stock based compensation	$ 133,903	$ 386,341
Shareholder communication	$ 103,383	$ 163,233
Transfer agent	$ 16,871	$ 15,335
Consulting fees	$ 0	$ 6,186
General Office	$ 17,159	$ 43,301
Bank interest and charges	$ 157,938	$ 209,288
Sub Total	$ 1,217,978	**$ 2,015,241**
Foreign exchange (gain)	$(119,559)	$ (628,391)
Total	**$ 1,098,419**	**$ 1,386,850**

Other Operating Expenses and (Income) before foreign exchange gains for the year ended December 31, 2009 totaled $ $ 1,217,978 compared to $ 2,015,241 for the year ended December 31, 2008.

Other operating expenses comprise of various expenses at the mine including administration costs including administration and technical wages, professional fees, and insurance together with the ongoing expenses of the Company's jewelry business. The decrease in Other operating expenses from $ 1,006,849 for the year ended December 31, 2008 to $ 622,839 for the year ended December 31, 2009 is due primarily to the lower costs of the jewelry business during

2009 reflecting reduced consulting fees and advertising costs which are activity related. In addition the weaker UK£ exchange rate which prevailed during 2009 resulted in lower 2009 operating expenses when expressed in Canadian Dollars. Accounting and corporate costs for the year amounted to $ 58,097 compared to $ 70,109 for 2008. This reduction reflects the lower level of external accounting services required during 2009. Legal and audit costs totaled $ 107,988 for the year 2009 compared to $ 114,599 for 2008.

Stock based compensation costs decreased in 2009 to $ 133,903 compared to $ 386,341 in 2008. This reduction in cost is mainly as a result of there being no options granted during 2009.

Shareholder communication costs at $ 103,383 for 2009 compared to $ 163,233 for 2008. The decrease of $ 59,850 is due to both an overprovision in 2008 and a reduction in filing fees and listing fees in as a result of the lower number of fundings in 2009 when compared to 2008.

Transfer agents fees for 2009 amounted to $ $ 16,871 which compared to $ 15,335 for 2008. General office expenses for year ended December 31, 2009 amounted to $ 17,159 compared to $ 43,301 for 2008. The lower level of General office expenses in 2009 is due to there being no payments or provisions for director's fees in 2009.

Bank interest and fees have reduced from $ 209,288 for the year ended December 31, 2008 to $ 157,938 for the year ended December 31, 2009 due mainly to the positive impact of lower interest rates.

There was a foreign exchange gain of $ 119,559 for the year ended December 31, 2009 compared to a foreign exchange gain of $ 628,391 for the corresponding period of 2008. These exchange gains are mainly due to the weakening of the UK£ currency against the Canadian Dollar at both year ends. This resulted in Other operating Expenses and (Income) totaling $ 1,098,419 and $ 1,386,850 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 December 31, 2009, there were a total of 190,100,055 shares issued, 3,134,200 warrants outstanding expiring on January 14, 2010 and 8,650,000 stock options expiring from May 2010 to October 2013.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

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 affect 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 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.

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 immediate 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.

TRENDS AFFECTING THE COMPANY'S BUSINESS

<u>Gold Price in US Dollars and UK Sterling.</u>

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 £ per troy ounce. From January 2009 to December 2009 the gold price in US$ increased by 31.5%. 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, from January 2009 to December 2009, there was a gold price increase in sterling terms of 16.9%. The quarter to December 2009 exhibited the highest yet reported average gold price in UK Sterling and US Dollar terms and this trend is continuing into the first quarter of 2010. Since the beginning of 2010 there appears to be some stability in the gold price between US$1050 and US$1190 per ounce.

MONTH	Gold Price US $ per ounce	Gold Price GB £ per ounce	Quarter end Average US$	Quarter end Average GB £
JANUARY 2009	858.69	595.87		
FEBRUARY 2009	943.16	654.96		
MARCH 2009	924.27	652.00	908.71	634.28
APRIL 2009	890.2	605.44		
MAY 2009	928.65	602.43		
JUNE 2009	945.67	578.51	921.51	594.79
JULY 2009	934.24	571.00		
AUGUST 2009	949.39	573.92		
SEPTEMBER 2009	996.32	610.66	959.98	585.19
OCTOBER 2009	1043.16	644.33		
NOVEMBER 2009	1127.04	679.18		
DECEMBER 2009	1130.12	696.72	1100.11	673.41
JANUARY 2010	1117.96	691.65		
FEBRUARY 2010	1095.41	701.79		

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 lowest month, which was most favorable in terms of dollar exchange rates, was March 2009. A rise in the value of sterling compared to the US $ stabilized in the second half of the year around 1.64US$ /£. Recent changes to that trend in the first quarter of 2010 suggest that sterling is weakening below $1.60, with some days trading below $1.50.

MONTH	Average US $ to UK £	Quarter 2009 Average $ / £
JANUARY 2009	1.45	
FEBRUARY 2009	1.44	
MARCH 2009	1.42	1.43
APRIL 2009	1.47	
MAY 2009	1.54	
JUNE 2009	1.64	1.55
JULY 2009	1.64	
AUGUST 2009	1.65	
SEPTEMBER 2009	1.63	1.64
OCTOBER 2009	1.62	
NOVEMBER 2009	1.66	
DECEMBER 2009	1.62	1.63
JANUARY 2010	1.62	
FEBRUARY 2010	1.56	

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. Many of the debts of subsidiaries are due in UK Sterling. UK sterling against the Canadian $ has weakened from January 2009 to December 2009. The weakening of sterling against the Canadian $ decreases the Company's UK liabilities when expressed in Canadian Dollars.

MONTH (BOE average spot)	Average CAN $ to UK £	Quarter end Avrg. CAN$ / £
JANUARY 2009	1.77	
FEBRUARY 2009	1.80	
MARCH 2009	1.79	1.786
APRIL 2009	1.80	
MAY 2009	1.78	
JUNE 2009	1.84	1.81
JULY 2009	1.84	
AUGUST 2009	1.80	
SEPTEMBER 2009	1.77	1.80
OCTOBER 2009	1.71	
NOVEMBER 2009	1.76	
DECEMBER 2009	1.71	1.73
JANUARY 2010	1.69	
FEBRUARY 2010	1.65	

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

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 jewelry, 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 favorable 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.