GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Three and Six Months ended June 30, 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 three and six months ended June 30, 2009. This MD&A is to be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008. The MD&A does not form part of these unaudited 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 24, 2009.

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

Company Overview

Galantas Gold Corporation is a producing mineral resource issuer and the first to acquire planning consent to mine gold in Northern Ireland. The Company's wholly owned Ontario holding company, Cavanacaw Corporation, owns all of the shares of two Northern Ireland companies – Omagh Minerals Limited, owner of prospecting and mining rights, planning consent plus land, buildings and equipment; and Galantas Irish Gold Limited, owner of rights to work, market and sell part of the Company's gold production as certified Irish gold jewellery.

The second quarter of 2009 followed on 2008 which marked the first full year of operations at the Omagh mine where commercial production commenced in mid 2007. 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 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 and nearby known deposits,
- 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 the second Quarter of 2008 ACA Howe International Ltd prepared an updated estimate of mineral resources for the Omagh mine.

References

1. May 2008 : ACA Howe International Ltd. " Technical Report on the Omagh Gold Project, Counties Tyrone and Fermanagh, Northern Ireland (The Updated Howe Report)

Ore reserves and mineral resources lie within eight veins in a 5 square kilometre area at the eastern end of the Company's original prospecting licence which encompasses a 20 by 6 kilometre fault-bounded inlier of Precambrian "Dalradian" rocks and younger rocks underlain by Dalradian rocks. The deposits sub-outcrop beneath a few meters of glacial and recent overburden and are open to depth and usually along the strike. The steeply dipping Kearney deposit, focus of the initial mine, is some 850 meters long.

A Press Release dated 12th June 2008 gave detail of a Resource and Exploration review and contained the following disclosure :-

"The report of the mineral resource review on the Omagh property has been prepared by independent consultants, ACA Howe International Ltd (Howe). 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.

The resource review updates resource estimates for the Kearney deposit and the other named veins. These are classified in accordance with CIM (Canadian Institute of Mining, Metallurgy and Petroleum) Definition Standards on Minerals Resources and Minerals Reserves, adopted by CIM Council on December 11, 2005. The report was commissioned to be prepared in compliance with Canadian National Instrument 43-101.

The reporting has been conservatively applied and there are some significant differences with the JORC (Australian Joint Ore Reserve Committee) code (1995) previously used to calculate resources. For instance, although the Elkins mineralized structure has been found to be co-incident with an IP (Induced Polarization) geophysical anomaly for the portion of its length that has been drill tested, the portion of the anomaly that has not been drill tested has been excluded from resource calculation. The potential Elkins extension is included within a table of Resource Extension Targets. Previously the extension was calculated within the JORC resource model.

The CIM / NI.43-101 resources as summarized in the report are as follows :

	Measured				**Indicated**				**Inferred**		
	Gold (Au)	**Grade**	**Tonnage**			**Grade**	**Tonnage**			**Grade**	**Tonnage**
	Ozs	**g/t gold**	**(t)**		**ozs**	**g/t gold**	**(t)**		**ozs**	**g/t gold**	**(t)**
Kearney	16000	6.35	78000		76000	6.74	350000		218000	9.27	730,000
Elkins					12000	3.3	113000		3,600	3.82	29000
Kerr									7800	4.03	60000
Joshua									20400	3.96	160000
Gormley									24300	6.57	115000
Garry									1600	1.27	40000
Prince's									12500	38.93	10000
Sammy’s									4100	4.26	30000
Kearney Nth									3500	1.97	55000
Total ozs	**16000**				**88000**				**295800**		

Two new vein discoveries are reported upon, named as McCombs vein and Eastern Lagoon vein, though no estimate of resources have been included for these discoveries.

The report contains estimates of potential tonnage and grade of some of the available targets and classifies these by Resource Extension or Exploration. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define mineral resources in these areas. It is uncertain if further exploration will result in the targets being delineated as mineral resource. The exploration potential does not represent a mineral resource, does not have demonstrated economic viability and is disclosed in accordance with NI 43-101 Rules and Policies, Section 2.3, disclosed as potential quantity and grade, expressed as ranges, of a potential mineral deposit that is to be the target of future exploration. The report states, “However, the disclosed potential quantity and grade has been determined on the basis of reasonable extrapolation from known and defined resources and/or favorable geochemical/geophysical signatures and float/surface sampling, the results of which make these areas highly prospective”.

Table of Exploration Potential* (The updated Howe Report)

Target Name	**Potential Tonnes Range (t)**		**Potential Grade Range (g/t Gold)**	
RESOURCE EXTENSION TARGETS				
	Low	***High***	***Low***	***High***
Kearney	400,000	600,000	4.5	9.0
Elkins	200,000	400,000	2.0	4.0
Joshua’s	190,000	380,000	2.0	4.0
Kerr	180,000	360,000	2.0	4.0
Gormley	230,000	460,000	3.3	6.5
Sammy’s	30,000	60,000	2.1	4.2
Prince’s	20,000	40,000	19	38
Garry’s	80,000	160,000	0.7	1.3
Total	1,330,000	2,460,000		
EXPLORATION TARGETS				
Peter’s	4,000	13,000	4.5	9.0
“63 gram”	33,000	101,000	4.5	9.0
North of Sammy’s Barn / East Cousins	135,000	810,000	4.5	9.0
Cornavarrow Burn East	60,000	360,000	4.5	9.0
Corlea Burn	60,000	360,000	4.5	9.0

Legphressy	60,000	360,000	4.5	9.0
Cousins	48,000	145,000	4.5	9.0
Total	400,000	2,149,000		
TOTAL EXPLORATION POTENTIAL *	**1,730,000**	**4,609,000**		

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

Several additional retailers were added to the jewelry distribution network during the 2008 and internet advertising trialed with some success. However, market conditions generally in the jewelry trade are poor and retailers have become cautious in the current economic climate. As a consequence, management focus has continued to be on the mine operation during the second quarter and first six months of 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 August 24, 2009

1.2 REVIEW OF FINANCIAL RESULTS

Three Months Ended June 30, 2009

The net loss for the three months ended June 30, 2009 amounted to $ 234,325 compared to a loss of $ 712,273 for the three months ended June 30, 2008.

Galantas changed its revenue recognition accounting policy for sales of concentrates in the fourth quarter of 2008 whereby sales in the second quarter of 2009 are now recognized at the time of shipment when title passes and significant risks and benefits of ownership are considered to be transferred. The final revenue figure at the end of any given period will be subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes. As the Company was in the early stages of commercial production in the second quarter of 2008 appropriate estimates of this final settlement were not able to be made. Accordingly, revenues for the three months ended June 30, 2008 were not recognized until final settlement and any payments received prior to settlement were included as deferred revenue on the balance sheet. This had the effect that shipments for the second quarter of 2008 were excluded from sales and included in inventories. Sales revenues for this period consist mainly of Quarter 1 2008 shipments for which the final settlement value would only have been agreed during the three months ended June 30, 2008. The changes in accounting policy did not impact on the results for either quarter as concentrate inventories were valued at net realizable value at June 30, 2008 reflecting the Company's accounting policy for inventories being valued at the lower of cost or net realizable value. There were no concentrate inventories on hand at June 30, 2009.

Revenues from the sale of concentrate and jewelry for the three months ended June 30, 2009 amounted to $ 1,648,243 which compared to revenues of $ 650,565 for the corresponding period of 2008.This increase in sales revenues reflects both the change in accounting policy referred to above, the increased level of concentrates produced and shipped during the quarter and higher gold prices. Sales revenues primarily consisted of concentrate sales from the mine. Jewelry sales remained low during the quarter. Cost of Sales, which consists primarily of production costs at the mine, amounted to $ 989,285 for the three months ended June 30, 2009 compared to $ 431,708 for the three months ended June 30, 2008. The increase in cost of sales for the second quarter of 2009 was due to both higher production costs reflecting the increased production levels at the mine and increased inventory levels during the second quarter of 2008 which had the effect of reducing cost of sales for the three months ended June 30, 2008. Amortization of Deferred development and exploration costs for the second quarter of 2009 amounted to $ 193,607 compared to $ 119,484 for the second quarter of 2008. The higher level of amortization during the second quarter of 2009 is due to a combination of higher deferred development and exploration costs at June 30, 2009 and increased production levels in the second quarter on which the amortization calculation is based. Depreciation of property, plant and equipment during the second quarter of 2009 totaled $ 131,954 which compared with $ 232,598 for the second quarter of 2008. The reduction in the depreciation is due primarily to the depreciation charge being based on the reducing balance of the assets together with a depreciation overprovision in the second quarter of 2008.

This resulted in a Net Income before Other expenses and Income for the three months ended June 30, 2009 of $ 333,397 compared to a Net Loss before Other expenses and Income of $ 133,225 for the corresponding period of 2008. Other Expenses and Income for the three months ended March 31, 2009 which include a foreign exchange loss of $ 237,378 amounted to $ 567,722 compared to $ 579,048, which included a foreign exchange loss of $ 21,583, for the corresponding period of 2008. These exchange losses are mainly due to the strengthening of the UK£ currency against the Canadian Dollar during both periods. Other Expenses and Income are set out in Section 1.15 Other MD&A Requirements. This has resulted in a Net Loss for the three months ended June 30, 2009 of $ 234,325 compared to a Net Loss of $ 712,273 for the corresponding period of 2008.

Cash balances at June 30, 2009 amounted to $ 488,354 compared to $ 587,489 at December 31, 2008. Accounts receivable at June 30, 2009 amounted to $ 694,346 at June 30, 2009 compared to $ 330,467 at December 31, 2008 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, 2009 is due primarily to an increase in trade debtors relating to the increased level of concentrate sales during the period. Inventory at June 30, 2009 amounts to $ 680,858 and compares with inventory of $ 652,306 at December 31, 2008. Inventory consists mainly of jewelry products and unworked gold belonging to the jewelry business . The non-cash asset of future income taxes, which the Company anticipates is recoverable, amounted to $ 2,094,043 at June 30, 2009 and at December 31, 2008.

Property plant and equipment net of depreciation at June 30, 2009 totaled $ 5,858,344 compared to $ 6,152,874 at December 31, 2008. The decrease of $ 294,530 was primarily due to the depreciation charged during the period. Deferred development and exploration costs net of accumulated amortization totaled $ 10,282,832 at June 30, 2009 compared to $10,601,856 at the end of 2008 with the decrease being due to the amortization charge for the six months ended June 30, 2009.

Current liabilities at June 30, 2009 totaled $ 5,292,891 compared to $ 5,111,621 at December 31, 2008. The working capital deficit June 30, 2009 amounted to $ 3,429,333 compared to $ 3,541,359 at December 31, 2008. Accounts payable and accrued liabilities amounted to $ 2,109,111 compared to $ 2,298,303 at December 31, 2008. The current portion of the external financing and term loan facilities totaled $ 271,781 at June 30, 2009 and compares with $ 309,043 at the end of 2008 reflecting repayments made during the quarter. Loans from related parties at June 30, 2009 amounted to $ 2,911,999 compared to $ 2,504,275 at December 31, 2008. The increase at the end of June 2009 reflects both the increased indebtedness from related parties as a result of additional funding during the period and the impact of the weakening of the Canadian Dollar against Sterling during the period. The asset retirement obligation at December 31, 2008 amounted to $ 447,400 at June 30, 2009 and December 31, 2008. Non current loans from related parties and external financing facilities total $ 425,802 at June 30, 2009 compared to $ 618,025 at December 31, 2008.

Six Months Ended June 30, 2009

The net loss for the six months ended June 30, 2009 amounted to $ 524,338 compared to a loss of $ 1,858,192 for the six months ended June 30, 2008.

Galantas changed its revenue recognition accounting policy for sales of concentrates in the fourth quarter of 2008 whereby sales for the six months ended June 30, 2009 are now recognized at the time of shipment when title passes and significant risks and benefits of ownership are considered to be transferred. The final revenue figure at the end of any given period will be subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes. As the Company was in the early stages of commercial production during the first six months of 2008 appropriate estimates of this final settlement were not able to be made. Accordingly, revenues for the six months ended June 30, 2008 were not recognized until final settlement and any payments received prior to settlement were included as deferred revenue on the balance sheet. This had the effect that a significant number of shipments for the first half of 2008 were excluded from sales and included in inventories. Sales revenues for the first six months of 2008 would have consisted mainly of Quarter 4 2007 and some Quarter 1 2008 shipments for which the final settlement value would only have been agreed during the six months ended June 30, 2008. The changes in accounting policy did not impact on the results for either period as concentrate inventories were valued at net realizable value at June 30, 2008 reflecting the Company's accounting policy for inventories being valued at the lower of cost or net realizable value. There were no concentrate inventories on hand at June 30, 2009.

Revenues from the sale of concentrate and jewelry for the six months ended June 30, 2009 amounted to $ 2,791,247 which compared to revenues of $ 1,272,352 for the corresponding period of 2008.This increase in sales revenues reflects both the change in accounting policy referred to above, the increased level of concentrates produced and shipped during the period and higher gold prices. Sales revenues primarily consisted of concentrate sales from the mine. Jewelry sales continued to remain low during the six months ended June 30, 2009. Cost of Sales, which consists primarily of production costs at the mine, amounted to $ 1,802,669 for the six months ended June 30, 2009 compared to $ 1,134,187 for the six months ended June 30, 2008. The increase in cost of sales for the first six months was due to both higher production costs reflecting the increased production levels at the mine and increased inventory levels during the first half of 2008 which significantly reduced the cost of sales during that period. Amortization of Deferred development and exploration costs for the first six months of 2009 amounted to $ 338,995 compared to $ 237,854 for the first six months of 2008. The higher level of amortization during the first six months of 2009 is due to a combination of higher Deferred development and exploration costs at June 30, 2009 and higher production levels in the period on which the amortization calculation is based. Depreciation of property, plant and equipment during the first six months of 2009 totaled $ 290,444 which compared with $ 459,227 for the first six months of 2008. The reduction in the depreciation is due primarily to the depreciation charge being based on the reducing balance of the assets together with a depreciation overprovision in the first six months of 2008.

This resulted in a Net Income before Other expenses and Income for the six months ended June 30, 2009 of $ 359,139 compared to a Net Loss before Other expenses and Income of $ 558,916 for the corresponding period of 2008. Other Expenses and Income for the six months ended June 30, 2009 which include a foreign exchange loss of $ 261,228 amounted to $ 883,477 compared to $ 1,299,276, which included a foreign exchange loss of $ 177,394, for the corresponding period of 2008. These exchange losses are mainly due to the strengthening of the UK£ currency against the Canadian Dollar during both periods. Other Expenses and Income are set out in Section 1.15 Other MD&A Requirements. This has resulted in a Net Loss for the six months ended June 30, 2009 of $ 524,338 compared to a Net Loss of $ l,858,192 for the corresponding period of 2008.

1.3 SELECTED ANNUAL INFORMATION

Not applicable to Quarterly MD&A

1.4 RESULTS OF OPERATIONS

2009 Financing Activities

There were no financing activities during the three months ended June 30, 2009.

During the first quarter of 2009 the Company had announced in January 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.

The Company had also announced in November 2008 that the President and Chief Executive Officer had agreed to lend up to $ 901,100 (£500,000) to the Company for a period of six months from November 4th, 2008 which repayment terms have now been extended. The loan is secured on the Company's inventory with cross guarantees provided by the Company' subsidiaries and bears interest at a base rate plus 4.5% per annum, such interest to be calculated monthly and compounded until repaid. At June 30, 2009 the amount drawn down under this loan totaled $ 421,279 (£ 220,311).

Production

Production at the Omagh mine continued to progress during the three months ended June 30, 2009. Concentrate production for the second quarter of 2009 amounted to 661.0 dry tonnes of concentrate which compares to 390.0 dry tonnes for the second quarter of 2008 – an increase of 69.5 %. Metal content of production for the three months ended June 30, 2009 totalled 1,977 ounces of gold (61.5kg), 5,972 ounces of silver (185.8kgs) and 90.4 tonnes of lead. This compares with metal content for the corresponding period of 2008 of 1,198 ounces of gold (31.3kgs), 2,793 ounces of silver (86.9kgs) and 31.7 tonnes of lead which represents a 65% increase in gold output, a 114% increase in silver output and a 185% 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. Concentrate production in April was hampered by a breakdown in the plant during the first half of the month. However concentrate production in May and June improved substantially and set monthly production records. The increases in production are due to improvements in productivity brought about by increased capability of pit equipment and to enhanced lead and silver grades within the open pit. An overhaul of of the Volvo EC460 at the mine is complete and has moved top soil from part of the area of a second gold, the Kerr vein. The Kerr vein is approximately 250 metres to the west of the Kearney vein which continues to be the main focus of the operation. It is planned that the Kerr vein will be later incorporated into the paste cell tailings storage arrangement. Stripping operations are hampered by a shortage of the working capital required to carry out the task and stripping must be carried out as a precursor to exposing ore for mining.

Concentrate production for the six months of 2009 amounted to 1,141.7 dry tonnes of concentrate which compares to 720.4 dry tonnes for the second quarter of 2008 – an increase of 58 %. Metal content of production for the six months ended June 31, 2009 totalled 3,487 ounces of gold (108.5kg), 10,757 ounces of silver (334.6kgs) and 132.6 tonnes of lead. This compares with metal content for the first six months of 2008 of 2,217 ounces of gold (68.9kgs), 4,972 ounces of silver (154.6kgs) and 66.1 tonnes of lead which represents a 57% increase in gold output, a 116% increase in silver output and a 100% 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

During 2008 all available historical and current exploration data was collated into a GIS database which was then used to target particular areas in the three licence areas held by the Company with fieldwork being conducted on targets of highest priority which has resulted in a number of areas being identified as having good potential for bedrock gold mineralisation. During the latter part of 2008 and the first half of 2009 the GIS database has been updated with all these results so that fieldwork over the coming months can be efficiently targeted. During the second quarter of 2009 the exploration program was put on hold in order to focus the Company's resources on prioritising grade control within the open pit. A program to recommence exploration on the Company's 653 square kilometre licence area is expected to recommence during the third quarter of 2009.

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and net financial results in Canadian dollars for the first 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**
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
June 30,2008	$ 650,565	$ (712,273)	$ 0.00
March 31, 2008	$ 621,787	$ (1,145,919)	$ (0.01)
December 31, 2007	$ (63,505)	$ (1,070,540)	$ (0.01)

September 30, 2007	$ 715,080	$ (788,481)	$ 0.00

The results for the quarter ended June 30, 2009 are discussed under Section 1.2 – Review of Financial Results.

Revenues, commencing in quarter ended September 30, 2007 when the Omagh mine started commercial production, are primarily from the sales of concentrates. The sales decrease in the quarter ending December 31, 2007 is due to a change in the revenue recognition accounting policy adopted by the Company during that quarter whereby revenues were not recognized until the final settlement of each shipment. This resulted in shipments for the fourth quarter of 2007 being included in inventories at December 31, 2007 as the final settlement values of those shipments could not be accurately estimated until the following quarter. This revenue recognition policy was reversed during the three months ended December 31, 2008 when the Company was able to more accurately determine the sales value at the time of shipment. This resulted in the sales revenue for the fourth quarter of 2008 including the value of shipments for both the third quarter and fourth quarter of 2008 which explains the increased revenues in that quarter. The changes in accounting policy did not materially impact on the Net Loss for either quarter as concentrate inventories were valued at net realizable value at the end of both periods – reflecting the Company's accounting policy for inventories being valued at the lower of cost or net realizable value.

With the exception of quarter ended September 30, 2008 there have been losses in each of the quarters, which losses, up to the current and previous quarter, have been increasing since the Company commenced production. The Net Income in the quarter ended September 30, 2008 and the reduced loss for the quarter ended December 31, 2008 is due mainly to substantial foreign exchange gains in both quarters. The reduced losses in the quarters ending March 31 and June 30, 2009 is as a result of both higher production/shipments and increased gold prices during those quarters. The $ 234,325 loss for the quarter ended June 30, 2009 includes a foreign exchange loss of $ 237,378.

1.6 LIQUIDITY

The Company had a cash balance of $ 488,354 at June 30, 2009 which compared with $ 587,489 at December 31, 2008.

As at June 30, 2009 the Company's working capital was in a deficit of $ 3,429.333 which compared with a deficit of $ 3,541,359 at December 31, 2008. This deficit is expected to persist during the remainder of 2009 but to gradually reduce as cash from operations increases. Ore supply continues to be a challenge with management focusing heavily on pit operations and there is steady progress. Additional working capital may be required in the short term.

Related Party UK £ loans increased by $206,498 during the three months ended June 30, 2009 due partly to the weakening of the Canadian Dollar against the UK£ . Repayments on the financing facility totaled $ 57,518 during the period.

To date the company has 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.

The Company announced in January 2009 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.

In November 2008 the Company had announced that the President and Chief Executive Officer had agreed to lend up to $956,100 (£500,000) to the Company for a period of six months from November 4th, 2008 which repayment terms have now been extended. The loan is secured on the Company's inventory with cross guarantees provided by the Company' subsidiaries and bears interest at a base rate plus 4.5% per annum, such interest to be calculated monthly and compounded until repaid. At June 30, 2009 the amount drawn down under this loan totaled $ 421,279 (£ 220,311) approximately.

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, 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 June 30, 2008, 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 June, 2009 amounted to $ 168,095.

c) A May 2007 term loan of £ 250,000 for working capital use at a bank interest base rate plus 2% from Allied Irish Banks which is repayable over 3 years. The amount outstanding on this loan at June 30, 2009 amounted to $ 185,555.

d)Welsh Gold plc., a company controlled by the President, and the President personally is due $ 1,596,198 (£ 834,746) of which $ 749,164 (£ 391,781) is due over a period of 3 years This UK£ loan bears interest at base rate plus 2%. A portion of this loan, $ 513,963 (£ 268,781) is secured with a second charge against the land in Omagh.

e) The Company obtained a UK £ loan facility from G&F Phelps, a company controlled by a director of the Company, in the amount of $ 1,238,455 (£ 647,660) for the financing of mining equipment and working capital purposes. The term loan is for a period of 4.25 years at 4.04%

flat with monthly interest payments of $ 16,814 (£8,793) and is secured by all equipment owned by the Company's wholly-owned subsidiary Omagh Minerals.

f) The Company has also obtained a UK £ loan facility from the President and Chief Executive Officer of the Company, who has agreed to lend up to $ 956,100 (£ 500,000) to the Company for a period of six months which period has now been extended. The amount of the loan at June 30, 2009 totals $ 421,279 (£ 220,311). The loan is secured on the Company's inventory with cross guarantees provided by the Company' subsidiaries and bears interest at a base rate plus 4.5% per annum, such interest to be calculated monthly and compounded until repaid.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet transactions.

1.9 RELATED PARTY TRANSACTIONS

Director fees of $ 9,000 and $ 18,000 respectively ($ 9,000 and $ 18,000, respectively for the three and six months ended June 30, 2008) were paid or accrued during the three months and six months ended June 30, 2009.

Included in due to related party is $1,596,198 (£ 834,746) (December 31, 2008 - $ 1,556,597 (£ 869,801)) owing to a director and companies controlled by a director of the Company. $ 513,963 (£ 268,781) of the loan is secured against a second charge on the land owned by Omagh and the balance of the loan is unsecured. The loans bear interest at base rate plus 2%. $749,164 (£ 391,781) is 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 $1,238,455 (£ 647,660) (December 31, 2008 - $ 1,159,052 (£ 647,660) for the financing of mining equipment. $789,088 (£ 412,660) of the term loan is for a period of 4.25 years bearing interest at 4.04% flat with monthly payments of $ 16,814 (£ 8,793) and is secured by all equipment owned by the Company's wholly-owned subsidiary Omagh.

Also included in due to related party is $ 421,279 (£ 220,311) (December 31,2008 - $ 206,787 (£ 115,549) owing to the President and Chief Executive Officer of the Company who agreed to lend up to a total amount of $ 956,100 (£ 500,000) to the Company for a period of six months which period has now been extended. The loan facility is secured by the Company's inventory with cross guarantees provided by the Company's subsidiaries. The loan bears interest at a base rate plus 4.5% per annum, such interest to be calculated monthly and compounded until repaid.

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

During the second quarter the Company signed an agreement for the rent of mining equipment with 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 three and six months ended June 30, 2009 the Company spent $ 40,075 and $ 40,075 respectively to G&F Phelps for the rent of the mining equipment.

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

Changes in Accounting Policy

Revenue Recognition

The Company amended its Revenue Recognition Accounting Policy at the end of 2008 whereby revenues from the sales of gold concentrates are recognized at the time of shipment when appropriate estimates of final settlement are made. The previous policy recognized revenue at the time of final settlement when the Company was in the early stages of commercial production and appropriate estimates of sales revenues could not be made until final settlement.

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 as at June 30, 2009.

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 as at June 30, 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 2012 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.

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, “Mining Exploration Costs”, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company will apply this new abstract for the year ended December 31, 2009.

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 Three Months ended June 30, 2009 and June 30, 2008 are detailed below:

Expense Account	**Three Months Ended June 30 2009**	**Three Months Ended June 30 2008**
Other operating costs	$ 160,641	$ 267,582
Accounting & corporate	$ 13,200	$ 13,569
Legal & audit	$ 24,196	$ 14,339
Stock based compensation	$ 35,505	$ 117,656
Shareholder communication	$ 40,581	$ 38,614

communication		
Transfer agent	$ 11,376	$ 9,786
General Office	$ 12,139	$ 12,238
Bank interest and charges	$ 32,706	$ 83,714
Foreign exchange loss	$ 237,378	$ 21,583
Interest (income)	$ 0	($ 33)
Total	**$ 567,722**	**$ 579,048**

Other Operating Expenses and (Income) for the second quarter of 2009 totaled $ 567,722 compared to $ 579,048 for the second quarter of 2008.

Other operating costs comprising of various costs at the mine including administration, professional fees, insurance, shipping and royalty together with the ongoing costs of the Company's jewelry business decreased from $ 267,582 for the three months ended June 30, 2008 to $ 160,641 for the three months ended June 30, 2009. This decrease is due primarily to the lower costs of the jewelry business during the second quarter of 2008 reflecting reduced consulting fees and sales costs which are activity related. Additionally in 2008 there were certain costs at the mine which were included as Other operating costs but which in 2009 have been included in the cost of sales category resulting in a further variance when comparing 2009 and 2008 other operating costs. Accounting and corporate costs for the first quarter of 2009 amounted to $ 13,200 which was in line with costs of $13,569 for the second quarter of 2008. Audit and legal costs totaled $ 24,196 for the second quarter of 2009 compared with costs of $14,339 for the second quarter of 2008. The increase in costs was primarily due to a prior period under provision which has impacted adversely on the current quarters costs

Stock based compensation costs decreased to $ 35,505 in the second quarter of 2009 from $ 117,656 in the second quarter of 2008. The reduction is mainly as a result of there being no options issued during the second quarter of 2009.

Shareholder communication costs at for the second quarter 2009 amounted to $ 40,581 which were in line with costs of $ 38,614 for the corresponding period of 2008. Transfer agents fees amounted to $ 11,376 for the second quarter of 2009 compared to second quarter 2008 fees of $ 9,786.

General office expenses for three months ended June 30, 2009 amounted to $ 12,139 compared to $ 12,238 for the corresponding period of 2008. Bank interest and charges have reduced from $ 83,714 in the second quarter of 2008 to $ 32,706 for the second quarter of 2009 due to the positive impact of lower interest rates.

There was a foreign exchange loss of $ 237,378 for the three months ended June 30, 2009 compared to a foreign exchange loss of $ 21,583 for the corresponding period of 2008. These exchange losses are mainly due to the strengthening of the UK£ currency against the Canadian Dollar during both periods.

Other Operating Expenses and (Income) for the Six Months ended June 30, 2009 and June 30, 2008 are detailed below:

Expense Account	**Six Months Ended June 30 2009**	**Six Months Ended June 30 2008**
Other operating costs	$ 315,442	$ 581,462
Accounting & corporate	$ 26,993	$ 29,029
Legal & audit	$ 38,589	$ 28,946
Stock based compensation	$ 73,234	$ 248,708
Shareholder communication	$ 69,922	$ 68,143
Transfer agent	$ 12,652	$ 12,659
General Office	$ 21,075	$ 25,338
Bank interest and charges	$ 64,342	$ 127,892
Foreign exchange loss	$ 261,228	$ 177,394
Interest (income)	$ 0	($ 295)
Total	**$ 883,477**	**$1,299,276**

Other Operating Expenses and (Income) totaled $ 883,477 for the six months ended June 30, 2009 compared to $ 1,299,276 for the corresponding period of 2008.

Other operating costs comprising of various costs at the mine including administration, professional fees, insurance, shipping and royalty together with the ongoing expenses of the Company's jewelry business decreased from $ 581,462 for the six months ended June 30, 2008 to $ 315,442 for the six months ended June 30, 2009. This decrease is due primarily to the lower costs of the jewelry business reflecting reduced consulting fees and sales costs which are activity related. Additionally in 2008 there were certain costs at the mine which were included as other operating expenses but which in 2009 have been included in the cost of sales category resulting in a further variance when comparing 2009 and 2008 other operating expenses. Accounting and corporate costs for the first six months of 2009 amounted to $ 26,993 which was marginally lower than $ 29,029 for the first half of 2008. Legal and audit costs totaled $ 38,589 for the first six months compared with costs of $ 28,946 for the corresponding period of 2008. The increase in costs was primarily due to a prior period under provision which has impacted adversely on the costs for the first six months of 2009.

Stock based compensation costs decreased to $ 73,234 in the first half of 2009 from $ 248,708 in the first half of 2008. The reduction in cost is mainly as a result of their being no options issued during the first half of 2009.

Shareholder communication costs amounted to $ 69,922 for the first half of 2009 compared with costs of $ 68,143 for the corresponding period of 2008. Transfer agents fees amounted to $ 12,652 for the first half of 2009 which are in line with fees of $ 12,659 for the first half of 2008.

General office expenses for six months ended June 30, 2009 amounted to $ 21,075 compared to $ 25,338 for the corresponding period of 2008.

Bank interest and charges have reduced from $ 127,892 in the six months ending June 30, 2008 to $ 64,382 for the six month ending June 30, 2009 due to the positive impact of lower interest rates.

There was a foreign exchange loss of $ 261,228 for the six months ended June 30, 2009 compared to a foreign exchange loss of $ 177,394 for the corresponding period of 2008. These exchange losses are mainly due to the strengthening of the UK£ currency against the Canadian Dollar during both 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 June 30, 2008, there were a total of 190,100,055 shares issued, 14,424,200 warrants outstanding expiring from December 2009 to January 2010 and 8,650,000 stock options expiring from May 2010 to October 2013.

IFRS IMPLEMENTATION PLAN

The Accounting Standards Board (AcSB) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, 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 has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures,
- Property, plant and equipment (measurement and valuation),
- Provisions, including asset retirement obligations,
- Stock-based compensation,
- Accounting for income taxes, and
- First-time adoption of International Financial Reporting Standards (IFRS 1)

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training.

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 £ per troy ounce. From January 2009 to June 2009 the gold price in US$ increased by 10.1%.The gold price fell in April but recovered in May and June 2009 resulting in a gold price increase of 6.1% in the period April 2009 to June 2009. 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 June 2009, there was a gold price decrease in sterling terms of 2.9%.The quarter to March 2009 exhibited the highest yet recorded average gold price in sterling terms resulting in an increase of 9.4%. However during the period March to June 2009 there was a pronounced strengthening of sterling against the US dollar which has resulted in a gold price decrease in sterling terms of 11.3% in this period.

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		

The average monthly Gold prices measured in US$ per troy ounce declined from a peak of approximately $ 968 in March 2008 to approximately $ 760 in November. Since November prices have recovered and in March 2009 prices recovered to average approximately $ 924 per ounce in March 2009 and to $ 945 in June 2009.

Many of the costs of mining are incurred in sterling whilst sales revenues are mostly received in US dollars. The weaker sterling value has had a positive impact on mine economics. The sterling value of US dollars had weakened markedly from a range of $1.9 / $2.0 in the period January to July 2008 to a range of $1.40 / $1.48 in the first quarter of 2009. The weaker sterling value has had a positive impact on mine economics during the first quarter of 2009. The net effect of Sterling weakness meant that the average monthly gold price per troy ounce, expressed in Sterling, rose from £451.69 in January 2008 to £483.26 in March, fell to £443.95 in August, rose to £654.96 in February 2009 and was £652 for March 2009. However sterling strengthened during the second quarter of 2009 to average $1.55 and strengthened to $1.64 in June 2009. The has resulted in a weakening of the gold price in sterling terms during the second quarter of 2009 at a time when the gold price was strengthening The prices quoted are drawn from Bank Of England published statistics.

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

<u>The US Dollar / UK Sterling Currency Exchange Rate</u>

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 favourable in terms of dollar exchange rates, was March 2009. Since then a trend had developed which shows a rise in the value of sterling compared to the US $, stabilizing between the months of June and July and indicating that the short term rates in a band between $1.60 and $1.65 US$ /£. Recent changes to that trend suggest that sterling has further strengthened to around $1.69.

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	

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.

<u>The Canadian Dollar / UK Sterling Currency Exchange Rate.</u>

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 strengthened from the average of the first quarter of 2009. The strengthening of sterling against the Canadian $ increases 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	

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, and although there was a short recent period with an increase in activity by those not allied to the peace process, this appears to have diminished.

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.