GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2008

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, 2008. This MD&A is to be read in conjunction with the audited consolidated financial statements for the same period. The MD&A does not form part of these audited 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 April 27, 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.

2008 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 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 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**		

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Initial 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

Several additional retailers have been added to the jewelry distribution network during the year 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, most management focus has been on the mine operation during the year.

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 34 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 27, 2009

1.2 REVIEW OF FINANCIAL RESULTS

Year Ended December 31, 2008

The net loss for the year ended December 31, 2008 amounted to $ 1,961,094 compared to a loss of $ 2,165,656 for the year ended December 31, 2007.

2008 marked the first full year of operations at the Omagh mine where commercial production commenced in mid 2007 and this is reflected in higher sales revenues and costs for the year ended December 31, 2008 when compared to 2007.

Galantas changed its revenue recognition accounting policy for sales of concentrates in Quarter 4, 2008 whereby sales for 2008 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 2007 appropriate estimates of this final settlement were not able to be made. Accordingly, for year ended December 31, 2007 revenues 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 final quarter of 2007 were excluded from sales and included in inventories. The change in policy in 2008 has resulted in 2008 sales revenues including shipments for all of 2008 together with shipments for the fourth quarter of 2007. The changes in accounting policy did not impact on the results for either year as concentrate inventories were valued at net realizable value at the end of 2007 and 2008 – reflecting the accounting policy for inventories of being the lower of cost or net realizable value.

Revenues from the sale of concentrate and jewelry for the year ended December 31,2008 amounted to $ 4,402,965 which compared to revenues of $ 654,142 for the corresponding period of 2007 reflecting both the change in accounting policy referred to above and the increased level of shipments during the year. Sales revenues primarily consisted of concentrate sales. Jewelry sales remained low during the year. Cost of Sales for 2008 including inventory adjustment amounted to $ 3,909,656 compared to $ 972,022 for the year ended December 31, 2007. Exclusive of inventory adjustment Cost of Sales which reflects production costs at the mine totaled $ 3,528,366 for 2008 and $ 1,904,779 for 2007. Amortization for the year ended December 31, 2008 totaled $1,558,679 compared to $ 736,226 for 2007. This resulted in a Net Loss before Other expenses and income for the year ended December 31, 2008 of $ 1,065,370 compared to a Loss of $1,054,106 for the corresponding period of 2007. Other Expenses and income for the year ended December 31, 2008 which include a foreign exchange gain of $ 628,391 amounted to $ 1,386,850 compared to $ 1,766,401 which included a foreign exchange loss of $42,598, for the corresponding period of 2007. Other Expenses and income are set out in Section 1.15 Other MD&A Requirements. This has resulted in a Loss before income taxes of $2,452,220 for 2008 compared to a Loss before income taxes of $ 2,820,507 for 2007. Future income tax recovery for 2008 amounted to $ 491,126 compared to $ 654,851 for 2007 resulting in a Net Loss of $ 1,961,094 for the year ended December 31, 2008 compared to a Net Loss of $ 2,165,656 for the corresponding period of 2007.

Total assets at December 31, 2008 amounted to $ 20,520,935, an increase of $ 104,724 from the December 31, 2007 total of $20,416,211.

Cash at the end of 2008 was $ 587,489 compared to $21,308 at December 31, 2007. This increase is a factor of timing partially due to funds received in late December from a private placement. Management expects this number to fluctuate as financial obligations come due. Accounts receivable consisting mainly of trade debtors, reclaimable sales taxes and prepayments amounted to $ 330,467 at year end compared to $578,831 at December 31, 2007. This reduction at December 2008 is due to both a reduction in reclaimable sales taxes and in prepayments. Inventory at December 31, 2008 amounts to $ 652,306 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 2008 due to almost all concentrates produced having been shipped at year end. This compares with an inventory of $1,033,596 at end 2007. The reduction in inventories is due mainly to the Companies revenue recognition policy in 2007 whereby sales revenues were not recognized until the final assay had been agreed with the vendor. This resulted in shipments for the final quarter of 2007 being included in inventories. This revenue recognition policy was changed in the fourth quarter of 2008 such that sales are now recognized at the time of shipment when title passes resulting in there being only minimal stocks of concentrates on hand at the end of 2008. The non-cash asset of future income taxes which the Company anticipates is recoverable amounted to $ 2,094,043 at December 31, 2008 compared to $1,602,917 at the end of 2007.

Property plant and equipment net of depreciation totaled $ 6,152,874 compared to $ 6,746,970 at December 31, 2007. Capital expenditure for the year ended December 31, 2008 amounted to $ 328,965.Deferred development and exploration costs totaled $ 10,601,856 at December 31, 2008 compared to $10,330,689 at the end of 2007. Deferred development and exploration expenditure in 2008 amounted to $ 906,785 which included an increase in the asset retirement obligation to $447,400 and expenditure of $ 412,555 on deferred till stripping costs involving the removal of overburden where the underlying ore will be extracted in future periods.

Current liabilities at $5,111,621 compare to $ 3,373,843 at the end of 2007. The working capital deficit December 31, 2008 amounted to $ 3,541,359 compared to $ 1,499,218 at December 31, 2007. Accounts payable and accrued liabilities totaled $2,298,303 compared to $2,124,314 at December 31, 2007. The current portion of the external financing and term loan facilities totaled $ 309,043 at December 31, 2008 and compares with $ 495,217 at the end of 2007 reflecting repayments during the year. Loans from related parties at December 31, 2008 amounted to $ 2,504,275 compared to $552,569 at the end of 2007. The increase at the end of 2008 reflects both the increased indebtedness from related parties as a result of additional funding during 2008 and a reclassification of related party debt from long term at the end of 2007 to current at December 31, 2008. Deferred revenue at the end of 2008 amounts to $ Nil compared to $ 201,743 at December 31, 2007. Deferred revenues in 2007 related to advances received on shipments which were included in inventories at the end of 2007 in compliance with the Company's 2007 revenue recognition policy which was amended in Quarter 4 2008.

The asset retirement obligation at December 31, 2008 amounted to $447,400 compared to $ 101,900 at December 31, 2007. Non current loans from related parties and external financing facility total $ 618,025 at December 31, 2008 compared to $ 1,504,185 at December 31, 2007.

1.3 SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Revenue (including interest income)	$ 4,403,114	$ 655,322	$ 56,626
Net income (loss)	($ 1,961,094)	($ 2,165,656)	($ 955,250)
Net income (loss) per share basic	($ 0.01)	($ 0.01)	($ 0.01)
Net income (loss) per share diluted	($ 0.01)	($ 0.01)	($ 0.01)
Cash and cash equivalents	$ 587,489	$ 21,308	$ 234,909
Working Capital (Deficit)	($ 3,541,359)	($ 1,499,218)	($ 806,140)
Total Assets	$ 20,520,935	$ 20,416,211	$ 15,559,278
Long Term Liabilities	$ 618,025	$ 1,504,185	$ 379,773

Shareholders’ Equity	$ 14,343,889	$ 15,436,283	$ 13,426,298

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 which commenced commercial operations in mid 2007 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, 2008 are above those of previous years due mainly to timing issues. The Company reported in late December 2008 that it had completed a private placement of £282,250.

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

The increase in total assets from 2006 to 2007 is mainly due to increases in Deferred development costs and Plant and Machinery. Total assets remain relatively unchanged at the end of 2008.

Long term liabilities are lower in 2008 as a result of certain 2007 loans being reclassified as current liabilities in 2008.

Shareholders equity increased from 2006 to 2007 due mainly to additional funding partially offset by an increased deficit. The reduction in 2008 is due primarily due to the increased deficit as a result of the net loss incurred in 2008.

1.4 RESULTS OF OPERATIONS

2008 Financing Activities

The Company announced in November 2008 that the President and Chief Executive Officer had agreed to lend up to $943,400 (£500,000) to the Company for a period of six months from November 4th, 2008. 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 December 31, 2008 the amount drawn down under this loan totaled $ 206,787 (£115,549) approximately.

Galantas announced 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. Subsequent to the year end the Company also announced that it had received consent from the TSX Venture Exchange with regards to the issue of Company shares for debt on the same terms as the December placement. This involved an arrangement with a creditor for the exchange of £78,355 of debt for 3,134,200 common shares at a price of £0.025 per unit.

Production

Following the initial production ramp up of the Kearney vein during 2007 the first half of 2008 saw production becoming more stable albeit with intermittent ore supply shortages. The pit continued to be the main focus of management attention. During this period an arrangement was entered into with a local contractor for the removal of surplus rock, at no cost, with a view to assisting with pit development and reducing mining costs. The removal of this rock resulted in the mining focus being on the removal of till to allow the expansion of the open pit and expose more ore. This in turn created the space for additional equipment to operate. To facilitate an increase in ore production, a 52 tonne large capacity excavator and three 40 tonne articulated dump-trucks were mobilised. The extra equipment was rented on a three month trial, with 75% of the rental fees being available as a deposit to a potential purchase. All these arrangements enabled greater quantities of ore to be mined during the second half of 2008. While the quantity of ore increased the ore grade remained variable particularly during the fourth quarter of 2008. However the increased ore production partially helped to redress the reduction in ore grade. At year end the Kearney vein was expanded to the maximum length permitted under the first phase of working.

The mill operated satisfactorily during 2008 and operated on a 4.5 day week until late 2008 when the supply of additional ore enabled increased hours of operation at the plant. Mill hours increased to 5.5 days per week in November and production plans for 2009 see a further increase in operating hours as ore becomes available. Crusher capacity was increased during the year such that the mill can now operate between 8.5 and 10.5 tonnes per hour depending on the type of feed. The Company's production plans for 2009 will necessitate expanding the mill capacity further during the year which will require additional capital expenditure.

During 2008 a total of 1,675.2 dry tonnes of concentrate was produced. The corresponding figures for 2007 were a total of 996.4 dry tonnes of concentrate.

Exploration

Exploration activity slowed in the earlier part of 2008 due to a combination of unfavourable weather conditions and the shift in focus to developing the pit. The latter part of the year saw the development of a detailed exploration database and the acquisition and assessment of Tellus data. Tellus is a recent regional exploration program funded by the UK government. The carrying out of exploration fieldwork programs in each of the three licence areas following up Tellus and previously known data continued to the year end. Soil, deep overburden and chip sampling programs were carried out as follow up on several anomalies and results are awaited.

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and net financial results in Canadian dollars for the fourth quarter of 2008 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 31,2008	$ 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
June 30, 2007	$ 1,212	$ (135,118)	$ 0.00
March 31, 2007	$ 1,355	$ (171,517)	$ 0.00

The results for the Quarter ended December 31, 2008 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 decrease in the Quarter ended December 31, 2007 and 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 the quarter.

1.6 LIQUIDITY

The Company had a cash balance of $ 587,489 at December 31, 2008 compared with a cash balance of $ 21,308 at December 31, 2007.

As at December 31, 2008 the Company's working capital was in a deficit of $3,541,359 which compared with a deficit of $1,499,218 at December 31, 2007. This deficit is expected to persist in 2009 but to gradually reduce as cash from operations increases. Ore supply continues to be a challenge with management focusing heavily on the development of the pit which is making slow but steady progress. Additional working capital may be required in the short term.

Additional Related Party loans received during the year ended December 31 2008 amounted to $ 1,398,085. Repayments on the financing facility were $ 518,713 during 2008.

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.

In November the Company announced that the President and Chief Executive Officer had agreed to lend up to $943,400 (£500,000) to the Company for a period of six months from November 4th, 2008. 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 December 31, 2008 the amount drawn down under this loan totaled $ 206,787 (£115,549) approximately.

Galantas announced 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. Subsequent to the year end the Company also announced that it had received consent from the TSX Venture Exchange with regards to the issue of Company shares for debt on the same terms as the December placement. This involved an arrangement with a creditor for the exchange of £78,355 of debt for 3,134,200 common shares at a price of £0.025 per unit.

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, 2008 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, 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) Three £ financing facilities with Barclays Lease Finance. The amounts outstanding on these facilities at December 31, 2008 were $ 44,659, $ 29,602 and $ 194,735 totaling $ 268,996.

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 December 31, 2008 amounted to $ 239,911.

d)Welsh Gold plc., a company controlled by the President, and the President personally is due $1,556,597 (£ 869,801) of which $ 701,132 (£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, $ 481,011 (£268,781) is secured with a second charge against the land in Omagh. At December 31, 2008, interest of $161,353 was accrued and included in accounts payable and accrued liabilities.

e) The Company obtained a loan facility from G&F Phelps, a company controlled by a director of the Company, in the amount of $1,159,052 (£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 $15,736 (£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 loan facility from the President and Chief Executive Officer of the Company, who has agreed to lend up to $943,400 (£500,000) to the Company for a period of six months. The amount of the loan at December 31, 2008 totals $ 206,787 (£115,549). 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 $ 48,065 (2007 - $28,750) were paid or accrued during the year ended December 31, 2008.

Included in due to related party is $1,556,597 (£ 869,801) (2007 - $716,713 (£ 365,670)) owing to a director and companies controlled by a director of the Company. $481,011 (£ 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%. $701,132 (£ 391,781) is due over a period of 3 years. At December 31, 2008, interest of $161,353 (£ 90,161) (2007 - $14,871 (£ 7,587)) was accrued and included in accounts payable and accrued liabilities.

Also, included in due to related party, the Company obtained a loan facility from G&F Phelps, a company controlled by a director of the Company, in the amount of $1,159,052 (£ 647,660) (2007 - $807,638 (£ 412,600) for the financing of mining equipment. $738,496 (£ 412,660) of the term loan is for a period of 4.25 years interest bearing at 4.04% flat with monthly payments of $15,736 (£ 8,793) and is secured by all equipment owned by the Company's wholly-owned subsidiary Omagh.

Included in due to related party is $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 $943,400 (£ 500,000) to the Company for a period of six months. 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.

1.10 FOURTH QUARTER

Galantas reported a Loss after income tax recovery of $ 216,072 for the three months ended December 31, 2008 compared to a Loss after income tax recovery of $ 1,070,540 for the corresponding period of 2007.

Sales revenues for the fourth quarter of 2008 amounted to $1,955,509 compared to negative revenues of $ 63,505 for the corresponding period of 2007. Sales revenues for Quarter 4 2008 have been inflated as a result of the change in the Company's revenue recognition policy made during the Quarter 4 2008. Prior to Quarter 4 2008 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, adapted during Quarter 4 2007, was amended in Quarter 4 2008 whereby sales are now recognized at time of shipment when title passes. The change in policy has resulted in sales for Quarter 4,2008 now including both Quarter 4 shipments and and adjustments to the value of shipments from months prior to Quarter 4 2008. The negative revenues in 2007 were as a result of the Company's revenue recognition policy adopted in Quarter 4 2007 whereby 2007 sales revenues were not recognized until final settlement on shipment had been agreed between buyer and seller which resulted there not being any sales for the fourth quarter with shipments during this period being included in inventories. Whilst there were minimal sales of jewelry during this period downward subsequent downward adjustments to the value shipments of concentrate made prior to Quarter 4 2007 resulted in negative revenues. The revenue recognition policy was amended in Quarter 4 2008 whereby sales are now recognized at time of shipment when title passes. The changes in accounting policy did not impact on the results for either year 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.

Cost of Sales, including inventory adjustments, for the fourth quarter of 2008 amounted to $ 2,155,637 compared to $ 61,607 for the corresponding period of 2007. The increased costs in 2008 over 2007 were as a direct result of inventory adjustments. 2008 cost of sales includes an inventory adjustment of $ 1,189,055 arising from a reduction in closing over opening inventories and has the effect of increasing cost of sales from $ 966,582 to $ 2,155,637 whereas the 2007 negative cost of sales inventory adjustment of $ 917,566 arising from an increase in inventory movement had the effect of reducing cost of sales from $ 979,173 to $ 61,607. Amortization for the three months ended December 31, 2008 amounted to $ 501,078 compared to $ 468,293 for the corresponding period of 2007.

This resulted in a Loss before Other expenses and income of $ 701,206 for the fourth quarter of 2008 compared to $ 593,405 for the corresponding period of 2007. Other expenses and income before foreign exchange adjustments totaled $ 422,041 for 2008 compared to $ 952,181 for the fourth quarter of 2007. The decrease in Other expenses in the fourth quarter of 2008 was mainly due to both a reduction in Other operating expenses from $ 410,435 in 2007 to $ 206,289 in 2008 arising from costs which were included as Other operating expenses in 2007 but included as Costs of sales in 2008 and a reduction in Stock-based compensation from $344,152 in 2007 to $ 31,774 in 2008. The other main costs included in this category were Accounting and corporate $ 8,051 (2007 - $ 19,842), Legal and audit $ 58,940 (2007 - $ 53,670), Shareholder communication and public relations $ 86,565 (2007 - $ 30,237) and Bank interest and charges $ 18,479 (2007 - $ 38,629). There was a Foreign exchange gain of $ 416,049 in Quarter 4 2008 compared to a Foreign exchange loss of $ 179,805 for the corresponding period of 2007. The Quarter 4 2008 gain was mainly due to the weakening of the UK£ against the Canadian Dollar during the fourth quarter which reduced the Company's net £ liabilities when converted to Canadian dollars at December 31, 2008 giving rise to a foreign exchange gain.

This resulted in a loss before income taxes of $ 707,198 for the quarter ended December 31, 2008 compared to $ 1,725,391 for the corresponding period of 2007. Future income tax recovery for the fourth quarter 2008 totaled $ 491,126 compared to $ 654,851 for the corresponding period of 2007. This resulted in a Net Loss of $ 216,072 for the three months ended December 31, 2008 compared to a Net Loss of $ 1,070,540 for the corresponding period of 2007.

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.

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.

Deferred Development and Exploration Costs

Deferred Till Stripping Costs

Till stripping costs, involving the removal of overburden material, are capitalized where the underlying ore will be extracted in future periods. The Company defers these till stripping costs and amortizes them on a unit of production basis as the underlying ore is extracted.

Accounting Changes

In July 2006, The Accounting Standards Board ("AcSB") issued a replacement of the CICA Handbook Section 1506, "Accounting Changes". The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

Financial Instruments, Comprehensive Income (Loss) and Hedges

The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, “Financial Instruments – Recognition and Measurement”, 1530, “Comprehensive Income”, 3861 "Financial Instruments - Disclosure and Presentation" and 3865, “Hedges”. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 and are adopted retrospectively without restatement; accordingly, comparative amounts for prior periods have not been restated. The Company adopted these new standards effective January 1, 2007. Effective December 1, 2006, the CICA issued Handbook Sections 3862 and 3863 which replaced Section 3861, "Financial Instruments

- Disclosure and Presentation", and which became effective for the Company on January 1, 2008.

(a) Financial Instruments - Recognition and Measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(b) Comprehensive Income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available for- sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

The Company had no other comprehensive income or loss transactions during the years ended December 31, 2007 and 2008. Accordingly, a statement of comprehensive income has not been presented in the audited consolidated financial statements for the year ended December31,2008.

(c) Financial Statements and Non-Financial Derivatives

Handbook Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook sections in Note 5(b) to the audited consolidated financial statements for the year ended December31, 2008.

(d) Impact upon adoption of Sections 1530, 3855, 3862, 3863 and 3865

Under adoption of these new standards, the Company designated its cash as held-for-trading, which is measured at fair value. Accounts receivable and advances are classified as loans and receivables, which is measured at amortized cost. Accounts payable and accrued liabilities, financing facility and due to related party are classified as other financial liabilities, which are measured at amortized cost.

Capital Disclosures

On December 1, 2006, the CICA issued a new accounting standard: Capital Disclosures (Handbook Section 1535). This new standard became effective for the Company on January 1, 2008.Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in Note 4 to the audited consolidated financial statements for the year ended December 31,2008.

Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments- Recognition and Measurement. Transaction costs are expensed as incurred for financial instruments. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

General standard of financial statement presentation

In June 2007, the CICA amended Handbook Section 1400, "Going Concern", to include additional requirements to assess and disclose an entity's ability to continue as a going concern. This standard became effective for the Company on January 1, 2008. The adoption of this new standard had no impact on the Company's consolidated financial statements as at and for the year ended December 31, 2008.

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.

Future Accounting Pronouncements

International Financial Reporting Standards ("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 publicly accountable profit-oriented enterprises will be required to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its consolidated financial statements.

Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"), results in withdrawal of CICA 3450, Research and Developmental Costs, and amendments to Accounting Guideline 11, Enterprises in the Development Stage and CICA 1000, Financial Statement Concepts. The standard intends to reduce the differences with IFRS in the accounting for intangible assets and results. Under current Canadian standards, more items are recognized as assets than under 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 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 new standard takes effect for fiscal years beginning on or after October 1, 2008, with early adoption encouraged. The Company is evaluating the effects of adopting this standard.

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.

Sections 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 lAS 27 - Consolidated and Separate Financial Statements. The Company is in the process of evaluating the requirements of the new standards.

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

In January 2009, the CICA approved EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The Company is continually evaluating its counterparties and their credit risks. The Company is evaluating the effects of adopting this standard.

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, 2008 and December 31, 2007 are detailed below:

Expense Account	Year Ended December 31 2008	Year Ended December 31 2007

Other operating expenses	$ 1,006,849	$ 760,027
Accounting & corporate	$ 70,109	$ 46,579
Legal & audit	$ 114,599	$ 109,024
Stock based compensation	$ 386,341	$ 429,262
Shareholder communication	$ 163,233	$ 203,110
Transfer agent	$ 15,335	$ 22,892
Consulting fees	$ 6,186	$ 5,490
General Office	$ 43,301	$ 50,785
Bank interest and charges	$ 209,437	$ 64,307
Foreign exchange (gain) loss	$(628,391)	$ 42,598
Loss on disposal of fixed assets	$ 0	$ 33,507
Interest (income)	($ 149)	($ 1,180)
Total	**$ 1,386,850**	**$ 1,766,401**

Other operating expenses comprise of various expenses at the mine including administration, professional fees, insurance, shipping and royalty together with the ongoing expenses of the Company's jewelry business. The increase in Other operating expenses from $ 760,027 for the year ended December 31, 2007 to $ 1,006,849 for the year ended December 31, 2008 is due mainly to both the increased costs of the jewelry business which are activity related and increased payroll costs at the mine rising from additional personnel. Accounting and corporate costs increased to $ 70,109 for the year ended December 31,2008 from $ 46,579 for the corresponding period of 2007 due to both increased accounting services costs in 2008 and an under provision in the 2007 for accounting and corporate costs. Audit and legal costs totaled $ 114,599 for 2008 compared to $ 109,024 for 2007.

Stock based compensation costs decreased in 2008 from $ 429,262 in 2007 to $ 386,341 in 2008. The reduction in cost is mainly as a result of the cancellation of options granted prior to 2008.

Shareholder communication costs at $ 163,233 for 2008 compared to $ 203,110 for 2007. The decrease of $ 39,877 is due mainly to a reduction in filing fees and listing fees in 2008 as a result of a lower number of fundings in 2008 when compared to 2007.

Transfer agents fees for 2008 at $ 15,335 were below 2007 fees of $ 22,892.

General office expenses for year ended December 31, 2008 amounted to $ 43,301 compared to $50,785 for 2007. The lower level of General office expenses in 2008 is due to a reduction in storage fees in 2008.

Bank interest and charges have increased from $ 64,307 in 2007 to $ 209,437 in 2008 due to the increased level of debt required to finance the operations needs for capital equipment and working capital.

There was a foreign exchange gain of $ 628,391 for the year ended December 31, 2008 compared to a foreign exchange loss of $ 42,598 for 2007. The 2008 gain was mainly due to the weakening of the UK£ currency against the Canadian Dollar during 2008 which reduced the Company's net £ liabilities in Canadian Dollars from end 2007 to end 2008 giving rise to a foreign exchange gain.

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, 2008, there were a total of 186,965,855 shares issued, 11,290,000 warrants outstanding expiring on December 2009 and 8,650,000 stock options expiring from May 2010 to October 2013.

As of December 31, 2008, there were 11,290,000 warrants outstanding. A total of 24,404,000 warrants expired during the quarter ended September 30, 2008.

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

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 risen in March 2009 to approximately $924 per ounce.

Many of the costs of mining are incurred in sterling whilst sales are mostly received in US dollars. The weaker sterling value has had a positive impact on mine economics. The sterling value of US dollars has weakened markedly from a range of 1.9 / 2 in the period January to July 2008 to a range of 1.38 / 1.48 in 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. The prices quoted are drawn from Bank Of England published statistics.

The declines in fuel oil price have also reduced costs.

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, although there has been an increase recently in activity by those not allied to the peace process.

RISKS AND UNCERTAINTIES

Galantas operates in a sector – early stage 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:

1. 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.

2. 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.

3. 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.

4. 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.

5. 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 planned mine, since the owner is the Company itself, it is thought unlikely that there will be a material impact.

6. 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 has recently been an increase in activity by parties not allied to the peace process. The mine is well removed from areas of potential urban disturbance.

7. Financial 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 produces at an increased capacity there is the uncertainty of continued operation.

8. Revenue The Company has contracted sale of its concentrate to Xstrata.

9. 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.

10. Currency Fluctuations/Bullion Price Most of the costs to the company are incurred in British Pounds Sterling. There is risk that gold prices and the value of sterling against the US dollar may reverse current trends and reduce Sterling income. Results are published in Canadian

dollars and there is therefore a currency risk. The Company's policy is to not sell forward its bullion.

11. 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.

12. 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.