GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2007

This document constitutes management's discussion and analysis (MD&A) of the financial and operational results of Galantas Gold Corporation (the company) for the twelve months ended December 31, 2007. This MD&A is to be read in conjunction with the audited 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 30, 2007.

This MD&A is dated April 30, 2007.

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

Galantas Gold Corporation is a producing mineral resource issuer and the first to acquire planning consent to mine gold in 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 the Company's gold production as certified Irish gold jewellery.

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 189 square kilometre prospecting licence, focus 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

References

1. December, 2005: ACA Howe International Ltd. "Technical Report of the Gold Mining and Exploration Interests of the Omagh Gold Project of Galantas Gold Corporation in Counties Tyrone and Farmanagh, Northern Ireland" (the "Howe Report")
2. September 22, 2006: Galantas Gold Corporation Press Release: "Galantas Develops Omagh Gold Mine..."
3. January 22, 2007: Galantas Gold Corporation Press Release: "Ore Reserve and Resource Estimate".

Ore reserves and mineral resources lie within eight veins in a 5 square kilometre area at the eastern end of the Company's prospecting licence which encompasses a 20 by 6 kilometre fault-bounded inlier of Precambrian "Daladrian" 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 meter long and an average of 4.3 meters wide. It has been drilled with 40 diamond drill holes down to 137 meters and was intersected in one hole at a depth of 300 meters. Below the average 3 meters of overburden , a 359 meters long section at the southern end of the deposit had been 88% stripped and channel sampled in detail in the late 1980's by Rio Tinto (212 meters) and in 1991 by Omagh Minerals Limited (103 meters). Results together with drilling data were used in the Howe Report to calculate reserves and resources. The calculations have not been updated with surface sampling and drilling results obtained in 2006 and in 2007. The Company is in the midst of exploration and development involving diamond drilling, results of which will lead to a new estimate of reserves and resources. This new estimate and accompanying N143-101 technical report has been commissioned and is currently being finalized and reviewed.

On the Kearney deposit, which is the initial focus of mine development, the Company's current resource statement notes: (i) proven ore reserves of 181,480 tonnes at a grade of 7.36 grams of gold per tonne; (ii) probable ore reserves of 185,830 tonnes at a grade of 7.68 grams of gold per tonne; plus (iii) an indicated resource of 1,183,680 tonnes at a grade of 7.02 grams of gold per tonne. These reserves and resources were calculated using a cut-off grade of 1.0 gram of gold per tonne and a cut-off width of 0.5 meters. The reserves lie within the "Kearney Pit" currently being developed. The indicated resource extends from the bottom of the pit presently planned at 37 meters vertical depth to a depth of 137 meters, below which depth the deposit remains open. Note that the reserves and resources outlined above are undergoing review the results of which, nearing completion, will replace the current resource statement and that review could affect the quantities and/or grades previously calculated.

Additional to the reserves and resources of the Kearney deposit, the Howe Report noted indicated and inferred resources in other deposits within the Company's mining licence. At a cut of grade and width of 1.0 gram per tonne gold and .0.5 meters, these are:

Indicated Resource (tonnes)	Grade (g/t Au)	Contained Gold (grams Au)	Inferred Resources (tonnes)	Grade (g/tAu)	Contained Gold (grams Au)
329,820	6.72	2,208.53	135,500	4.68	634,643

The estimate in the Howe Report (re-iterated January 22, 2007, press release) was carried out to the standards of the Joint Committee of the Australasian Mining Industry Council Code (JORC). A reconciliation to the mineral resources and mineral reserve categories as set out in National Instrument 43-101 was included in the Howe Report.

The Howe Report describes in section 12 a mining trial on proven reserves that produced four selectively mined samples aggregating 101.4 tonnes grading an average of 53.41 grams gold per tonne. The difference between this and the reserve grade is attributed to a) selectivity practiced in the mining trial, b) dilution inbuilt in the original sampling, and c) naturally inhomogeneous gold distribution. The sustainable mining grade will be established through sampling prior to and during the early life of the open pit. Mineralisation is tightly constrained in the sulphide veins that make up the Kearney and other deposits, making them amenable to selective mining. The processing plant has been designed to accept ore grading up to 20 grams gold per tonne.

Channel sampling of 2 vein segments aggregating 150 meters in the southern part of the Kearney deposit was completed independently in 2006 to obtain an estimate of the selective mining grade that could be sustained in that area. The results, combined with those from 124 samples taken by the Company, showed a weighted undiluted average grade, at a cut-off grade of 3.0 grams per tonne gold, for individual veins of 16.25 grams per tonne gold. Detail is contained within the press release dated September 22, 2006.

Exploration Targets

The Howe Report describes 53 targets selected from integration of geological, geochemical and geophysical data over the Dalradian inlier. The targets were grouped on a priority of 1 to 10 to reflect the likelihood of their hosting additional resources. Eight veins around Kearney were classified as very high priority resource augmentation targets with scores of 9 and 10. These have high grade channel and/or drill intercepts and have resources and/or reserves. Eight veins not drilled, or with lower grades, have scores of 5 to 8. The remaining 37 targets comprise one scoring 6, six scoring 5, four scoring 4, eleven scoring 2 and seven scoring 1.

Howe considers targets scoring 3 to 8 to represent excellent opportunities for discoveries. Howe considered it likely that exploration will add to the reserves and resources and that veins similar to Kearney may lie undiscovered. Howe considered that relatively high grades and widths and continuity of the deposits with known reserves and resources indicate the potential for underground production in the future.

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 the press release dated June 26, 2007. Improvements in terms of production quantity have been made since the end of the last quarter though concentrate quality remains variable. Inconsistencies in terms of production quantity and quality are expected to gradually reduce.

The year saw infrastructure upgrades including, addition to access and haul roads and process building, completion of the modified paste tailings storage facility, water containment dam and reticulation and discharge system including a channel diverting run-off water away from working places.

Galantas Irish Gold Limited

Galantas Irish Gold has carried out market trials wherein jewellery to the value of $712,784 has been sold through retailers in Ireland and direct via the Company's e-commerce enabled website www.galantas.com, $529,546 of the sales having been made since the company entered development stage on January 1, 2003. Manufacturing and distribution systems are operating and the retailer network in Ireland and the UK are in place with the initial delivery of jewellery having taken place early in 2008. Production of Irish gold has been scheduled into the operating plan to support regular commercial activity.

At the date of this MD&A, Goldsmith group has purchased Galantas® jewellery which has been distributed via certain shops in its large UK retail chain. Replenishment orders from the initial shipment have begun.

Management and Staff

Overall management is exercised by two Executive Directors along with a General Manager who is in charge of operations in Omagh where the mine, plant and administration employs 27 people. During the year the company welcomed Nicholas Hardie as General Manager, Chris Attwood as Production Manager and Brent Routledge as CFO.

Key Performance Driver

The achievement of production and cash flow from profitably mining the deposits at Omagh.

1.2 OVERALL PERFORMANCE

After commencing site preparation in 2005 and completing the major part of plant construction and site works in 2006, the year of 2007 saw production come online. Ramp up challenges in the early stages of production have been mitigated but a consistent ore supply continues to be the focus of attention. The plant was commissioned as noted in the press release dated June 26, 2007 with work continuing on streamlining the process with a re-grind circuit to further increase the value of concentrate. Work also continues on general site enhancements around the plant.

During the year a total of 996.4 dry tonnes of concentrate were produced with 330.4 tonnes in the first quarter of 2008.

Exploration

Diamond drilling continued throughout the year with the primary focus continuing on detailing the Kearney deposit and exploring the parallel Elkin deposit lying 500 meters to the east. A total of 4,830 metres were drilled in 35 holes in 2007, details as tabulated:

	Kearney	Elkins	Kerr	Total
Holes Drilled 2007	29	6	0	35
Meters	4,377.0	453.0	0.0	4,830.0

Drilling statistics for the year are in the table below:

Hole ID	Location	NI-GRID N	NI-GRID E	NI-GRID RL	Depth (m)	Start	Finish
OM-DD-07-15	Kearney	371041.658	240133.834	172.335	90.00	04/01/2007	18/01/2007
OM-DD-07-16	Kearney	371038.987	240171.424	164.641	120.00	23/01/2007	08/02/2007
OM-DD-07-17	Kearney	371039.436	240209.819	156.025	167.30	09/02/2007	26/02/2007
OM-DD-07-18	Kearney	371090.813	240176.967	165.296	154.60	27/02/2007	07/03/2007
OM-DD-07-19	Kearney	370830.247	240201.226	160.405	135.00	08/03/2007	20/03/2007
OM-DD-07-20	Elkin's	371126	240657	121	48.00	07/03/2007	14/03/2007
OM-DD-07-21	Elkin's	371163	240669	121	50.00	15/03/2007	22/03/2007
OM-DD-07-22	Kearney	370799.427	240171.287	163.101	102.00	21/03/2007	27/03/2007
OM-DD-07-23	Elkin's	371219	240665	120	51.00	23/03/2007	02/04/2007
OM-DD-07-24	Kearney	370748.620	240186.756	164.396	130.00	28/03/2007	11/04/2007
OM-DD-07-25	Elkin's	371274	240662	121	117.00	03/04/2007	16/04/2007
OM-DD-07-26	Kearney	370725.597	240200.950	165.404	164.20	12/04/2007	19/04/2007
OM-DD-07-27	Elkin's	371162	240688	123	76.00	17/04/2007	23/04/2007
OM-DD-07-28	Kearney	370674.430	240187.658	162.245	101.40	19/04/2007	25/04/2007
OM-DD-07-29	Elkin's	371219	240700	121	111.00	25/04/2007	16/05/2007
OM-DD-07-30	Kearney	370624.015	240186.843	160.502	116.20	23/05/2007	02/05/2007
OM-DD-07-31	Kearney	370848.309	240200.277	160.283	143.40	03/05/2007	11/05/2007
OM-DD-07-32	Kearney	370849.082	240149.896	162.804	110.00	15/05/2007	22/05/2007
OM-DD-07-33	Kearney	371322.425	240114.333	159.197	120.00	18/05/2007	31/05/2007
OM-DD-07-34	Kearney	370873.752	240175.568	160.504	167.00	23/05/2007	31/05/2007

OM-DD-07-35	Kearney	371208.940	240168.465	162.239	153.00	01/06/2007	18/06/2007
OM-DD-07-36	Kearney	370897.742	240170.826	160.786	140.00	31/05/2007	11/06/2007
OM-DD-07-37	Kearney	370924.581	240172.106	161.764	131.50	12/06/2007	19/06/2007
OM-DD-07-38	Kearney	370920.818	240117.268	166.763	104.00	20/06/2007	26/06/2007
OM-DD-07-39	Kearney	371140.723	240110.717	174.640	99.00	26/06/2007	06/07/2007
OM-DD-07-40	Kearney	370972.451	240172.084	163.093	125.00	26/06/2007	03/07/2007
OM-DD-07-41	Kearney	371121.548	240220.805	158.321	281.80	04/07/2007	23/07/2007
OM-DD-07-42	Kearney	370946.379	240135.962	165.745	68.00	10/07/2007	19/07/2007
OM-DD-07-43	Kearney	371175	240125	177	102.00	19/07/2007	13/08/2007
OM-DD-07-44	Kearney	371071.961	240171.770	166.883	125.00	24/07/2007	16/08/2007
OM-DD-07-45	Kearney	370677.006	240224.458	161.361	144.15	15/08/2007	04/09/2007
OM-DD-07-46	Kearney	371174.353	240240.587	152.793	329.00	17/08/2007	12/09/2007
OM-DD-07-47	Kearney	371093.183	240205.683	159.934	243.00	05/09/2007	15/10/2007
OM-DD-07-48	Kearney	371216.621	240229.354	153.194	258.50	13/09/2007	04/10/2007
OM-DD-07-49	Kearney	371275	240250	165	252.00	16/10/2007	19/11/2007

Results of the drilling is outlined in the table following:

KEARNEY VEIN - CORE DRILLING RESULTS, DECEMBER, 2007

Hole ID	From (m)	To (m)	True Width (m)	Grade (g/t gold)	Grade (g/t silver)	Grade (% lead)
OM-DD-07-26	93.40	93.70	0.30	11.28	12.06	0.03
and	113.40	114.95	1.55	2.40	<5	0.06
OM-DD-07-28	48.20	49.92	1.72	12.27	8.64	0.74
and	80.70	84.55	3.85	9.94	3.18	<.01
OM-DD-07-30	82.05	83.25	1.20	6.92	4.73	0.51
OM-DD-07-31	125.75	125.90	0.15	20.16	192.19	19.86
and	134.60	134.75	0.15	62.96	68.00	3.00
OM-DD-07-32	44.70	47.15	2.45	3.90	5.06	0.42
OM-DD-07-33	38.50	39.60	0.78	4.73	6.41	0.21
including	38.85	39.60	0.53	5.56	<5	0.10
OM-DD-07-34	65.45	65.60	0.11	26.88	6.00	0.05
and	91.25	91.85	0.42	3.47	13.38	0.03
and	98.40	98.50	0.07	5.60	2.50	0.05

and	113.25	113.40	0.11	7.92	7.00	0.05
OM-DD-07-35	130.20	130.40	0.14	1.56	2.50	0.05
OM-DD-07-36	85.70	86.15	0.32	1.27	2.50	0.05
and	89.8	90.39	0.42	6.32	15.2	0.25
including	89.90	90.00	0.07	13.28	23.67	0.09
and	107.95	108.65	0.49	23.65	10.71	0.05
including	108.35	108.45	0.07	165.12	59.91	<.01
OM-DD-07-37	62.60	62.75	0.11	3.01	2.50	0.05
and	68.80	71.50	1.91	3.72	5.07	0.22
including	69.20	69.30	0.07	37.12	28.72	0.82
and	73.00	73.30	0.21	7.09	16.00	1.11
and	93.15	93.60	0.32	15.28	20.11	2.26
including	93.40	93.50	0.07	26.88	30.22	1.72
and	111.10	111.40	0.21	7.99	2.50	0.05
OM-DD-07-38	51.85	52.00	0.11	4.95	2.50	0.05
and	86.40	87.35	0.67	2.50	0.00	0.05
and	98.10	98.80	0.49	1.59	2.50	0.05
OM-DD-07-39	29.15	29.40	0.18	7.76	18.00	1.63
and	42.00	44.00	1.41	1.89	2.50	0.02
and	94.40	94.75	0.25	2.27	2.50	0.05
OM-DD-07-40	81.95	82.30	0.25	2.31	2.50	0.89
and	84.90	89.00	2.90	18.88	41.56	0.74
including	85.20	85.45	0.18	89.60	66.82	0.01
and	95.40	96.90	1.06	3.21	4.97	0.03
OM-DD-07-41	125.35	125.45	0.07	3.34	2.50	0.05
and	150.00	151.33	0.94	8.66	7.67	0.08
and	176.00	176.50	0.35	3.48	2.50	0.05
and	180.60	180.75	0.11	4.10	2.50	0.05
and	185.30	185.90	0.42	8.16	2.50	0.05
and	217.25	220.80	2.51	7.90	29.97	1.04
including	218.45	218.85	0.28	22.08	17.98	0.34
and	224.40	229.49	3.60	22.29	158.23	2.30
including	224.40	224.90	0.35	68.16	458.80	4.06
and	237.15	237.32	0.12	2.79	2.50	0.05
and	248.55	248.70	0.11	18.20	14.00	2.07
and	251.05	251.80	0.53	5.82	16.60	0.36
and	280.95	281.05	0.07	4.04	2.50	0.05
OM-DD-07-42	26.80	29.05	1.59	3.90	7.02	0.95
and	34.10	35.00	0.64	2.07	6.00	0.94
OM-DD-07-43	53.95	54.65	0.49	18.13	16.95	0.07
OM-DD-07-44	98.64	98.76	0.08	16.58	14.49	0.78
OM-DD-07-45	41.70	41.87	0.12	1.98	<5	<.01

and	83.27	83.50	0.16	58.57	5.44	<.01
OM-DD-07-47	175.09	177.94	2.02	18.18	111.39	2.09
including	175.09	176.84	1.24	29.09	179.35	3.39
and	208.77	211.68	1.77	7.77	4.90	0.34
including	210.47	210.71	0.17	42.08	25.60	0.16
OM-DD-07-46	57.22	57.38	0.11	33.92	5.00	<.01
and	164.38	166.46	1.45	5.20	6.81	0.40
including	165.07	165.55	0.33	14.40	18.00	1.29
OM-DD-07-48	162.74	168.76	4.21	5.95	3.99	0.02
including	162.74	166.31	2.50	8.95	6.73	0.03
OM-DD-07-49	187.15	187.41	0.18	1.94	3.94	0.01

ELKINS VEIN - CORE DRILLING RESULTS, DECEMBER, 2007

Hole ID	From (m)	To (m)	True Width (m)	Grade (g/t gold)	Grade (g/t silver)	Grade (% lead)
OM-DD-07-25	29.50	29.76	0.26	17.60	19.26	2.58
and	50.90	51.22	0.32	3.23	<5	<.01
OM-DD-07-27	26.62	26.79	0.17	2.61	<5	<.01
and	39.30	39.70	0.40	4.24	<5	<.01
OM-DD-7-29	52.40	54.10	1.70	11.36	3.13	0.10
including	53.95	54.10	0.15	101.76	35.58	0.29

1.3 FULL YEAR FINANCIAL RESULTS

Revenue Recognition

The policy regarding revenue recognition reflects both the nature of our contract with Falconbridge and the first year of operations. Hence, shipments in the fourth quarter were not reflected as revenue as they involved future price of metals not yet determinable as of year end. Based on the variability of the gold/silver/lead content we were not able to accurately determine within a comfortable margin the final revenue figure. As the mine was still in start up conditions the Third Quarter sales fully recognized at the time is permissible as revenue since the final invoices were satisfied before year end and cash received. Going forward with the mine now producing to a greater level of consistency of concentrate we will be able to estimate to within an acceptable margin the final sale of a container and record the revenue in full. Subsequent to year end the deferred revenue has been fully recognized in the amount of $201,743 as cash has been received. This policy does not affect the company's cash position or contract with Falconbridge.

Recognition of revenue from the sale of concentrate amounted to $619,434 with the remaining $34,708 in sales from jewellery. This reflects the plant being commissioned mid year and continued ramp up of operations. Previously the sale of concentrate was offset against deferred development costs and amounted to $372,051 in the first half of 2007. As anticipated given the continuing production delays, jewellery sales were nominal for the year as new supply of certified Irish gold did not become available until early in 2008. Subsequent to year end a large delivery was fulfilled with Goldsmiths and replenishment orders are starting to materialize. During the year there were six (6) concentrate shipments to a specialist processing plant to supply certified Irish gold. This gold is currently with the manufacturer and in the process of being made in to new jewellery.

The company entered into production, albeit at a low rate, at the beginning of the 3rd quarter and incurred a loss of $2,165,656 for the year (2006 – loss $995,250). The higher loss this year over last year reflects both the expensing of development costs previously capitalized along with the amortization of those costs. Comprehensive loss from January1, 2003 amounted to $5,062,132.

At December 31, 2007, total assets were $20,314,311, up $4,755,033 from the prior year mainly due to an increase in trade receivable from the sale of concentrate, plus fabrication of additional jewellery and purchase of plant & equipment. Development expense previously deferred in the amount of $10,539,905 has been included in Property, Plant & Equipment consistent with the site entering into production. Exploration costs are still being incurred as part of the ongoing program of mine development.

Cash at the end of the year was $21,308 (2006 - $234,909), reflecting the longer than anticipated ramp up of the operation using additional working capital. Accounts receivable totaled $578,831 at the end of the year, as compared with $397,953 at the end of 2006 reflecting the increase in production of concentrate for sale to Falconbridge/Xstrata. Inventory at $1,033,596 represents shipments of concentrate in the fourth quarter, finished jewellery products, unworked gold and broken ore, up significantly from 2006 due to the finished jewellery. As stated there was a significant delivery of finished jewellery to Goldsmiths in the first quarter of 2008. The non-cash item of future income tax credit of $1,602,917 increased due to the loss incurred which management anticipates will be recoverable.

Liabilities at $3,373,843 were up over the prior year from $1,753,207 largely due to the debt financing secured from a related party midway through the year and accounts payable reflecting the use of working capital. These debt financing will be retired within terms and suppliers are appraised of the company's cash position and are being paid as funds are generated from operations. The mine is producing and shipments of concentrate are increasing. Deferred revenue of $201,743 reflects the shipments from October through to December and as stated the cash has subsequently been collected.

Expenses

Development costs are now expense d as the plant entered into production at the beginning of the third quarter. Cost of operations was $1,708,248 compared to $17,188 in the prior year due primarily to the increase in the cost of sales to generate concentrate and the amortization of development costs. Management expects the cost of sales to increase during the upcoming year but as more ore is exposed for processing sales of concentrate are anticipated to more than offset the costs. Included in the cost of sales are the manufacturing costs of $109,313 for finished jewellery sold during the year. Specific items showing material variances year over year were:

- Operating expenses increased substantially to $760,027 compared to $124,989 as the mill entered into production mid year and the plant expenses are no longer deferred. The largest increase derived from wages of $311,895 (2006 - $32,518) and professional and consultancy fees of $201,978 (2006 - $21,710).

- The foreign exchange loss of $42,598 is a decrease from the prior year loss of $76,248 and reflects the effect of floating currencies.

- Stock based compensation at $429,262 was up reflecting management's decision to reward key staff based on company performance over the long term.

- Bank charges and interest for the year were $64,307 compared to $14,293 the year before and are expected to remain at this level until the debt, which was acquired for plant & equipment and working capital, is retired.

Fourth Quarter

Revenue for the fourth quarter reflects only jewellery sales of $19,289, the revenue from concentrate of has been recorded as deferred revenue. There has been an adjustment for the Third quarter revenue of $ 82,794. There were 16 shipments during this period with 13 destined for Falconbridge and 3 for the specialty refiner to provide certified Galantas Irish Gold for the manufacture of jewellery. Shipments were down for the quarter compared to the third quarter (total of 20) due to the shortages of ore to feed the plant. Steps were taken in late October to remove significant amounts of the overburden and expose more of the Keanery ore vein. This project encompassed most of the fourth quarter and first quarter of 2008 (2008 Q1 shipments totaling 15). With the pit more fully developed it is expected that shipments will increase in the second quarter of 2008 and beyond.

Cost of sales for the period was $529,900 reflecting the fixed nature of plant costs and digging operations. Management anticipates that these costs will remain relatively static while concentrate volumes improve leading to profitable margins.

Operating expenses of $1,131,986 were mainly driven by stock options ($344,152) granted and professional fees which are more one-time expenses and subject to management discretion. As a result of these expenses and the revenue adjustment the loss for the period was $1,070,540.

There were other significant developments beyond the pit which included extension of the rock storage area, completion of both the eastern and western water storage lagoons in October and completion of tailings cell #2 in November.

1.4 RESULTS OF OPERATIONS

The Company's core business is gold mining, and hitherto, its revenue has derived mainly from the sale of gold, silver and lead concentrates and small amounts of gold jewellery. Sales in the jewellery business remained minimal during the year reflecting the depleted stock of certified Irish gold from the mine. However, production increased allowing six (6) containers of concentrate to be processed at the specialist processing facility with the gold delivered to Italy for the manufacture of jewellery for inventory stock which subsequent to year end was delivered to Goldsmiths and other retailers.

There were 48 shipments during the year of which 6 were directed towards a specialist refiner to support the jewellery business. Dry tonnage shipped was 996.4t and of that total 123.4 tonnes were shipped for specialist processing and returned certified Irish gold as feedstock for the Galantas jewellery business.

The Company has a relationship with UK Goldsmiths Group PLC whereby this quality retailer is expected to feature Galantas® products in a number of stores in its large UK chain. First deliveries occurred in the early part of 2008, though stock was accumulated for this order in the last quarter of 2007.

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and net financial results in Canadian dollars for the fourth quarter of 2007 and for the seven preceding quarters are summarized:

Quarter Ended	Total Revenue	Net Profit (Loss)	Net Profit (Loss) per share & per share diluted
December 31, 2007	(63,505)	(1,070,540)	0.00
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
December 31, 2006	15,363	188,323	0.00
September 30, 2006	15,673	(238,654)	0.00
June 30, 2006	11,047	(420,215)	0.00
March 31, 2006	3,845	(524,704)	0.00

Shipments during the quarter were as follows: first quarter: 2, second quarter: 10, third quarter: 20 and the fourth quarter: 16. The fourth quarter experienced lower shipments as there began major development on overburden removal to expose more of the ore vein.

1.6 LIQUIDITY

As at December 31st, 2007, the Company's working capital was in a deficit of $1,499,218 which compared with a deficit of $806,140 at end of the prior year. This deficit is expected to persist throughout the 2008 but gradually reduce as the cash from operations, both from the sale of concentrates and jewellery, 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.

To date the company has been able to draw upon additional cash resources from the President of the company for working capital and finance of plant and equipment.

1.7 CAPITAL RESOURCES

As at December 31st, 2007, the Company had capital requirements to repay, under existing agreements with Barclays Lease Finance three financing facilities of $160,949, $156,448 and $290,314 totaling $607,711.

A term loan of $419,909 (£250,000) for working capital use at an interest rate of 7.50% was taken from Allied Irish Banks in May, it is repayable over 3 years at a monthly payment of $16,637 (£7,743).

In addition, Welsh Gold plc., a company controlled the President is due $716,713. The loan is unsecured and bears interest at base rate plus 2% with no specific terms of repayment. At December 31, 2007, interest of $14,871 was accrued and included n accounts payable and accrued liabilities.

The Company also obtained a loan facility from G&F Phelps, a company controlled by a director of the Company, in the amount of $807,638 (£412,060) for the financing of mining equipment. The term loan is for a period of 4.25 years at 4.04% flat with monthly interest payments of $18,949 and is secured by all equipment owned by the Company's wholly-owned subsidiary Omagh Minerals.

The company has no further commitments other than employment contracts with its 2 executive directors.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet transactions.

1.9 RELATED PARTY TRANSACTIONS

The Company was charged $54,463 (2006 - $45,296) for accounting and corporate secretarial services by companies associated to the corporate secretary of the Company. Accounts payable include $52,385 (2006 - $5,568) owing to these companies. The services provided are ongoing and include book-keeping for the Canadian companies.

During the period, the Company paid or accrued to management in salary $278,436 (2006 - $250,800). The portion capitalized to deferred development costs was $128,922 (2006 - $250,800) and $149,514 (2006 – nil) was expensed to the statement of loss as operating expenses. The amounts pursuant to ongoing executive contracts with the Executive Chairman and the President & CEO.

Directors fees of $28,750 (2006 - $25,250) were paid or accrued during the period.

Included due to related party is $190,159 (£97,020) owing to a director of the company. The loan is unsecured and non-interest bearing with no specific terms of repayment.

CUMULATIVE RESULTS OF OPERATIONS AND DEFICIT

Since development commenced on January 1, 2003, the Company has had sales of $1,148,620. Expenses in the same period have amounted to $5,709,526 creating an overall loss of $6,127,432. The deficit increased to $13,959,943 at the end of the period, up from $11,794,287 at the beginning of the year.

SHARE CAPITAL

The Company is authorized to issue in series an unlimited number of common and preference shares. At the end of December 2007, a total of 175,675,855 shares had been issued.

As of December 31, 2007, a total of 24,404,000 warrants were outstanding with expiry dates and exercise price noted in the following table:

Number of Warrants	Exercise Price ($)	Expiry Date
14,000,000	0.32	July 26, 2008
1,300,000	0.25	July 26, 2008
5,284,000	0.45	September 2, 2008
3,820,000	0.32	September 4, 2008

STOCK BASED COMPENSATION

On December 24, 2007, 7,700,000 stock options were granted to employees, directors and officers of the Company to purchase common shares at a price of $0.14 per share until December 24, 2012. The options vest one-third upon grant, one-third at the first anniversary and one-third on the second anniversary of grant. The fair value attributed to these options was $793,000 and will be expensed on the statement of loss and credited to the contributed surplus as they vest. Included in the stock based compensation for 2007 is $271,938 related to the vested portion of these stock options.

As at the end of December 31, 2007, 10,550,000 options were outstanding, as follows:

Exercisable Options	Number of Options	Exercise Price (4)	Expiry Date
1,400,000	1,400,000	0.15	April 10, 2008
166,667	250,000	0.26	July 31, 2008
200,000	200,000	0.10	May 13, 2010
333,333	500,000	0.26	June 14, 2011
166,667	500,000	0.23	June 15, 2012
2,566,667	7,700,000	0.14	December 24, 2012

OTHER MD&A REQUIREMENTS

Deferred exploration costs for the current and prior year are tabulated:

Expense Account	2007	2006
Wages	48,196	63,096

Drilling	854,207	180,665
Laboratory	79,057	23,587

With the mine being commissioned at the beginning of the third quarter only those costs associated with exploration of future veins are capitalized. All development costs have been recorded as assets and are no longer capitalized. These costs are now captured under Expenses on the Statement of Loss and are as follows:

Expense Account	2007	2006
Accounting & corporate	46,579	39,055
Bank charges & interest	64,307	14,293
Foreign exchange loss	42,598	76,248
Legal & audit	109,024	223,749
Operating expenses	760,027	124,989
Shareholder communication	203,110	568,121
Stock based compensation	429,262	192,327
Transfer agent	22,892	25,202
General Office	50,785	59,954

The variance in the foreign exchange compared to the prior year reflects the nature of dealing in foreign currency. The company is paid in US dollars for the sale of concentrate to Falconbridge and primarily conducts its business in pounds sterling.

Operating expenses are primarily represented by wages $311,895, insurance $59,551, travel $63,797 and professional fess $115,314. This reflects the business no longer capitalizing these expenses as it is now in production.

Stock based compensation reflects the granting of 8,200,000 share option on June 15 and December 24, 2007 of which $381,062 was expensed this year.

The other expenses show a decline in spending as management is focusing very heavily on production only related items and requires less professional services.

Changes in Accounting Policies Including Initial Adoption

The Company adopted Accounting Guideline 11 – Enterprises in the Development Stage – as of January 1, 2006. The Company has adopted the new accounting standards relating to Capital Disclosures and Financial Instruments – Disclosures and Presentation, effective January 1, 2007.

TRENDS AFFECTING THE COMPANY'S BUSINESS

Metal prices remain strong after the long period of weakness which ended approximately three years ago. The sustained price recovery is attributable largely to increased metal consumption in the Far East, most notably China and India, both of which are experiencing raid growth in their economies. Thus, the fundamentals of the metal business are once again favourable for capitalizing new mines and investors have returned to the mineral resource sector.

For junior resource companies like Galantas, there has been selective enhancement in market valuation and it has been possible to raise money from the public for mining and exploration ventures. The recent market correction has introduced significant uncertainties and careful management of the Company's cash continues to be the guiding principle for Galantas.

In Northern Ireland, the widely acknowledged political agreement has consolidated the positive financial effects of peace and stability in the province.

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 jewellery, is dependent upon the mine consistently being able to supply reliable certified Irish gold.

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

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 this may persist into the future. The Company has commissioned an independent re-assessment of it reserves and resources and a report is anticipated in mid 2008.

2. Mineral Processing Ore from the Kearney deposit has been subjected to metallurgical trial including pilot plant studies in reputable laboratories by the Company. The previous owner, Rio Tinto, did mineralogical and bench scale metallurgical studies. The flow sheet is simple and the equipment in the plant is industry standard. Nevertheless, scale-up to sustainable commercial production may introduce unforeseen technical problems. Efforts to foresee such problems and ameliorate them have been made and an internal metallurgical audit assisted by independent professionals was carried out in advance of commissioning and production. The study concluded that, "The process selected is in accordance with the results of test work and would be expected to

produce satisfactory results technically but there are mechanical and electrical concerns regarding the capability of the facility to maintain a high degree of operating time". This is primarily due to lack of spare capacity, particularly of pumps. Management considered that this situation is manageable with the addition of extra pump capacity which has been implemented. A number of modifications to equipment and operating practices have been made and have resulted in improvements in comminution section throughput. External consultants were engaged to assist in commissioning. While marked improvement was noticed subsequent to the end of the year, its continuation cannot yet be guaranteed. Therefore there is continued risk to 2008 cash flow and to the capital budget.

3. <u>Environmental</u> 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 will be subject to self monitoring and strict independent monitoring. One of managements priorities has been to establish and maintain a culture of environmental care on the site with the object of preventing accidents.

4. <u>Permitting</u> The Company has comprehensive permission to carry out its activities. Overall consents were granted in 2000 after an exhaustive public inquiry and fulfillment of more than 30 pre-conditions which attached to the provisional consent granted in 1995. Remaining consents required – building regulations, archaeological supervision of excavation which is mandatory throughout Ireland, compliance with IPPC regulations – relate to operating procedures and are being addressed with the relevant authorities as the project develops. Nevertheless, as in all jurisdictions, regulatory provisions are subject to change and the Company may be faced with additional constraints in the future.

5. <u>Title</u> The Company owns the land in secure freehold on which the project is located. Precious metal licences and mining licences have been granted to the Company by the Crown Estate and renewed as required since the mid – 1990's when initially granted. Licences 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 licence 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 licence 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. <u>Political</u> 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. The mine is well removed from areas of potential urban disturbance.

7. <u>Financial</u> The risk is that additional funds, if required, may not be available. In spite of recent private placements, the Company still may not have sufficient capital to enable the Kearney mine to be brought to full production. The delay in bringing the production up to capacity has resulted in a cash shortage. Management continues to actively pursue additional working capital and has implemented a very 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 Falconbridge. 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.

9. Currency Fluctuations/Bullion Price Most of the costs to the company are incurred in British Pounds Sterling. Gold price expressed in Sterling is within approximately 15% of 5 year highs and may stay such or remain on a rising trend. There is risk that this trend may reverse and reduce Sterling income. Inflation is widely viewed as a threat in the United Kingdom and elsewhere and this is cause for concern. Results are published in Canadian dollars and there is therefore a currency risk. The Company's policy is to not sell forward its bullion.

10. Construction and Development The project has taken longer to build which has increased costs and deferred cash revenue. This risk is particularly acute for a new and relatively small project such as Galantas is building in Northern Ireland where there is no mining history. One is mindful that there has already been serious slippage from schedule and it cannot be ruled out that further slippage may occur given that there are uncertainties connected with factors such as the detail of environmental compliance measures, geological conditions, contractor performance, materials availability and actual outturn costs.

11. 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. With the world experiencing a high level of minerals industry activity, the Company foresees difficulties in recruiting additional qualified people. The general shortage of skilled people may well prevail for some time to come and the risk is that costs, operations, future expansion and indeed excellence may be impacted negatively.