GALANTAS GOLD CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
Three Months ending March 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 3 months ending March 31, 2007. This MD&A is to be read in conjunction with the unaudited financial statements for the same period. The MD&A does not form part of these financial statements. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles (GAAP). The currency referred to in this document is the Canadian dollar. The MD&A is prepared in conformance with National Instrument 51-102 F1 and was approved by the Company's audit committee on May 29, 2007.

This MD&A is dated May 29, 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 statement contained herein.

OVERVIEW – STRATEGY, DESCRIPTION OF BUSINESS

Galantas Gold Corporation is a development stage 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 consents 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:

- Complete the development and commissioning of and operate a 150 tonnes per day 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, focusing on the more than 50 gold targets identified to date, and

- Establish on a commercial basis the *Galantas®* Irish gold jewellery business once certified Irish gold from the mine becomes 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 Fermanagh, 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 "Dalradian" rocks. The deposits sub-outcrop beneath a few metres of glacial and recent overburden and are open to depth and usually along the strike. The steeply dipping Kearney deposit, to be mined first, is some 850 metres long and an average of 4.3 metres wide. It has been drilled with 40 diamond drill holes down to 137 metres and was intersected in one hole at a depth of 300 metres. Below the average 3 metres of overburden, a 359 metres 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 metres) and in 1991 by Omagh Minerals Limited (103 metres). 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 NI43-101 technical report, has been commissioned and is expected by the end of the third quarter of 2007.

On the Kearney deposit, which is the initial focus of mine development, the Company has: (i) proven ore reserves of 181,480 tonnes at a grade of 7.36 grams per tonne of gold; plus (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 per tonne of gold. These reserves and resources have been calculated using a cut-off grade of 1.0 gram per tonne gold and a cut-off width of 0.5 metres. The reserves lie within the "Kearney Pit", currently being developed. The indicated resource extends from the bottom of the pit presently planned at 37 metres vertical depth to a depth of 137 metres, below which depth the deposit remains open.

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

Indicated Resource (tonnes)	Grade (g/tAu)	Contained Gold (grams Au)	Inferred Resources (tonnes)	Grade (g/tAu)	Contained Gold (grams Au)
329,820	6.72	2,208,530	135,500	4.68	634,643

The estimate in the Howe Report (re-iterated January 22nd,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 practised 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 20 grams gold per tonne.

Channel sampling of 2 vein segments aggregating 150 metres 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 22nd, 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, 6 scoring 5, 4 scoring 4, 11 scoring 2, and 7 scoring 1.

Howe considered 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 the relatively high grades and widths and continuity of the deposits with known reserves and resources indicate the potential for underground production in future.

Initial Mining Project

The project embraces an open pit mine capable of supplying ore to a150-tonnes per day 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. Whilst still in commissioning, on February 15th, 2007, the Company announced the first shipment of concentrate to a Canadian smelter owned by Falconbridge Ltd. Plant commissioning continues, and subsequent to the end of the quarter, additional shipments of concentrate have been made and are continuing.

A gravity processing section yet to be installed is expected to recover the small amount of the free gold in the ore, possibly around 4%, to be certified as Irish gold for *Galantas®* jewellery. Infrastructure includes, in addition to access and haul roads and process building, a diesel powered electrical generating station, a 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 $692,283 has been sold through retailers in Ireland and direct via the company's e-commerce enabled website www.galantas.com., $495,833 of the sales having been made since the company entered development stage on January 1, 2003.Manufacturing and distribution systems and an initial retailer network mainly in Ireland are in place and the business awaits production of Irish gold to enable start of regular commercial activity.

Management and Staff

Overall management is exercised by 3 Executive Directors including Vice President and General Manager, M. J. Lavigne, who is in charge of operations in Omagh where the mine, plant and administration employs 27 people.

Key Performance Driver

The company is in the late stages of construction and commissioning of a mine, and there is one key performance driver – the achievement of production and cash flow from profitably mining the deposits at Omagh.

1.2 OVERALL PERFORMANCE

Mine Construction and Commissioning

After commencing site preparation in 2005 and completing the major part of plant construction and site works in 2006, the first quarter of 2007 has been devoted to commissioning the processing plant and completing construction of site facilities and plant. Notable site construction items included lining of the first paste tailings cell and polishing pond, completing the main elements of the laboratory, and advancing general site infrastructure including a second paste cell now near completion.

Plant commissioning was the main site activity in the quarter. A total of approximately 151 wet tonnes of concentrate were produced in the development period, and 137 tonnes subsequent to the end of the quarter in April and May. By that time there was cautious optimism that most of the main difficulties in the way of achieving regular production had been overcome. Personnel changes were made in the plant and external consultants GBM Minerals Engineering Consultants Limited were engaged to provide consultancy services. Whilst the project remains under development and plant commissioning remains to be completed, the goal is to be operational within a few months and generating a reliable revenue stream from concentrate sales.

Exploration

Diamond drilling continued throughout the period with focus continuing on detailing the Kearney deposit and exploring the parallel Elkin deposit lying 500 metres to the east. A second drill rig commenced on the Elkin deposit subsequent to the end of the period. A total of 34 drill holes have been completed since the resumption of drilling in 2006, details as tabulated:

	Kearney	Elkins	Kerr	Totals
Holes Drilled 2006	7	7	1	15
Metres 2006	456.2	422.5	96.5	975.2
Holes 1st Quarter 2007	7	3		10
Metres	898.9	149.0	--	1,047.9
Subsequent Holes	6	3		9
Metres	661.8	304.0	--	965.8
Total Holes Drilled	20	13	1	34
Metres	2,016.9	875.5	96.5	2,988.9

Assay results for 3 drill holes were received and reported early in the quarter and an additional 2 holes were reported as a subsequent event on May 1. Drill data generated on the Kearney Deposit will be used to update the reserve-resource model being independently prepared for the re-estimation. As well as in-fill and down-dip holes, drilling is also investigating previously unrecognised strike extensions of the Kearney vein set. On the Elkin Deposit, drilling has defined shallow-dipping veins which are being investigated for their potential to be mined by open pit. Thus far, the vein system has been traced for approximately 200 metres along the strike.

1.3 First Quarter Financial Results

Sales, all of jewellery, at $1,355 (March 31, 2006 - $3,845) were low reflecting the ongoing shortage of inventory. This will prevail until a supply of certified Irish gold has been received with which to manufacture new jewellery.

Expenses charged to development resulted in the Company incurring a loss of $171,517 in the quarter. This compares with a loss of 524,704 in the first quarter of 2006. The higher losses recorded 12 months ago reflected corporate costs (legal and audit, shareholder communications, accounting and general) associated with listing the Company's shares for trading on the AIM market, together with higher stock-based compensation a year ago. Comprehensive loss from January 1, 2003 amounted to $3,067,993.

At March 31, 2007, total assets were $16,755,248, up $1,195,970 from the end of 2006. The increase was mainly ($959,615) attributed to development expense deferred and partly ($82,361) to additions to plant and equipment.

Cash at the end of the quarter was $522,166 ($234,909 – end 2006), accounts receivable totalled $265,978 at the end of the quarter, as compared with $397,953 at year-end, 2006, the difference reflecting timing of VAT refunds. Inventory at $99,511 and representing finished jewellery products and broken ore, down from $1,288 from the year-end position. The non-cash item of future income tax credit of $213,366 was unchanged.

Liabilities at $1,325,392 were down from $2,132,980 at year-end, 2006, reflecting payments to creditors in the quarter. Accounts payables and accruals have decreased $742,274 in the quarter. The high level of creditors reflects expenditures in capitalising the mine and processing plant.

Expenses

Development expense in the quarter amounted to $172,246 as compared with $230,304 in the previous quarter and $536,126 in the first quarter of 2006. Specific items showing material variance in the quarter from the previous quarter were:

- Shareholder communications and Public Relations cost $60,912 in the first quarter compared with $55,022 in the fourth quarter, 2006, and related to attendance at trade shows in Canada and regular shareholder communications. This item compares with $275,812 in the first quarter of 2006 when high expenses related to listing of the Company's shares on the London Stock Exchange's AIM market.
- Legal and audit fees of $35,876 were down marginally from $36,990 from the previous quarter and down from $57,358 a year ago when high costs reflected the AIM listing.
- There was a foreign exchange loss of $3,124 in the quarter as contrasted with a gain of $67,271 in the previous quarter. Costs incurred in British pounds have cost more Canadian dollars given that currency's recent relative strength.
- Transfer agent fees at $6,124 compared with $3,466 in the previous quarter, reflecting issue of stock in the private placing
- General office expense was $9,664, up from $5,476 in the previous quarter.
- Stock based compensation at $12,740 was little changed from $13,032 in the previous quarter. The non-cash item reflects the cost to the Company of granting

employee incentive options. In the first quarter of 2006, stock based compensation reflected issuance of shares in private placements

- Consulting fees were $5,489 (negative $7757 – 4th quarter 2006).

1.4 RESULTS OF OPERATIONS

The Company's core business is gold mining. Hitherto, its revenue has derived from sale of gold jewellery. Sales are minimal now from depleted stock which will prevail until new supplies of certified Irish gold from the mine have become available and converted to *Galantas®* jewellery and sold. In the first quarter, jewellery sales amounted to $1,355 as compared with $3,845 in the first quarter of 2006.

However, revenue from sale of development concentrate to Falconbridge started in the quarter when an amount of $39,206 was credited. There have been 7 shipments to date to a total of approximately 150 tonnes. Two shipments aggregating approximately 45.7 tonnes were made for specialist processing and return of certified gold for the *Galantas®* jewellery business and the balance was shipped to Falconbridge.

Cash flow resulting from development stage concentrate will be used to finance the completion of construction and commissioning of the mine.

Subsequent to the quarter, on April 20th, it was announced that discussions were advanced with the UK's Goldsmiths Group plc whereby this quality retailer would feature *Galantas®* products in a number of stores in its large UK chain.

1.5 SUMMARY OF QUARTERLY RESULTS

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

Quarter ended	Total Revenue	Net Profit/(loss)	Net Profit/(loss) per share & per share diluted
March 31, 2007	1,355	(171,517)	0.00
December 31, 2006	15,363	188,323	0.00
Sept 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
December 31, 2005	8,771	498,346	0.01
September 30, 2005	7,909	134,265	0.00
June 30, 2005	16,623	(519,016)	(0.01)

Low revenue in the quarter and in the period reviewed reflected the largely depleted inventory of jewellery products. Fluctuation in Total Revenue over the 8 quarters reflected minimal sales of jewellery made intermittently largely via word of mouth advertising.

1.6 LIQUIDITY

As at March 31st, 2007, the Company's working capital was $86,799, which compared with a deficit of $806,140 at 2006 year-end. Proceeds of a private placing early in the quarter were used to replenish working capital in advance of cash flow to be generated from concentrate sales.

Subsequent to the end of the quarter, a working capital facility of £250,000 was obtained from the Allied Irish Bank. It is anticipated that this may provide sufficient funds together with increasing revenue from development stage concentrate sales to see the plant through commissioning and into positive cash flow. However, the ability to finance the desired increased rate of diamond drilling as well as manufacture of the starting inventory of *Galantas®* jewellery will require additional funds. Once it has been determined when and how much cash flow the plant will generate, a decision will be taken with respect to additional funding.

1.7 Capital Resources

As at March 31, 2007, the Company had capital requirements to repay, under existing agreements with Barclays Lease Finance, excluding interest charges, of $256,868 in 2007, $276,964 in 2008, and $34,166 in 2009. In addition, a term loan for working capital use at an interest rate of 7.25% was taken down from Allied Irish Banks subsequent to the end of the period in May. It is repayable monthly over 3 years.

The Company has no further commitments other than employment contracts with its 3 executive directors.

Financing Activities

On March 2, 2007, the Company closed a placement of 5,284 units for gross proceeds of $1,717,300. Each unit is prices at $0.325 and is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 18 months from closing at a price of $0.45. An arrangement fee of 5% ($85,865) was paid to the broker, Lewis Charles Securities Ltd. Other costs associated with the placing amounted to $9,100. The placing shares are subject to a 4-month hold period which will expire on July 3, 2007.

On February 12th, 2007, a total of 4.4 million employee and consultant incentive options were exercised at prices varying from $0.10 to $0.15 per share to net the Company $540,000.

Subsequent to the end of the quarter, a loan facility of £250,000 was arranged with Allied Irish Banks plc. The loan is repayable over 3 years at an annual interest rate of 7.25%. Drawdown commenced in May.

1.8 Off-Balance Sheet Arrangements

There are no off-balance sheet transactions.

1.9 Related Party Transactions

The Company was charged $6,692 (March, 2006 - $20,640) for accounting and corporate secretarial services by companies associated to the corporate secretary of the Company. Accounts payable include $5,769 (March, 2006 - $4,948) 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 $68,700 (March 31, 2006 - $62,700). These amounts were capitalised to deferred development and exploration costs and were pursuant to ongoing executive contracts with the Executive Chairman, the President and the Vice President/General Manager.

Director fees of $6,000 (March, 2006 - $7,000) were paid or accrued during in the period.

CUMULATIVE RESULTS OF OPERATIONS AND DEFICIT

Since development commenced on January 1, 2003, the company has had sales of $495,833 resulting in a negative gross margin of $35,341. All the sales were made as part of marketing trials of *Galantas*® jewellery products. Expenses in the same period have amounted to $4,113,698. An overall loss of $4,133,293 reduced to a loss of $3,067,993 after income tax recovery of $1,065,300. Deficit increased to $11,965,804 at the end of the period, up from $8,897,811 at the beginning of the developmental period.

SHARE CAPITAL

The company is authorised to issue in series an unlimited number of common and preference shares. At the end of March 2007, a total of 167,535,855 shares had been issued. This was an increase of 9,684,000 from the end of 2006 as a result of the purchase of stock under private placement (5,284,000 shares issued) by Gartmore in January, and issue of 4,400,000 upon the exercise of options in February. The 157,851,855 shares on issue at the end of September, 2006, compared with 132,134,635 issued at the end of March, 2006.

As of March 31, 2007, a total of 20,584,000 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

STOCK BASED COMPENSATION

As at the end of March, 3,100,000 options were outstanding, as follows:

Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
1,400,000	1,400,000	0.15	April 10, 2008
500,000	500,000	0.10	April 1, 2009
133,334	200,000	0.10	May 13,2010
333,334	1,000,000	0.26	June 14, 2011

OTHER MD&A REQUIREMENTS

Deferred development and exploration costs for the current quarter and its counterpart in 2006 are tabulated:

Item	First Quarter, 2007	First Quarter, 2006
Consultants	63,707	70,409
Leases	11,452	152
Fuel	79,080	27,294
Wages	312,665	190,145
Interest	10,875	7,006
Travelling	29,643	26,977
Repairs & Maintenance	100,884	46,832
Construction	184,581	51,791
General	12,056	14,734
Amortization	197,186	61,979
Drilling	(15,618)	---
Laboratory	12,310	---
Other Income	(39,206)	---
Sub-total	959,615	497,319
Total deferred development & Exploration costs	8,502,535	4,811,687

The materially higher costs in the first quarter of 2007 compared with the first quarter of 2006 of Fuel, Wages, Repairs & Maintenance, and Construction all related to the movement of the project from early stage construction a year ago to commissioning in the present quarter, when a full complement of people and equipment was working.

The significantly higher 'Leasing' item related to the one off payment of the Crown Mining Lease, paid annually. Capitalising of the Laboratory began only in the first quarter. The Drilling credit was due to an earlier over payment. The Other Income item related to income deriving from sale of development stage concentrate to Falconbridge.

General and Administration and Other costs were:

	First quarter, 2007 $	%	First Quarter, 2006 $	%
Accounting and Corporate Services	5,511	4.7	12,280	2.0
Transfer Agent, Listing and Filing Fees	6,124	5.2	5,535	1.0
Shareholder Communications and IR	60,912	51.9	275,812	45.4
Travel	26,643	25.3	26,977	4.4
Consulting Fees	5,489	4.7	62,489	14.9
General Office	9,664	8.2	37,673	9.0
	117,343	100.0	420,766	100.0

The higher cost in all expense items excepting Transfer Agent and Related Fees, Travel all related to the non-recurring cost of listing the Company's shares for trading on the London Stock Exchange's AIM Market.

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 is currently assessing the impact of certain new accounting standards relating to Capital Disclosures and Financial Instruments – Disclosures and Presentation, prior to their taking effect on January 1, 2008.

TRENDS AFFECTING THE COMPANY'S BUSINESS

Metal prices continued strong after the long period of price weakness which ended starting approximately 2 years ago. The sustained price recovery is thought largely due to increasing metal consumption in countries of the Far East, most notably China and India, both of which are experiencing rapid growth in manufacturing and exports. Thus, the fundamentals of the metals business are once again favourable for capitalising 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. However, markets are always uncertain 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 project development 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 a mine being developed to provide a reliable supply of certified Irish gold.

The Company has assessed the risks surrounding its businesses. 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 may prove difficult or if not impossible to mine at a consistent grade and supply the plant with sufficient ore regularly into the future. The Company has commissioned an independent re-assessment of its reserves and resources and a report is anticipated towards the end of the third quarter 2007.
2. Mineral Processing   The plant may not perform to design, and in commissioning to date, has not done so in part. Ore from the Kearney deposit has been subjected to metallurgical trials 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 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 additions of extra pump capacity which has been implemented. A number of modifications to equipment and operating practices have been made and have resulted in improvement in comminution section throughput. External consultants have been engaged to assist in commissioning. Whilst marked improvement was noted subsequent to the end of the period, its continuation cannot yet be guaranteed. Therefore there is risk to 2007 cash flow and to the capital 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 will be subject to self monitoring and strict independent monitoring. One of management's priorities has been to establish and maintain a culture of environmental care on the site with the object of preventing accidents. Such, however, cannot be ruled out as was evidenced by an incident on the 27th of January, 2007, when a small discharge of natural silt bearing water was mistakenly made during surface works. While the incident caused no

environmental damage and incurred no penalties, it has prompted a review of site procedures to minimise the chances of similar incidents recurring.

4. Permitting The Company has comprehensive permission to carry out its activities. Overall consents were granted in 2000 after an exhaustive public inquiry and fulfilment 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 future.
5. Title The Company owns the land in secure freehold on which the project is located. Precious metals licences and mining leases 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 Department 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 paid 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 on the Company.
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. 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. In spite of recent private placements, the Ccompany still may not have sufficient capital to enable the Kearney mine to be brought to full production and any further slippage in start-up/commissioning will result in a cash shortage. Steps have been taken aimed at having additional working capital available if required. At the time of writing, and due to delays in achieving profitable production, it is uncertain whether or not additional funds will be required this year. An initial assessment indicates that both debt and equity funding may be available, but there is always uncertainty about financings until they are completed.
8. Revenue The Company has contracted sale of its concentrate to Falconbridge. Whilst 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, This will become more clear as additional shipments are made this year and close contact with the smelter is maintained.
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 than forecast with increased cost and deferment of future 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. At the date of this report, the plant is still in an early stage of commissioning due to various equipment problems and delays in delivery of capital items.
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. Already, the Company was short a geologist for most of the summer and this has caused a delay in logging and sampling drill cores. While a geologist is now engaged, 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.
