GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Three and Nine Months ended September 30, 2010

This document constitutes management's discussion and analysis (MD&A) of the financial and operational results of Galantas Gold Corporation (the Company) for the three and nine months ended September 30, 2010. This MD&A is to be read in conjunction with the unaudited consolidated financial statements for nine months ended September 30, 2010 and the audited consolidated financial statements for the year ended December 31, 2009. 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 51-102F1 and was approved by the Company's Audit Committee on November 23, 2010.

FORWARD LOOKING STATEMENTS

The information in the MD&A contains forward looking statements, including statements about anticipated operating and financial performance. Such statements are not guarantees of future performance which is subject to risks and uncertainties only some of which are within the Company's control, and any or all of which could cause the Company's performance to be materially different from what directors may believe. Given the uncertainties associated with forward looking statements, readers are cautioned not to place undue reliance on them. The Company does not undertake to update any forward looking statements contained herein.

OVERVIEW – STRATEGY - DESCRIPTION OF BUSINESS

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.

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 has occasionally been 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, Kerr and nearby known deposits;

- Continue to explore and develop extensions to the Kearney, Kerr 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 100 gold targets identified to date, and
- Promote and expand on a commercial basis the Galantas®Irish gold jewellery business now that certified Irish gold from the mine has become available.

Reserves and Resources

During 2008, ACA Howe International Ltd prepared an updated estimate of mineral resources for the Omagh mine. The report, entitled Technical Report on the Omagh Gold Project is dated 28th May 2008 and is published on www.sedar.com and www.galantas.com. Authors are G. White FGS MAusIMM, J. Bennett C.Eng MIMMM and N. Holloway C.Eng MIMMM.

Mining Project

The project embraces an open pit mine which supplies ore to a crushing-grinding-froth flotation plant. The plant produces a gold and silver rich sulphide flotation concentrate which is sold to a commercial smelter. The plant was commissioned as stated in a press release dated June 26, 2007.

Galantas Irish Gold Limited

Presently market conditions generally in the jewellery trade are poor and retailers have become cautious in the current economic climate resulting in a low level of jewellery sales. As a consequence, management focus has continued to be on the mine operation during the third quarter and first nine months of 2010.

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 45 people.

Key Performance Driver

The key performance driver is the achievement of production and cash flow from profitably mining the deposits at Omagh.

Overview of Third Quarter

Galantas Gold Corporation had a net income of $ 156,982 for the three months ended September 30, 2010 compared with a net loss of $ 164,988 for the corresponding period of 2009. The net income for the nine months ended September 30, 2010 amounted to $ 1,001,368 compared to a loss of $ 689,326 for the nine months ended September 30, 2009.

The Company had cash balances at September 30, 2010 of $ 2,951,892 compared to $ 485,997 at December 31, 2009. The working capital deficit at September 30, 2010 amounted to $ 127,393 which compared with a deficit of $ 3,711,772 at December 31, 2009.

Galantas completed the second tranche of a private placement during the third quarter. The Company issued 24,550,000 units pursuant to the second tranche and raised a gross amount of $ 1,227,500 from this placing. This placing was the final part of the larger offering of 45,550,000 units announced in June 2010. The gross amount raised from the first tranche of the placing during the second quarter was $ 1,050,000.

Production at the Omagh mine during the three months ended September 30, 2010 was below expectations compared to production levels achieved earlier in 2010. However, production for the nine months ended September 30, 2010 benefited from the higher production levels achieved during the first quarter and exceeded production for the nine months ended September 30, 2009.

1.1 DATE OF THE MD&A

The MD&A was prepared on November 23, 2010.

1.2 REVIEW OF FINANCIAL RESULTS

Three Months Ended September 30, 2010

The net income for the three months ended September 30, 2010 amounted to $ 156,982 compared to a net loss of $ 164,988 for the three months ended September 30, 2009 as summarized below.

	Three Months ended September 30, 2010	**Three Months ended September 30, 2009**
Revenues	**$ 1,759,978**	**$ 950,950**
Production costs	$ 1,120,774	$ 748,470
Inventory movement	$ (1,967)	$ 60,152
Cost of sales	**$ 1,118,807**	**$ 808,622**
Amortization	$ 133,362	$ 397,181
Administrative expenses	$ 250,566	$ 337,022
Foreign exchange loss (gain)	$ 100,261	$ (426,887)
Net Income (Loss)	**$ 156,982**	**$ (164,998)**

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the quarter. Sales revenues for quarter ended September 30, 2010 amounted $ 1,759,978 which compared to revenues of $ 950,950 for the corresponding period of 2009. The increase in the Company's sales revenues during the third quarter of 2010 was due to both the increased levels of gold and silver produced and shipped during the quarter and the favourable movement in gold prices during the period. Additionally, an uplift in revenues from prior periods shipments arising from the better than anticipated concentrate grades contributed to the increased revenues during the third quarter.

Cost of sales includes production costs at the mine and inventory movements. Production costs for the three months ending September 30, 2010, which consist mainly of production costs at the mine, amounted to $ 1,120,774 compared to $ 748,470 for the corresponding period of 2009. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, consumables and royalties. The increase in production costs was due to a combination of factors including Wages $ 130,000 which was mainly due to the employment of additional production personnel together with certain wage costs, which in 2009 were classified within the Other operating expenses category, and which in 2010 are being classified as production costs, Repairs and servicing increases of $ 128,000 due to a number of major plant equipment overhauls undertaken during the third quarter, Oil and Fuel increases $ 74,000 arising from both higher fuel prices and increased consumption on additional hired equipment, Equipment Hire increases $ 77,000 relating to additional hired equipment at the pit. All these cost increases were partially offset by a favourable exchange variance arising from the stronger Canadian dollar exchange rate against the UK£ which prevailed during the third quarter of 2010 when compared to the rate that prevailed during the corresponding period of 2009. This has resulted in the UK£ production costs being lower when expressed in Canadian dollars during the third quarter of 2010 when compared to 2009 when they would have been converted at the higher Canadian dollar/UK£ exchange rate.

The inventory movement of $ (1,967) for the third quarter compares to an inventory movement of $ 60,152 for the corresponding period of 2009 which reflects an increase in inventory levels at September 30, 2010 and reduction in inventory levels at September 30, 2009 when compared to inventory levels at the beginning of both periods.

Amortization of deferred development and exploration costs for the third quarter of 2010 amounted to $ 68,332 compared to $ 253,315 for the third quarter of 2009. The lower level of level of amortization charges in 2010 is mainly due to a significant decrease in till strip amortization during the third quarter of 2010 together with the amortization charge now being calculated on reduced deferred development and exploration costs following the asset impairment at the end of 2009. Depreciation of property, plant and equipment during the third quarter of 2010 totalled $ 65,030 which compared with $ 143,866 for the third quarter of 2009. The reduction in depreciation is due to the depreciation charge now being calculated on a lower book value following the asset impairment at the end of 2009.

This resulted in a Net Income before General administrative expenses and Foreign exchange adjustment for the three months ended September 30, 2010 of $ 507,809 compared to loss of $ 254,853 for the corresponding period of 2009. General administrative expenses for the three months ended September 30, 2010 amounted to $ 250,566 compared to $ 337,022 for the corresponding period of 2009. General administrative expenses are discussed in Section 1.15 Other MD&A Requirements.

There was a Foreign exchange loss of $ 100,259 for the three months ending September 30, 2010 which compared with a Foreign exchange gain of $ 426,887 for the corresponding period of 2009. The foreign exchange loss in the third quarter of 2010 was primarily due to the weaker Canadian dollar exchange rate against the UK£ at the end of the third quarter of 2010 when compared to the exchange rate at the beginning of the quarter. Conversely the foreign exchange gain in the third quarter of 2010 was primarily due to the stronger Canadian dollar exchange rate against the UK£ at the end of the third quarters of 2009 when compared to the exchange rate at the beginning of the quarter with the movements of the exchange rates being wider in 2009 when compared to 2010.

This has resulted in a net income for the three months ended September 30, 2010 of $ 156,982 compared to a net loss of $ 164,988 for the corresponding period of 2009.

Cash balances at September 30, 2010 amounted to $ 2,951,892 compared to $ 485,997 at December 31, 2009. The increased cash balance at September 30, 2010 is as a result of the private placement totalling $ 2,277,500 gross during June and July 2010. Accounts receivable at September 30, 2010 amounted to $ 1,137,205 compared to $ 657,515 at December 31, 2009. Accounts receivable consist primarily of trade debtors from the sale of concentrates and also include reclaimable sales taxes and prepayments. This increase in accounts receivable at September 30, 2010 is due to the increase in trade debtors. Inventory at September 30, 2010 amounts to $ 427,582 and compares with inventory of $ 445,666 at December 31, 2009. Inventory consists mainly of jewellery products and unworked gold belonging to the jewellery business.

Long-term deposit at September 30, 2010 amounted to $ 272,699 compared to $ 118,818 at December 31, 2009. Property plant and equipment net of depreciation at September 30, 2010 totalled $ 3,571,083 compared to $ 3,691,172 at December 31, 2009. The decrease was primarily due to the depreciation charged during the period partially offset by additions to plant and equipment of $ 65,895. Deferred development and exploration costs net of accumulated amortization totalled $ 6,166,216 at September 30, 2010 compared to $ 6,547,135 at the end of 2009 with the decrease being due to the amortization charge for the nine months ended September 30, 2010.

Current liabilities at September 30, 2010 totalled $ 4,644,072 compared to $ 5,300,950 at December 31, 2009. The working capital deficit September 30, 2010 amounted to $ 127,393 compared to $ 3,711,772 at December 31, 2009. Accounts payable and accrued liabilities amounted to $ 1,594,091 compared to $ 2,097,396 at December 31, 2009. The current portion of the external financing and term loan facilities totalled $ 37,259 at September 30, 2010 and compares with $ 77,830 at the end of 2009 reflecting repayments made during the quarter. Loans from related parties at September 30, 2010 amounted to $ 3,012,762 compared to $ 3,125,724 at December 31, 2009. The asset retirement obligation amounted to $ 447,400 at September 30, 2010 and December 31, 2009. Non-current external financing facilities totalled $ 14,530 at September 30, 2010 compared to $ 34,102 at December 31, 2009.

Nine Months Ended September 30, 2010

The net income for the nine months ended September 30, 2010 amounted to $ 1,001,368 compared to a net loss of $ 689,326 for the nine months ended September 30, 2009 as summarized below:

	Nine Months ended September 30, 2010	**Nine Months ended September 30, 2009**
Revenues	**$ 5,244,089**	**$ 3,742,197**
Production costs	$ 3,107,890	$ 2,579,691
Inventory movement	$ 18,084	$ 31,600
Cost of sales	**$ 3,125,974**	**$ 2,611,291**
Amortization	$ 582,376	$ 1,026,620
Administrative expenses	$ 698,390	$ 959,271
Foreign exchange (gain)	$ (164,019)	$ (165,659)
Net Income (Loss)	**$ 1,001,368**	**$ (689,326)**

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the first nine months of 2010. Sales revenues from for the first nine months of 2010 amounted to $ 5,244,089 which compared to revenues of $ 3,742,197 for the corresponding period of 2009. Despite the level of metal produced and shipped during the first nine months being at similar levels to those of the first nine months of 2009 the Company's sales revenues in the first half of 2010 were above those of 2009 boosted by the favourable movement in both gold prices and exchange rates during the period. Additionally, an uplift in revenues from prior periods shipments arising from the better than anticipated concentrate grades resulted in increased revenues during the first nine months of 2010.

Cost of sales includes production costs at the mine and inventory movements. Production costs for the nine months ending September 30, 2010, which consist mainly of production costs at the mine, amounted to $ 3,107,890 compared to $ 2,579,691 for the corresponding period of 2009. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil, equipment hire, repairs and servicing, consumables and royalties. There were substantial increases in production costs during the first nine months of 2010 when compared with 2009 including increases in wages $ 262,000 which was mainly due to the employment of increased production personnel and to certain wage costs, which in 2009 were classified within Other operating expenses category, and which in 2010 are being classified as production costs, Oil and Fuel increases $ 222,000 arising from both higher fuel prices and increased consumption on additional hired equipment, Equipment Hire increases $ 154,000 arising from additional mobile equipment being hired at the pit, Repairs and Servicing increases $ 183,000 due partially to abnormal repair bills arising from frost and water damage to mill and laboratory equipment early in the first quarter together with a number of major overhauls to plant equipment undertaken during the third quarter and general consumables increases $ 34,000. However these increases in UK£ costs were mitigated by the favourable Canadian dollar/UK£ exchange rate movements which prevailed in 2010 when compared to 2009. This arose from the Canadian dollar being at stronger levels against the UK£ in the first nine months of 2010 when compared to the rate that prevailed during the corresponding period of 2009. This has resulted in UK£ production costs being lower when expressed in Canadian dollars during 2010 when compared to 2009 when they would have been converted at the higher Canadian dollar/UK£ exchange rate.

The inventory movement reflects a reduction in inventory at September 30, 2010 and at September 30, 2009 when compared to inventories at the beginning of the respective years.

Amortization of deferred development and exploration costs for the nine months ended September 30, 2010 amounted to $ 394,105 compared to $ 592,310 for the corresponding period of 2009. The amortization charges in 2010 includes an increase in till strip amortization when compared to 2009 which is more than offset by a reduced amortization charge due to the amortization charge now being calculated on lower deferred development and exploration costs following the asset impairment at the end of 2009. Depreciation of property, plant and equipment during the first nine months of 2010 totalled $ 188,271 which compared with $ 434,310 for the corresponding period of 2009. The reduction in depreciation is due the depreciation charge now being calculated on a lower book value following the asset impairment at the end of 2009.

This resulted in a Net Income before General administrative expenses and Foreign exchange adjustment for the nine months ended September 30, 2010 of $ 1,535,739 compared to $ 104,286 for the corresponding period of 2009. General administrative expenses for the nine months ended September 30, 2010 amounted to $ 698,390 compared to $ 959,271 for the corresponding period of 2009. General administrative expenses are reviewed in Section 1.15 Other MD&A Requirements.

There was a Foreign exchange gain of $ 164,019 for the nine months ending September 30, 2010 which compared with a Foreign exchange gain of $ 165,659 for the corresponding period of 2009. The foreign exchange gains in the first nine months of 2010 and 2009 is as a result of the Canadian dollar exchange rate being stronger against the UK£ at the end of September 2010 and September 2009 when compared to exchange rate that prevailed at the beginning of the respective years.

This has resulted in a net income for the nine months ended September 30, 2010 of $ 1,001,368 compared to a net loss of $ 689,326 for the corresponding period of 2009.

1.3 SELECTED ANNUAL INFORMATION

Not applicable to Quarterly MD&A

1.4 RESULTS OF OPERATIONS

2010 Financing Activities

During the second quarter of 2010, Galantas announced a private placement (See June 3, 2010 Press Release) of up to 50,000,000 units. Each unit was priced at $ 0.05 and comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $ 0.10. During the second quarter of 2010 Galantas completed the first tranche of the private placement whereby the Company issued 21,000,000 units pursuant to the first tranche. The gross amount raised by the first tranche of the placing was $1,050,000.

Early in the third quarter the Company reported that it had completed the second tranche of the private placement. The Company issued 24,550,000 units pursuant to the second tranche to Kenglo One Ltd, the subscriber to the first tranche. Each unit was priced at $ 0.05 and comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $ 0.10. The gross amount raised by the second tranche of the placing was $1,227,500. This subscription increased Kenglo's holding in the Company to approximately 19.3 % of the issued shares in the Company immediately following the second tranche. If warrants within the offering are exercised, Kenglo's stake in the Company could rise to approximately 32.4% of the issued shares in the Company. The Company intends to use the funds from the placing for an expanded drilling program, mobile and fixed plant improvements and working capital. The expanded drilling program will concentrate initially on targets close to the operating mine site that have already been reported upon by consultants ACA Howe (Press Release 12th June 2008) and will commence in early 2011.

Production

Concentrate production for the third quarter of 2010 amounted to 309.1 dry tonnes of concentrate which compares to 367.8 dry tonnes for the third quarter of 2009, a decrease of

15%. Metal content of production for the three months ended September 30, 2010 totalled 1,303 ounces of gold (40.5kg), 2,942 ounces of silver (91.5kgs) and 51 tonnes of lead. This compares with metal content for the corresponding period of 2009 of 1,005 ounces of gold (31.2kgs), 2,262 ounces of silver (70.4kgs) and 35.3 tonnes of lead which represents a 30% increase in gold output, a 30% increase in silver output and a 45% increase in lead output. These production figures and metal contents are provisional and subject to averaging or umpiring provisions under the concentrate off–take agreement detailed in a press release dated October 3, 2007. The production levels achieved during the third quarter of 2010 were below target with concentrate production being below levels achieved in the corresponding period of 2009 due primarily to a succession of plant breakdowns during the quarter. However higher concentrate grades in the third quarter resulted in increased metal production for the period when compared to 2009.

Mining operations concentrated on both the Kearney and Kerr veins during the third quarter, removing an approximate combined total of peat, till and waste rock of 332,393 m^3. The Kerr ore body has started to widen and increase in grade at depth. There were a number of breakdowns in the process plant during the quarter including a major breakdown of the ball mill gearbox. A replacement gearbox was fabricated and a reserve gearbox was ordered to avoid similar problems in the future. In addition there were problems with the cone crusher and a breakdown of the blower system.

Plant throughput during the third quarter 2010 totalled 8,375 tonnes of ore at an average head grade of 4.75 g/t gold compared to the third quarter of 2009 when 8,439 tonnes of ore were produced at an average grade of 3.64 g/t gold. Average concentrate grades for the third quarter increased to approximately 131.9 g/t gold, 298.9 g/t silver and 16.6% lead against the third quarter 2009 of 85.1 g/t gold, 174 g/t silver and 9.48% lead.

Concentrate production for the nine months of 2010 amounted to 1,226.4 dry tonnes of concentrate which compares to 1,509.5 dry tonnes for the first nine months of 2009 – a decrease of 19%. Metal content of production for the nine months ended September 30, 2010 totalled 4,729 ounces of gold (147.1kg), 13,299 ounces of silver (413.6kgs) and 202.4 tonnes of lead. This compares with metal content for the first nine months of 2009 of 4,492 ounces of gold (139.7kgs), 13,019 ounces of silver (404.9kgs) and 167.9 tonnes of lead which represents a 5% increase in gold output, a 2% increase in silver output and a 20% increase in lead output. These production figures and metal contents are provisional and subject to averaging or umpiring provisions under the concentrate off – take agreement detailed in a press release dated October 3, 2007.

Exploration

Following an easing of the Company's working capital restrictions, by means of a private placing in June 2010, there was an increase in exploration activity. A drilling program was announced in a press release dated June 8th 2010. The program will concentrate initially on targets close to the operating mine site that have already been reported upon by consultants ACA Howe (Press Release 12th June 2008). The program commenced with a surface sampling study, bulk sampling study and mining dilution study on the Kerr Vein. Results of the bulk sampling and mining dilution studies were released on 19th October 2010. Results from the surface sampling part of the study are to be published when verification procedures are complete. The results were better than expected compared to the limited previous data available. The Kerr Vein has planning consent and is now in production.

Post the quarter end, attention has now focused on the Joshua Vein. The first step is to channel sample and identify the surface location of the northern part of the vein, which is in train. Following completion of that process, priority is being given to a shallow drilling program to infill data required for resource assessment and feasibility purposes connected to the establishment of an open pit on Joshua. Joshua Vein does not yet have planning permission for open pit mining and an application will be made shortly. This is in advance of completed resource numbers because of the anticipated delay in the planning process in Northern Ireland. The drilling part of the program is expected to commence in January 2011. Consideration is being given to the purchase of a suitable rig to add to a contractor rig, but this is dependent on suitable skilled labour being available.

It is also planned that further exploration work will also be carried out on the Company's three licence areas in Counties Tyrone and Fermanagh, Northern Ireland.

An amount of $1m has been set aside for the exploration budget for the 12 month period.

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and net financial results in Canadian dollars for the third quarter of 2010 and for the seven preceding quarters are summarized below:

Quarter Ended	Total Revenue	Net Profit (Loss)	Net Profit (Loss) per share & per share diluted
September 30, 2010	$ 1,759,978	$ 156,982	$ 0.00
June 30, 2010	$ 1,503,296	$ 71,968	$ 0.00
March 31, 2010	$ 1,980,815	$ 772,418	$ 0.00
December 31, 2009	$ 1,667,716	$ (5,672,371)	$ (0.03)
September 30, 2009	$ 950,950	$ (164,988)	$ (0.00)
June 30, 2009	$ 1,648,243	$ (234,325)	$ (0.00)
March 31, 2009	$ 1,143,004	$ (290,013)	$ (0.00)
December 31, 2008	$ 1,955,509	$ (216,072)	$ (0.00)

The results for the quarter ended September 30, 2010 are discussed under Section 1.2 – Review of Financial Results. Galantas has moved into profit during the first three quarters of 2010 due primarily to the increased production levels achieved and the higher metal prices that prevailed during 2010. With regards to earlier periods prior to 2010, revenues commencing quarter ended September 30, 2007 when the Omagh mine commenced production, are primarily from sales of concentrates. The sales increase in quarter ended December 31, 2008 is due to changes in the revenue recognition policy adopted by the Company. 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 to December 31, 2009. The Net Income in the quarter ended September 30, 2008 when compared to the losses incurred in earlier quarters is due primarily to a substantial foreign exchange gain incurred during that quarter. The increase in the Net Loss in the quarter ended December 31, 2009 to $ 5,672,371 is due primarily to the impairment of assets which resulted in an additional charge in the fourth quarter of $ 5,314,412.

1.6 LIQUIDITY

The Company had a cash balance of $ 2,951,892 at September 30, 2010 which compared with $ 485,997 at December 31, 2009.

As at September 30, 2010 the Company's working capital was in a deficit of $ 127,393 which compared with a deficit of $ 3,711,772 at December 31, 2009. Ore supply continues to be a challenge with management focusing heavily on pit operations and there is steady progress. The additional working capital provided by the private placement referred to below has alleviated some of the production constraints.

During the second quarter of 2010, Galantas announced a private placement (See June 3, 2010 Press Release) of up to 50,000,000 units. Each unit was priced at $ 0.05 comprising of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $ 0.10. Galantas completed the first tranche of the private placement during June 2010 whereby the Company issued 21,000,000 units pursuant to the first tranche. The gross amount raised by the first tranche of the placing was $ 1,050,000.

During the three months ending September 30, 2010, the Company completed the second tranche of the private placement. The Company issued 24,550,000 units pursuant to the second tranche to Kenglo One Ltd, the subscriber to the first tranche. This placing was the final part of the larger offering of 45,550,000 units. Each unit was priced at $ 0.05 and comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $ 0.10. The gross amount raised in the third quarter by the second tranche of the placing amounted to $ 1,227,500. This subscription increased Kenglo's holding in the Company to approximately 19.3% of the issued shares in the Company. If warrants within the Offering are exercised, Kenglo's stake in the Company could rise to approximately 32.4% of the issued shares in the Company.

The Company intends to use the funds from the placing for an expanded drilling program, mobile and fixed plant improvements and working capital. The expanded drilling program will concentrate initially on targets close to the operating mine site that have already been reported upon by consultants ACA Howe (Press Release 12th June 2008) and will commence in late 2010.

There were no additional Related Party loans received during the three and nine months ended September 30, 2010. Repayments on the financing facility were $ 17,291 and $ 60,143 during the third quarter and first nine months of 2010 respectively.

The Company may be required 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 September 30, 2010 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 September 30, 2010, the Company had capital requirements to repay, under existing arrangements.

a) Accounts payable and accrued liabilities incurred in the normal course of business.

b) A £ financing facility with Barclays Lease Finance. The amounts outstanding on this facility at September 30, 2010 amounted to $ 51,789 (£ 31,972).

c) A UK £ loan facility from G&F Phelps Limited, a company controlled by a director of the Company, in the amount of $ 2,835,755 (£ 1,750,682). This loan bears interest at 2% above base rate, is repayable on demand and is secured by a mortgage debenture over all the Company's assets.

d) Amounts due to directors of the Company $ 177,007 (£ 109,277).

Contingent Liability

During the first quarter of 2010 the Company's subsidiary Omagh Minerals Limited received a payment demand from Her Majesty's Revenue and Customs in the amount of $ 513,785 (UK£ 333,151) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company's subsidiary Omagh Minerals Limited intends to vigorously defend itself against this claim. No provision has been made for the claim in the consolidated financial statements.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet transactions.

1.9 RELATED PARTY TRANSACTIONS

Director fees of $ 10,000 and $ 29,000 respectively ($ Nil and $ 18,000, respectively for the three and nine months ended September 30, 2009) were accrued during the three months and nine months ended September 30, 2010.

During 2009, the Company signed an agreement for the rent of mining equipment with G&F Phelps Limited ("G&F Phelps"), a Company controlled by a director of the Company. During the three and nine months ended September 30, 2010 the amount charged by G&F Phelps for the rental of the mining equipment totalled $ 60,147 and $ 145,429 respectively ($ 40,943 and $ 81,018 for the three and nine months ended September 30, 2009). At September 30, 2010 the amount payable to G&F Phelps for the rent of the mining equipment which is currently due and is included with loans to related party on the balance sheet amounted to $ 103,994 (UK£64,202) (December 31, 2009 $ 129,827 UK£ 76,745).

During 2009, G&F Phelps and the Company entered into the following agreement:

- G&F Phelps amalgamated its UK loans to the Company and took over all loans from Welsh Gold plc and the President and Chief Executive Officer of the Company to

Galantas. The amalgamated loans bear interest at 2% above UK base rate, are repayable on demand and are secured by a mortgage debenture over all the Company's assets;

- G&F Phelps extended this loan arrangement with the Company by repaying the balance of $ 140,012 (UK£ 82,126) on the Company's UK£ term loan facility;
- The Company has accrued a fee of $ 40,495 (UK£ 25,000) payable to G&F Phelps arising from the provision of limited support by them on certain financial obligations of the Company, and
- The Company to repay to G&F Phelps any costs incurred by G&F Phelps as a result of it entering into these agreement.

G&F Phelps, a company controlled by a director of the Company, had amalgamated loans to Galantas of $ 2,835,755 (UK£ 1,750,682) (December 31, 2009 $ 2,940,851 (UK£ 1,738,297)) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets.

Directors current accounts amounted to $ 177,007 at September 30, 2010 (UK£ 109,277) (December 31, 2009 $ 184,873 (UK£ 109,277)).

Interest accrued on related party loans is included under accounts payable and accrued liabilities. As at September 30, 2009, the amount of interest accrued is $ 261,415 (UK£ 161,387) (December 31, 2009 - $ 213,713 (UK£ 126,323)).

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

1.10 FOURTH QUARTER

Not applicable to Quarterly MD&A.

1.11 PROPOSED TRANSACTIONS

The Company presently has no planned or proposed business or asset acquisitions or dispositions.

1.12 CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ significantly from those estimates. Specific items requiring estimates are ore reserves, accounts receivable, property, plant and equipment, deferred development and exploration costs, revenues, depreciation and amortization, asset retirement obligations, future income taxes, stock based compensation, accrued liabilities and contingent liabilities.

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Future Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

On January 2006, the CICA’s Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. The Company is currently in the process of evaluating the potential impact of IFRS to its financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. It is anticipated that the Company's financial results and financial position as disclosed in the Company’s current Canadian GAAP financial statements will not be significantly different when presented in accordance with IFRS which is discussed in more detail in Section 1.15 Other MD&A Requirements.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements. The Company is in the process of evaluating the requirements of the new standards.

1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s current financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The carrying values approximate the fair values of these financial instruments due to the short-term maturity of these items.

1.15 OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Issuers without Significant Revenue or Exploration
Disclosure of Outstanding Share Data

General administrative expenses for the Three Months ended September 30, 2010 and September 30, 2009 are detailed below:

Expense Account	Three Months ended September 30, 2010	Three Months ended September 30, 2009
Other operating expenses	$ 123,214	$ 159,532
Accounting & corporate	15,225	13,554
Legal & audit	47,343	30,238
Stock based compensation	2,500	32,834
Shareholder communication	25,198	27,332
Transfer agent	3,605	2,058
General office	10,086	1,553
Bank interest and charges	23,395	69,921
Total	$ **250,566**	**$ 337,022**

General administrative expenses for the three months ended September 30, 2010 totalled $ 250,566 compared to $ 337,022 for the three months ended September 30, 2009.

Other operating expenses comprise primarily of various administration expenses at the mine together with the ongoing expenses of the Company's jewellery business. The administration costs at the mine include administration and technical wages, professional fees, insurance etc. The decrease in Other operating expenses to $ 123,214 for the three months ended September 30, 2010 from $ 159,532 for the three months ended September 30, 2009 is due to primarily to a reduction in the wage costs allocated to Other operating expenses in the third quarter of 2010. This arises from a reclassification of certain wage costs from Other operating expenses to Production costs during 2010 which wages had been included in Other operating expenses in 2009. Accounting and corporate costs for the three months ended September 30, 2010 amounted to $ 15,225 compared to $ 13,554 for the corresponding period of 2009. Legal and audit costs totalled $ 47,343 for the third quarter of 2010 compared to $ 30,238 for the third quarter of 2009. The reason for the 2010 increase was certain legal costs incurred by Omagh Minerals Limited during the quarter in connection with its ongoing activities. Galantas is providing for its 2010 annual audit costs on a quarterly basis.

Stock based compensation costs in the third quarter 2010 totalled $ 2,500 compared to $ 32,834 for the 2009 third quarter. This reduction in cost is mainly as a result of the increased number of options now fully vested compared to 2009.

Shareholder communication and investor relations costs for the three months ended September 30, 2010 amounted to $ 25,198 compared to $ 27,332 for the corresponding period of 2009. Transfer agents fees for third quarter of 2010 amounted to $ 3,605 which compared to $ 2,058 for third quarter 2009. General office expenses for 2010 amounted to $ 10,086 compared to

$ 1,553 for the third quarter of 2009. The lower level of costs on the third quarter of 2009 reflects lower director's fees in that quarter.

Bank interest and fees totalled $ 23,397 for the three months ended September 30, 2010 compared with $ 69,921 for the third quarter of 2009. The higher level of bank interest and fees in 2009 reflects the inclusion of a once off fee of £ 25,000 in connection with financial guarantees provided on behalf of the Company by a related party. Exclusive of this fee there was a slight reduction in bank interest and fees due to the positive impact of lower interest rates.

This resulted in General administrative expenses totalling $ 250,566 and $ 337,022 for the respective periods.

General administrative expenses for the Nine Months ended September 30, 2010 and September 30, 2009 are detailed below:

Expense Account	Nine Months ended September 30, 2010	Nine Months ended September 30, 2009
Other operating expenses	$ 343,494	$ 474,974
Accounting & corporate	43,943	40,547
Legal & audit	99,441	68,827
Stock based compensation	7,947	106,068
Shareholder communication	78,559	97,254
Transfer agent	24,406	14,710
General office	29,990	22,628
Bank interest and charges	70,610	134,263
Total	$ **698,390**	**$ 959,271**

General administrative expenses for the nine months ended September 30, 2010 totalled $ 698,390 compared to $ 959,271 for the nine months ended September 30, 2009.

Other operating expenses comprise primarily of various administration expenses at the mine together with the ongoing expenses of the Company's jewellery business. The administration costs at the mine include administration and technical wages, professional fees, and insurance. The decrease in Other operating expenses to $ 343,494 for the nine months ended September 30, 2010 from $ 474,974 for the nine months ended September 30, 2009 is due to primarily to a reduction in the wage costs allocated to Other operating expenses during the nine months of 2010. This arises from a reclassification of certain wage costs from Other operating expenses to Production costs in 2010 which wages had been included in Other operating expenses in 2009. In addition the lower costs of the jewellery business during 2010 contributed to the reduced costs. Accounting and corporate costs for the nine months ended September 30, 2010 amounted to $ 43,943 compared to $ 40,547 for the corresponding period of 2009. Legal and audit costs totalled $ 99,441 for the first nine months of 2010 compared to $ 68,827 for the corresponding period of 2009. The main reason for the 2010 increase were certain legal costs incurred by Omagh Minerals Limited during the nine months in connection with its ongoing activities. Galantas is providing for its 2010 annual audit costs on a quarterly basis.

Stock based compensation costs for the nine months ended September 30 2010 totalled $ 7,947 compared to $ 106,068 for the corresponding period of 2009. This reduction in cost is mainly as a result of increased number of options outstanding in 2010 which are now fully vested compared to 2009. Additionally no new stock options were granted in the current year.

Shareholder communication and investor relations costs at $ 78,559 for the nine months ended September 30, 2010 compared to $ 97,254 for the corresponding period of 2009. Shareholder communication costs for the nine months include the costs associated with the holding of the Company's annual general meeting. Shareholder communications costs were lower in the first nine months of 2010 due to certain cost savings achieved by Galantas during the period. Transfer agents fees for first nine months of 2010 amounted to $ 24,405 which compared to $ 14,710 for corresponding period of 2009. Transfer agent's costs for the first nine months of 2010 were above those of 2009 due to increased costs associated with the holding of the Company's annual general meeting. General office expenses for 2010 amounted to $ 29,990 compared to $ 22,628 for the first nine months of 2009. The lower level of costs in 2009 reflects lower director's fees during the period.

Bank interest and fees totalled $ 70,610 for the nine months ended September 30, 2010 compared to $ 134,263 for the corresponding period of 2009. The higher level of bank interest and fees in 2009 reflects the inclusion of a once off fee of £ 25,000 in connection with financial guarantees provide on behalf of the Company by a related party. Exclusive of this fee there was a slight reduction in bank interest and fees due to the positive impact of lower interest rates.

This resulted in General administrative expenses totalling $ 698,390 and $ 959,271 for the respective periods.

Disclosure of Outstanding Share Data

Share Capital

The Company is authorized to issue in series an unlimited number of common and preference shares. At November 23, 2010, there were a total of 235,650,055 shares issued, 45,550,000 warrants outstanding expiring from June 2012 to July 2012 and 7,300,000 stock options expiring from June 2012 to October 2013.

IFRS Transition Plan

The Accounting Standards Board (AcSB) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended March 31, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

The Company is proceeding with the development of a comprehensive IFRS transition plan to assist with the planning and implementation of its transition to IFRS. The Company has evaluated the key areas where changes to current accounting policies may be required including the application of IFRS 1 First-time adoption of International Financial Reporting Standards.

The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011 will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position as at January 1, 2010.

Impact of Adopting IFRS on the Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas Galantas has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1. Exploration and Evaluation Expenditures

IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions.

Galantas expects to retain its current policy of deferring exploration and evaluation expenditures until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. Therefore the Company does not expect that the adoption of IFRS will result in any significant change to the related line items within its financial statements.

2. Impairment of (Non-financial) Assets

IFRS, like Canadian GAAP, requires an assessment at each reporting date as to whether there are indicators of impairment of property, plant and equipment and deferred development and exploration costs. The factors considered under IFRS are quite similar to Canadian GAAP, but there are some differences.

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment will be changed to reflect these differences, however the Company does not expect this change will have an impact to the carrying value of its assets. Galantas will perform impairment assessments as at the transition date in accordance with IFRS.

3. Foreign Currency

IFRS requires that the functional currency of Galantas, and its subsidiaries be determined separately, and the factors considered to determine functional currency are somewhat different than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to foreign currency that would result in a significant change to line items within its financial statements at the Transition Date.

4. Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

Galantas does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

5. Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences, however Galantas does not expect this change will have an immediate impact to the carrying value of its assets.

6. Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

Galantas does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

7. Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Further disclosure of the IFRS transition process will be included in the Company's MD&A for the 2010 interim periods and year ended December 31, 2010. The MD&A will include updates on the progress of the transition plan, and to the extent known, further information regarding the impact of adopting IFRS in the financial statements.

TRENDS AFFECTING THE COMPANY'S BUSINESS

Gold Price in US Dollars and UK Sterling

The Gold concentrate output from the Omagh Mine, which also contains silver and lead credits, is sold in US dollars. Most of the value is accrued from the gold content. The following table is composed from data published by the Bank of England of average monthly gold price in US$ and GB £ (sterling) per troy ounce. In the third quarter of 2010, the gold price in US$ terms strengthened but weakened in United Kingdom Pounds sterling terms due to weakening of the US dollar. The majority of costs at the mine are incurred in United Kingdom Pounds Sterling and US dollar revenues are converted to sterling. Data from the Bank of England demonstrates that, during the third quarter of 2010, there was a gold price increase in US$ terms of 2.6% and a decrease in sterling terms of 1.4%. Subsequent to the quarter end the gold price has strengthened significantly in both sterling and US dollar terms, reaching new highs in both currencies.

MONTH	Gold Price US $ per ounce	Gold Price GB £ per ounce	Quarter end Average US$	Quarter end Average GB £
JANUARY 2010	1117.96	691.65		
FEBRUARY 2010	1095.41	701.79		
MARCH 2010	1113.34	739.61	1108.90	711.02
APRIL 2010	1148.69	749.61		
MAY 2010	1205.43	823.86		
JUNE 2010	1232.92	835.90	1195.68	802.96
JULY 2010	1192.97	780.34		
AUGUST 2010	1215.81	776.26		
SEPT 2010	1269.83	819.40	1226.20	792.00
OCTOBER 2010	1342.02	846.18		

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

The US Dollar / UK Sterling Currency Exchange Rate

The following table is drawn from Bank of England data that gives the monthly average spot exchange rate of US $ into UK Sterling. Since year end the trend of the first quarter of 2010 was that of sterling weakness, and the trend continued in the second quarter. The trend reversed in the third quarter with November rates routinely around $1.60 to £.

MONTH	Average US $ to UK £	Quarter 2009 Average $ / £
JANUARY 2010	1.62	
FEBRUARY 2010	1.56	
MARCH 2010	1.51	1.56
APRIL 2010	1.53	
MAY 2010	1.46	
JUNE 2010	1.48	1.49
JULY 2010	1.53	
AUGUST 2010	1.57	
SEPT 2010	1.56	1.55
OCTOBER 2010	1.59	

A currency policy has been adopted of converting incoming payments into the currency required within a short period of when they are received, thus avoiding the taking of a large currency position on either side of the market.

The Canadian Dollar / UK Sterling Currency Exchange Rate.

The accounts of the corporation are expressed in Canadian Dollars. In the second quarter, sterling appears to have traded against the Canadian dollar within a band between $1.52 and $1.55. At the beginning of the third quarter sterling strengthened but weakened at the end of the quarter to CDN$ 1.61 / £.

MONTH (BOE average spot)	Average CAN $ to UK £	Quarter end Avrg. CAN$ / £
JANUARY 2010	1.69	
FEBRUARY 2010	1.65	
MARCH 2010	1.54	1.63
APRIL 2010	1.54	
MAY 2010	1.52	
JUNE 2010	1.53	1.53
JULY 2010	1.60	
AUGUST 2010	1.63	
SEPT 2010	1.61	1.61
OCTOBER 2010	1.61	

Difficulties in the Western credit markets have impacted on all companies entering into banking credit arrangements. However, the company is not seeking bank finance at this time.

In Northern Ireland, the widely acknowledged political agreement has consolidated the positive financial effects of peace and stability in the province, but there has been an increase in activity by those not allied to the peace process.

RISKS AND UNCERTAINTIES

Current Global Financial and Economic Conditions

Current global financial and economic conditions have been characterized by extreme volatility. Several financial institutions and other major businesses have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact the Company's ability to obtain funding in the future and on favourable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary. If such volatility and market turmoil continue, the Company's business and financial condition could be adversely impacted.

Additional Funding Requirements

The risk is that additional funds, if required, may not be available. Continued delays and difficulties in bringing the production up to capacity has previously resulted in a cash shortage. Management will continue to actively pursue additional working capital if the need arises and has implemented an aggressive ore extraction program. Until the mine consistently produces at an increased capacity there is the uncertainty of continued operation. There is no guarantee that future sources of funding will be available to the Company as and when required in the current volatile markets.

Ore Reserves

Tonnage and grade of ore may be lower than anticipated. The Kearney deposit along strike and to depth has been proven within the confines of the initial open pit and indicated well beyond. Nevertheless, the ore is variable in detail and it has proved difficult to mine at a consistent grade and supply the plant with sufficient ore regularly and although the issue is being addressed, this may persist into the future.

Mineral Processing

Generally the plant performs in line with the prior technical guidance. Alterations and modifications to equipment and operating practices have been made and have resulted in improvements in comminution and concentrate quality. However, there is no certainty that the improvements will persist and were these not to do so there would be a risk to cash flow and budget.

Environmental

The project was subject to one of Ireland's lengthiest public enquiries whereat its design and operating fundamentals were challenged and defended to the satisfaction of the independent assessors and industry experts representing regulators and the Company. In operation, the facilities are subject to self monitoring and monitoring by regulators. The Company's activities are subject to laws and regulations controlling not only mining activities but also the possible effects of such activities upon the environment. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities.

Environmental legislation is evolving in a manner which may mean stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company does not maintain environmental liability insurance.

Permitting

The Company has permission to carry out its activities. Overall consents were granted in 2000 after fulfillment of more than 30 pre-conditions which attached to the provisional consent granted in 1995. In all jurisdictions, regulatory provisions are subject to change and the Company may be faced with additional constraints in the future. The Company will require to make additional applications for permitting in order to make additional ore available for mining. The Company has applied for a variation of its consent to confirm early restoration activities are permitted.

Title

The Company owns the land in secure freehold on which the project is located. Precious metal licenses and mining licenses have been granted to the Company by the Crown Estate and renewed as required since the mid – 1990's when initially granted. Licenses and Leases are subject in the usual way to minimum performance requirements which are set at a level so as not to inhibit development. There is a dialogue ongoing with the Northern Ireland Development of Enterprise Trade and Industry (DETI) concerning a license to extract base metals which occur with the gold and silver in the quartz-sulphide veins and which may be recovered as a by-product of gold and silver. The license if applicable may require a fee payable to owners of surface rights. In the case of the Company's mine, since the owner is the Company itself, it is thought unlikely that there will be a material impact.

Political

Northern Ireland has achieved a stable political status conducive to business as is evidenced by the relatively large amounts of inward investment that the province has enjoyed over the past decade. It is noted that there was recently an increase in activity by parties not allied to the peace process which now appears to have abated. The mine is well removed from areas of potential urban disturbance.

Uninsurable Risks

Mining activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the common shares of the Company. The Company does not maintain insurance against environmental risks.

Revenue

The Company has contracted sale of its concentrate to Xstrata. While the payment terms are specific, there is risk that unit income may fall short of forecast. This could be due to a number of factors including failure of the concentrate to be within the specification contracted as regards both value elements and penalty elements and failure to produce concentrate of consistent quantity.

Currency Fluctuations/Bullion Price

Currency fluctuations and the price of gold may affect the Company's future operations, financial position and results. The Company's revenues are in US dollars. Most of the costs of the company are incurred in British Pounds Sterling resulting in dollar revenues being converted to sterling on an ongoing basis. The value of sterling against the US dollar constantly fluctuates which impacts on sterling revenue available to the Company. Financial results are published in Canadian dollars. There is therefore a currency risk arising mainly from the Company's net liabilities being denominated in sterling, which liabilities will fluctuate in Canadian dollar terms, giving rise to exchange gains/losses in line with the ongoing fluctuations in the exchange rates.

The price of gold is beyond the Company's control, can fluctuate drastically and could adversely affect the Company. Gold prices have fluctuated significantly in recent years. The Company's policy is to not sell forward its bullion.

Construction and Development

Most construction costs have been incurred and are therefore known and reflected in the accounts. Future development risk is attached to development of the Kearney and Kerr ore bodies, such as till stripping, where quantities are only estimated and subject to adverse variance.

Personnel

Notwithstanding the relatively small scale of the Kearney mine, a level of expertise is required in the mine, plant and ancillary activities including geology and accounting. Albeit that a slow down worldwide in minerals development has eased the shortage of skilled professionals, the Company foresees potential difficulties in recruiting additional qualified people. The risk is that costs, operations, future expansion and indeed excellence may be impacted negatively.

Share Price Fluctuations

In recent years, and particularly in the current global financial conditions, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.