GALANTAS GOLD CORPORATION

Management's Discussion and Analysis

Three and Six Months Ended

June 30, 2012

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MANAGEMENT DISCUSSION AND ANALYSIS

Three and Six Months Ended June 30, 2012

This document constitutes management's discussion and analysis (MD&A) of the financial and operational results of Galantas Gold Corporation (the Company) for the three and six months ended June 30, 2012. This MD&A supplements, but does not form part of the consolidated financial statements of the Company, and should be read in conjunction with the condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2012 and the audited consolidated financial statements and related notes for the year ended December 31, 2011. The currency referred to in this document is the Canadian dollar. The MD&A is prepared in conformance with National Instrument 51-102F1 and was approved by the Company's Audit Committee on August 17, 2012.

As of January 1, 2010, Galantas adopted International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements for the three and six months ended June 30, 2012, have been prepared in accordance with IFRS.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Galantas's properties to contain gold, silver and lead deposits; the Company's ability to meet its working capital needs at the current level, the plans, costs, timing and capital for future exploration and development of Galantas's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Galantas's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, gold deposits, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to its properties, the possibility that future exploration results will not be consistent with Galantas's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the mining industry, as well as those risk factors listed in the "Risk and Uncertainties" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Galantas's exploration and development activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Galantas's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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 a jewellery business which is no longer being pursued and for which the Company is examining the availability of a joint venture opportunity.

Mining at the Omagh mine is conducted by open pit methods. The mine produces a flotation concentrate which is shipped to a smelter in Canada under a life of mine off-take agreement. The Company's strategy to increase shareholder value is to:

- Increase the production of the mine and processing plant on its Kearney and Kerr deposits;
- Continue to explore and develop extensions to the Kearney, Kerr, Joshua and nearby known deposits so as to expand minable reserves and increase gold production in stages;
- Explore its 5 prospecting licences outside the mine licence area which aggregate 412 square kilometres, focusing on the more than 50 gold targets identified to date; and

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 currently embraces an open pit mine capable of supplying ore to a crushing-grinding-froth flotation plant. The plant is designed to produce a gold and silver rich sulphide flotation concentrate for sale to a commercial smelter. The plant was commissioned as stated in a press release dated June 26, 2007.

Galantas Irish Gold Limited

During 2011 Galantas announced that it would review joint venture opportunities related to its gold jewellery business as management focus is now entirely on the mine operation.

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 currently employs 46 personnel.

Key Performance Driver

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

Overview of Second Quarter 2012

The condensed consolidated interim Financial Statements for the three and six months ended June 30, 2012 together with the comparative Financial Statements for the three and six months ended June 30, 2011 are being reported under International Reporting Financial Standards ("IFRS") which has replaced Canadian GAAP effective January 1, 2010 for all publicly accountable enterprises in Canada.

Production at the Omagh mine during three months ended June 30, 2012 was slightly higher than production levels for the first quarter of 2012 but was significantly below production levels of the second and subsequent quarters of 2011.

Galantas Gold Corporation reported a Net Income of $ 543,734 for the three months ended June 30, 2012 which included a gain on the extinguishment of the convertible debenture of $190,624. This compared with a Net Income of $ 1,039,384 for the three months ended June 30, 2011. When the net income is adjusted for non cash items before changes in non-cash working capital the cash generated from operating activities amounted to $ 556,321 for the three months ended June 30, 2012 compared to $ 1,358,594 for the three months ended June 30, 2011.The cash generated from operating activities after changes in non-cash working capital amounted to $ 1,016,388 for the second quarter of 2012 compared to $ 1,206,842 for the corresponding period of 2011.

The Company had cash balances at June 30, 2012 of $ 2,976,819 compared to $ 4,240,081 at December 31, 2011. The working capital deficit at June 30, 2012 amounted to $ 472,142 which compared with a deficit of $ 536,142 at December 31, 2011.

During the quarter Kenglo One Limited exercised its right to acquire 20,560,340 common shares of the Company under the terms of warrants held by it. The warrants were exercisable at $0.10 per share. The aggregate consideration from the exercise of the warrants of $ 2,056,034 was used by the Company to extinguish, in its entirety, the principal and interest obligations outstanding under the convertible loan agreement between Kenglo and the Company.

The 15,000 metre exploration drilling program, with six drills operational, continued during the second quarter of 2012 with nineteen additional holes being drilled covering 3,852 metres mainly on the Kearney and Joshua veins. This exploration program is seeking to expand the resources on veins close to the existing operating gold mine. Assay results released to date from both the drilling and channel sampling programmes have been encouraging with significant gold intersections being identified at depth.

Earlier in the year the Company appointed ACA Howe International Ltd to prepare an Interim Resource for the Omagh Gold Project to Canadian National Instrument NI 43-101 standard. The report will include drilling results and analyses received to June 2012 and will identify all resources discovered at that date. This interim report was published subsequent to June 30, 2012 and was filed on SEDAR in August 2012. A further report is scheduled later in the year when the 15,000 metre drilling program has been completed.

1.1 DATE OF THE MD&A

The MD&A was prepared on August 17, 2012.

1.2 REVIEW OF FINANCIAL RESULTS

Three Months Ended June 30, 2012

The Net Income for the three months ended June 30, 2012 amounted to $ 543,734 compared to a Net Income of $ 1,039,384 for the three months ended June 30, 2011 as summarized below.

	Three Months ended June 30, 2012	Three Months ended June 30, 2011
Revenues	**$ 1,902,980**	**$ 3,266,572**
Production costs	$ 956,228	$ 1,310,634
Inventory movement	$ 37,076	$ 34,657
Cost of sales	**$ 993,304**	**$ 1,345,291**
Income before the undernoted	**$ 909,676**	**$ 1,921,281**
Amortization and depreciation	$ 186,624	$ 241,727
General administrative expenses	$ 413,004	$ 644,217
Gain on debt extinguishment	$ (190,624)	$ 0
Gain on sale of asset	$ (15,952)	$ 0
Foreign exchange gain	$ (27,110)	$ (4,047)
Net Income for the quarter	**$ 543,734**	**$ 1,039,384**

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the quarter. Sales revenues from for the three months ended June 30, 2012 amounted to $ 1,902,980 which compared to revenues of $ 3,266,572 for the corresponding period of 2011. The decrease in sales revenues during the second quarter of 2012 was primarily due to the lower level of metal produced and shipped during the quarter. This decrease was partially offset by the favourable movement in gold prices during the second quarter of 2012 when compared to the corresponding period of 2011.

Cost of sales includes production costs at the mine and inventory movements. Production costs for the second quarter of 2012 amounted to $ 956,228 compared to $ 1,310,634 for the second quarter of 2011. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, carriage, consumables and royalties. The lower production costs for the second quarter of 2012 was due to a number of factors including decreases in Production Wages of $ 68,674 to $ 325,576 reflecting the reduced cost of production personnel following the redundancies that were effected at the end of the first quarter of 2012, Oil and Fuel decreases of $ 91,542 to $ 319,925 due primarily to lower usage arising from lower production together with a marginal reduction in fuel prices during the quarter, Repairs and Servicing cost decreases of $ 71,541 to $ 104,559 due to both a reduction in major repairs in the mill including the crushers together with the lower number of breakdowns at the mine, Equipment hire decreases of $ 55,659 to $ 73,026 mainly arising from the off hire of machinery in 2012 as a result of reduced mining activity, Royalty costs, which are based on sales revenues, decreased by $ 26,694 to $ 39,295 reflecting the lower level of sales revenues during the second quarter, Consumable costs decreases of $ 39,973 to $ 54,955 arising mainly from reduced expenditures on chemicals, steel balls, liners and screens in the mill reflecting the lower production in the second quarter of 2012 and Carriage costs decreases of $ 6,097 to $ 17,559 arising from the lower level of shipments during the second quarter.

The inventory movements of $ 37,076 and $ 34,657 for the second quarters of 2012 and 2011 respectively reflect a reduction in inventory at June 30, 2012 and June 30, 2011 when compared to inventory at the beginning of the respective quarters.

This resulted in a Net Operating Income before amortization and depreciation, general administrative expenses, gain on sale of asset, gain on debt extinguishment and foreign exchange gain for the three months ended June 30, 2012 of $ 909,676 compared to Net Operating Income of $ 1,921,281 for corresponding period of 2011.

Amortization of deferred development and exploration costs for the quarter ended June 30, 2012 amounted to $ 59,646 compared to $ 140,321 for the quarter ended June 30, 2011. The amortization charge for the second quarter of 2012, which is calculated on the unit of production basis, is lower than that for the corresponding period of 2011 due to the lower production levels in the second quarter of 2012. Depreciation of property, plant and equipment during the second quarter of 2012 totalled $ 126,978 which compared with $ 101,406 for the corresponding period of 2011. This increase is due mainly to the depreciation on additional plant and equipment acquired subsequent to the second quarter of 2011.

General administrative expenses for the three months ended June 30, 2012 amounted to $ 413,004 compared to $ 644,217 for the corresponding period of 2011. General administrative expenses are reviewed in Section 1.15 Other MD&A Requirements.

There was a gain of $ 190,624 in the second quarter of 2012 following the extinguishment of the convertible debenture debt.

The gain on sale of assets during the second quarter amounted to $ 15,952 in 2012 compared to $ Nil for the second quarter of 2011.

There was a Foreign exchange gain of $ 27,110 for the second quarter of 2012 which compared with a Foreign exchange gain of $ 4,047 for the second quarter of 2011.

This has resulted in a Net Income of $ 543,734 for the three months ended June 30, 2012 compared to a Net Income of $ 1,039,384 for the corresponding period of 2011. When the Net Income is adjusted for non cash items before changes in non-cash working capital the cash generated from operating activities amounted to $ 556,321 for the three months ended June 30, 2012 compared to $ 1,358,594 for the three months ended June 30, 2011 as per the Statement of Cash Flows. The cash generated from operating activities after changes in non-cash working capital amounted to $ 1,016,388 for the second quarter of 2012 compared to $ 1,206,842 for the corresponding period of 2011.

Foreign Currency Translation Gain which is included in Other Comprehensive Income (Loss) totalled $ 13,553 for the three months ended June 30, 2012 which compared to a Foreign Currency Translation Loss of $ 58,349 for the corresponding period of 2011. This resulted in a Total Comprehensive Income of $ 557,287 for the for the three months ended June 30, 2012 compared to Total Comprehensive Income of $ 981,035 for the three months ended June 30, 2011.

Total assets at June 30, 2012 amounted to $ 14,778,765 compared to $ 14,070,093 at December 31, 2011. Cash at June 30, 2012 was $ 2,976,819 compared to $ 4,240,081 at December 31, 2011. Accounts receivable consisting mainly of trade debtors, reclaimable sales taxes and prepayments amounted to $ 1,117,283 at June 30, 2012 compared to $ 1,056,573 at December 31, 2011. Inventory at June 30, 2012 amounted to $ 354,549 compared with an inventory of $ 347,016 at December 31, 2011. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business. There was a low level of concentrate stocks at June 30, 2012 and December 31, 2011 due to almost all concentrates produced having been shipped at period end.

Property plant and equipment totalled $ 3,806,081 at June 30, 2012 compared to $ 3,547,393 at December 31, 2011. The increase in property, plant and equipment is mainly due to the acquisition of additional land during the period. Deferred development and exploration costs totalled $ 6,116,441 at June 30, 2012 compared to $ 4,507,753 at the end of 2011. This increase during the six months is mainly due to the capitalization of both exploration costs related to the exploration drilling programme and costs incurred in connection with the underground mine development. Long term deposit at June 30, 2012, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to $ 407,592 compared to $ 371,277 at December 31, 2011.

Current liabilities at June 30, 2012 amounted to $ 4,920,793 compared to $ 6,179,812 at the end of 2011. The working capital deficit at June 30, 2012 amounted to $ 472,142 compared to a deficit of $ 536,142 at December 31, 2011. Accounts payable and accrued liabilities totalled $ 2,321,843 compared to $ 1,683,142 at December 31, 2011. Amounts due to related parties at June 30, 2012 amounted to $ 2,598,950 compared to $ 2,517,067 at the end of 2011. The convertible debenture, which was repaid during the second quarter by way of the exercise of the warrants of $2,056,034 which were used by Galantas to extinguish the debt, amounted to $ Nil at June 30, 2012 compared to $ 1,979,603 at December 31, 2011. The asset retirement obligation at June 30, 2012 amounted to $ 399,600 compared to $ 394,975 at December 31, 2011.

Six Months Ended June 30, 2012

The Net Loss for the six months ended June 30, 2012 amounted to $ 99,655 compared to a Net Income of $ 719,399 for the six months ended June 30, 2011 as summarized below.

	Six Months ended June 30, 2012	**Six Months ended June 30, 2011**
Revenues	**$ 2,928,126**	**$ 4,468,713**
Production costs	$ 2,021,344	$ 2,314,761
Inventory movement	$ (7,533)	$ 59,392
Cost of sales	**$ 2,013,811**	**$ 2,374,153**
Income before the undernoted	**$ 914,315**	**$ 2,094,560**
Amortization and depreciation	$ 371,189	$ 381,860
General administrative expenses	$ 866,960	$ 991,086
Gain on debt extinguishment	$ (190,624)	$ 0
Loss (gain) on sale of assets	$ (14,446)	$ 1,264
Foreign exchange loss (gain)	$ (19,109)	$ 951
Net Income (Loss) for the period	**$ (99,655)**	**$ 719,399**

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the period. Sales revenues from for the six months ended June 30, 2012 amounted to $ $ 2,928,126 which compared to revenues of $ 4,468,713 for the corresponding period of 2011. The decrease in sales revenues during the first half of 2012 was primarily due to the lower level of metal produced and shipped when compared to the corresponding period of 2011. This decrease was partially offset by the favourable movement in gold prices during the first half of 2012.

Cost of sales includes production costs at the mine and inventory movements. Production costs for the first six months of 2012 amounted to $ 2,021,344 compared to $ 2,314,761 for the corresponding period of 2011. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, carriage, consumables and royalties. The decrease in production costs for the six months ended June 30, 2012 was due to a number of factors including decreases in Production Wages of $ 42,857 to $ 686,474 reflecting the reduced cost of production personnel following the redundancies that were effected at the end of the first quarter of 2012, Repairs and Servicing cost decreases of $ 101,639 to $ 242,212 due to both a reduction in major repairs in the mill where there was a high level of crusher repair costs in the first half of 2011 together with a lower number of breakdowns at the mine which was partly due the reduced level of mobile equipment operating in the mine, Equipment hire decreases of $ 71,784 to $ 162,669 mainly arising from the off hire of machinery in 2012 as a result of reduced mining activity, Consumable costs decreases of $ 57,204 to $ 106,466 arising from the reduced usage of consumables in the mill reflecting the lower production levels in the first half of 2012, Royalty costs, which are based on sales revenues, decreased by $ 28,919 to $ 60,530 reflecting the lower level of sales revenues during the period and Carriage costs decreases of $ 7,196 to $ 28,727 arising from the lower level of shipments during the six months. Offsetting these cost decreases was a small increase in Oil and Fuel costs of $ 6,383 to $689,249.

The inventory movement credit of $ (7,533) for the six months ended June 30, 2012 reflects an increase in inventory at June 30, 2012 compared to January 1, 2012. The inventory movement of $ 59,392 for the six months ended June 30, 2011 reflects a decrease in inventory at June 30, 2011 compared to January 1, 2011.

This resulted in a Net Operating Income before amortization and depreciation, general administrative expenses gain on sale of assets, gain on debt extinguishment and foreign exchange gain for the six months ended June 30, 2012 of $ 914,315 compared to Income of $ 2,094,560 for corresponding period of 2011.

Amortization of deferred development and exploration costs for the six months ended June 30, 2012 amounted to $ 114,982 compared to $ 188,509 for the six months ended June 30, 2011. The amortization charge for the first half of 2012, which is calculated on the unit of production basis, is substantially lower than that for the corresponding period of 2011 due to the lower production levels in the first half of 2012. Depreciation of property, plant and equipment during the first six months of 2012 totalled $ 256,207 which compared with $ 193,351 for the corresponding period of 2011. This increase is due mainly to the depreciation on the additional plant and equipment acquired subsequent to the June 30, 2011.

General administrative expenses for the six months ended June 30, 2012 amounted to $ 866,960 compared to $ 991,086 for the corresponding period of 2011. General administrative expenses are reviewed in Section 1.15 Other MD&A Requirements.

There was a gain of $ 190,624 following the extinguishment of the convertible debenture debt.

The gain on sale of assets during the period amounted to $ 14,446 in 2012 compared to a loss of $ 1,264 for the six months ended June 30, 2011.

There was a Foreign exchange gain of $ 19,109 for the six months ended June 30, 2012 which compared with a Foreign exchange loss of $ 951 for the corresponding period of 2011.

This has resulted in a Net Loss of $ 99,655 for the six months ended June 30, 2012 compared to a Net Income of $ 719,399 for the corresponding period of 2011. When the Net Loss is adjusted for non cash items before changes in non-cash working capital the cash loss generated from operating activities amounted to $ 253,003 for the six months ended June 30, 2012 compared to cash generated from operating activities of $ 1,208,784 for the six months ended June 30, 2011 as per the Statement of Cash Flows. The cash generated from operating activities after changes in non-cash working capital amounted to $ 823,461 for the six months ended June 30, 2012 compared to $ 1,206,264 for the corresponding period of 2011.

Foreign Currency Translation Gain which is included in Other Comprehensive Income amounted to $ 90,558 for the six months ended June 30, 2012 which compared to a Foreign Currency Translation Loss of $ 46,853 for the corresponding period of 2011. This resulted in a Total Comprehensive Loss of $ 9,097 for the six months ended June 30, 2012 compared to a Total Comprehensive Income $ 672,456 for the six months ended June 30, 2011.

1.3 SELECTED ANNUAL INFORMATION

Not applicable to Quarterly MD&A

1.4 RESULTS OF OPERATIONS

Second Quarter 2012 Financing Activities

There were no financing activities during the second quarter of 2012.

During the second quarter Kenglo One Limited exercised its right to acquire 20,560,340 common shares of the Company under the terms of warrants held by it. The warrants were exercisable at $0.10 per share. The aggregate consideration from the exercise of the warrants of $2,056,034 was used by the Company to extinguish, in its entirety, the principal and interest obligations outstanding under the convertible loan agreement between Kenglo and the Company. As a result, a gain on debt extinguishment of $ 190,624 on the convertible debenture was recorded in profit and loss and a loss on debt extinguishment of $ 8,800 on the equity portion of convertible debenture was recorded in equity.

As a result of this warrant exercise, Kenglo currently holds 66,110,340 common shares representing 25.8% of the outstanding common shares of the Company.

Second Quarter 2012 Production Review

Production

Production at the Omagh mine during the three months ended June 30, 2012, while above production levels achieved during both the first quarter of 2012, was significantly below production levels of the second and subsequent quarters of 2011 due primarily to the processing of lower grade ore.

	Three Months to June 30, 2012	Three Months to June 30, 2011
Tonnes Milled	15,036	15,883
Average Grade g/t gold	2.36	5.39
Concentrate Dry Tonnes	355	754
Gold Grade	100	103.1
Gold Produced (oz)	1,152	2,500
Gold Produced (kg)	35.8	77.7
Silver Grade	294	232.2
Silver Produced (oz)	3,395	5,586
Silver Produced (kg)	105.5	173.8
Lead Produced tonnes	23.4	120.6
Gold Equivalent (oz)	1,245	2,829

Tonnes milled during the three months ended June 30, 2012 totalled 15,036 tonnes which included low grade ore compared to 15,883 tonnes for the same period in 2011. Concentrate production for the second quarter of 2012 amounted to 355 dry tonnes which compares to 754 dry tonnes for the corresponding period of 2011 – a decrease of 53%. Metal content of production for the second quarter of 2012 totalled 1,152 ounces of gold (35.8kgs), 3,395 ounces of silver (105.5kgs) and 23.4 tonnes of lead. This compares with metal content for the corresponding period of 2011 of 2,500 ounces of gold (77.7kgs), 5,586 ounces of silver (173.8kgs) and 120.6 tonnes of lead which represents a 54% decrease in gold output, a 39% decrease in silver output and an 80% decrease in lead output. Gold equivalent for the second quarter of 2012 was 1,245 ounces which compares to 2,829 ounces for the second quarter of 2011 which represents a 56% decrease. The 2012 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 main mine production focus during the second quarter has been on the open pit mining of the Kearney and Kerr veins together with the processing of ore from the low grade stockpile. Production from Kearney was restricted due to limitations in the disposal of surplus rock which had been stockpiled over a period of time and has now reached capacity levels which has impacted negatively on production from the Kearney open pit. Whilst the mine is required under its planning permission to dispose of the surplus rock from the site the consent to transport the surplus rock offsite was not confirmed by the relevant local authority until February 2012. However, in order to comply with conditions attached to this permit, it will be later in 2012 before the transportation of surplus rock can commence. This limitation has and will result in low grade material being worked in 2012 which will result in both revenues and cash generation being reduced. Because of adverse impact on current and future production levels a number of redundancies were effected at the end of the first quarter with further redundancies planned for later in the year. The relocation of the site offices in late 2011 together with the resolution of the surplus rock issue, will in time allow the mine to further extend the northerly extent of the Kearney pit within the existing planning consents. Ore mined from Kearney north during the quarter produced lower than expected grades due to both lower grade of ore mined and narrower than expected widths which led to excessive dilution of the mined ore. Mining from the Kerr veins during the quarter was reasonably successful with two of the veins mined being of high grade with the remaining two being more problematical.

During the second quarter the mill was fed with a combination of lower grade ore which was blended with ore from Kearney and Kerr. However production was hampered by the ongoing variations in the metallurgy due to the inconsistent grade of ore being milled. Production was also hampered during the quarter by unplanned downtime in the plant which continued to be problematical.

Discussions with the regulatory authorities in Northern Ireland continued during the second quarter of 2012. While permission is still awaited regarding three of the four planning applications submitted to the planning service authorities in 2011 progress was made during the second quarter with permission expected to be granted in the near future. Two of the applications are in connection with proposals to drill boreholes to determine mineralization at depth on the Kearney and Joshua veins. The remaining application is in connection with the construction of a lower portal structure and truncated adit for underground mining on the Kearney vein. Permission has already been granted for the renovation and construction of passing bays for the removal of surplus rock in order to make additional ore available for mining and in particular for the proposed potential underground mine on the Kearney/Joshua deposits. The underground mine plan and Environmental Impact Assessment have been finalised and have now been submitted to the Planning Services. The local Planning Service has recently implemented new EU rules regarding Waste Management which the operating mine already complies with. Additional paperwork and back-up material will be submitted s required.

Production at the Omagh mine during the six months ended June 30, 2012 is summarized in the table below.

	Six Months to June 30, 2012	Six Months to June 30, 2011
Tonnes Milled	24,456	22,832
Average Grade g/t gold	2.65	4.97
Concentrate Dry Tonnes	623	1,037
Gold Grade	104	102.6
Gold Produced (oz)	2,084	3,410
Gold Produced (kg)	64.8	106
Silver Grade	282	241.1
Silver Produced (oz)	5,642	8,034
Silver Produced (kg)	174.5	249.9
Lead Produced tonnes	48.3	170.7
Gold Equivalent (oz)	2,251	3,892

Production during the six months ended June 30, 2012 was also below production levels achieved during the first six months of 2011 due primarily to the processing of lower grade ore.

Tonnes milled during the six months ended June 30, 2012 totalled 24,456 tonnes which included low grade ore compared to 22,832 tonnes for the same period in 2011. Concentrate production for the first six months of 2012 amounted to 623 dry tonnes which compares to 1,037 dry tonnes for the corresponding period of 2011 – a decrease of 40%. Metal content of production for the six months ended June 31, 2012 totalled 2,084 ounces of gold (64.8kgs), 5,642 ounces of silver (175.4kgs) and 48.3 tonnes of lead. This compares with metal content for the first six months of 2011 of 3,410 ounces of gold (106kgs), 8,034 ounces of silver (249.9kgs) and 170.7 tonnes of lead which represents a 39% decrease in gold output, a 30% decrease in silver output and a 72% decrease in lead output. Gold equivalent for the first six months of 2012 was 2,251 ounces which compares to 3,892 ounces for the corresponding period of 2011 which represents a 42% decrease. The 2012 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

The major focus of exploration activities in 2012 has been the drilling programme with approximately 10,500 metres having being drilled since the programme commenced in 2011.

During 2011 the focus of exploration work moved from mining geology to exploration based activities. In 2011, the Company reported that following the successful channel sampling program carried out earlier at the Omagh mine a core drilling contract was arranged which was later expanded to a 15,000 metre program. This upgraded program, in addition to the drilling program on the Kearney vein is seeking to extend the depth and northern extent of the Joshua vein. The drilling program on the Kearney vein will provide data for a potential underground operation based upon both of these veins. During 2011 a total of 4,148 metres of exploration drilling was completed with 42 holes being drilled. Channel sampling was also carried out in 2011 on the Joshua and Kerr vein systems with the focus being mainly on Joshua resulting in the discovery of an extended strike length to the Joshua gold vein.

The drilling program, with six drills operational, continued during the second quarter of 2012 when nineteen additional holes were drilled covering 3,852 metres of exploration drilling mainly on the Kearney and Joshua veins with significant intersects being identified at depth. There were four holes drilled on the Kearney vein, thirteen on the Joshua vein and two holes were drilled north of Kerr to target induced polarization anomalies. Drilling at Kearney is being carried out with the objective of gaining a more accurate picture of the zone of mineralization for the purpose of underground development. Drilling on Kearney during the quarter was mainly at depth from off-site locations. Drilling on Joshua focused on the North and Central Joshua veins during the second quarter. On the North vein the strike has been further increased by 70 m during the second quarter and the proven depth of mineralisation on the northern section has increased by 40 m to a vertical depth of 115 m. The northern boundary of the site has now been reached and the rig has now moved onto south Joshua to target the vein at depth. Drilling on the Central Joshua vein was also successful and strengthened the view of a westerly dipping vein in this region with high grade mineralisation at depth.

Further phases of channel sampling continued on the Kearney, Joshua and Kerr veins during the quarter. Assay results released to date from both the drilling and channel sampling programme have been encouraging with significant gold intersections being identified (see press releases dated September 15, 2011, September 20, 2011, October 4, 2011 and October 20, 2011, November 28, 2011, January 12, 2012 April 5,2012 and June 11, 2012). Assay results from this programme will continue to be announced as and when they are received. The encouraging exploration results to date, has enabled a further expansion of the program to receive active ongoing consideration.

In March 2012 the Company appointed ACA Howe International Ltd (Howe UK) to prepare an Interim Resource for the Omagh Gold Project to Canadian National Instrument NI 43-101 standard. The report would include drilling results and analyses received to April 2012, later extended to June 8, 2012 and would identify all resources discovered at that date. The report would also comment on the Company's Underground Mining Scoping Study. Subsequent to June 30, 2012 Galantas reported that it had received initial data from ACA Howe related to it's preparation of an NI 43-101 compliant mineral resource estimate and a Preliminary Economic Assessment (see press release dated July 3, 2012). The Company subsequently filed a complete Technical Report on SEDAR in August 2012. A second interim report is expected to be prepared later in the year on completion of the 15,000 metre drilling programme incorporating drilling results and analyses received subsequent to June 2012.

With regards to exploration outside the mine licence area licence OM4 covering an area of 252 square metres was granted for a two year period in early 2011. In addition during the first quarter Omagh Minerals was granted four new prospecting licenses in the Republic of Ireland in an area that forms a westerly extension to the existing OM4 license. Results accumulated from this fieldwork carried out within three areas of the OM4 license during the fourth quarter of 2011 suggests a broad, multi element, geochemical trend within OM4 which appears to intensify in an area towards the border with the Republic of Ireland. A desktop study to identify and plan off site exploration targets was completed during the second quarter with a view to commencing field work on these licences in the near future

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and financial results in Canadian dollars for the second quarter of 2012 and for the seven preceding quarters are summarized below:

Quarter Ended	Accounting Policies	Total Revenue	Net Profit (Loss)	Net Profit (Loss) per share & per share diluted
June 30, 2012	IFRS	$ 1,902,980	$ 543,734	$ 0.00
March 31, 2012	IFRS	$ 1,025,146	$ (643,389)	$ (0.00)
December 31, 2011	IFRS	$ 2,512,459	$ 445,945	$ 0.00
September 30, 2011	IFRS	$ 2,510,985	$ 445,646	$ 0.00
June 30,2011	IFRS	$ 3,266,572	$ 1,039,384	$ 0.00
March 31,2011	IFRS	$ 1,202,141	$ (319,985)	$ (0.00)
December 31, 2010	IFRS	$ 1,587,321	$ (60,734)	$ (0.00)
September 30, 2010	IFRS	$ 1,759,978	$ 206,066	$ 0.00

The results for the Quarter ended June 30, 2012 are discussed under Section 1.2 – Review of Financial Results. Revenues are primarily from the sales of concentrates. There had been losses in each of the quarters up to December 31, 2009. Subsequent to January 1, 2010, the Company was profitable in the first three quarters of 2010 mainly as a result of higher gold prices. A fall in metal production during the fourth quarter of 2010 and a further fall in production during the first quarter of 2011 resulted in a losses being incurred in both these quarters. The return to profitability during the second, third and fourth quarter of 2011 was due to both the increased production levels achieved and the higher gold prices that prevailed during those quarters. A fall in metal production during the first quarter of 2012, at a time of high gold prices, resulted in a loss being incurred in that quarter. The return to profitability in the second quarter of 2012 was primarily due to the increase in production during the quarter.

1.6 LIQUIDITY

The Company had a cash balance of $ 2,976,819 at, June 30 2012 compared with a cash balance of $ 4,240,081 at December 31, 2011.

As at June 30, 2012, the Company's working capital deficit amounted to $ 472,142 which compared with a deficit of $ 536,142 at December 31, 2011.

There were no financing activities during the first half of 2012.

During 2011, Galantas entered into a convertible unsecured £ 1,250,000 loan agreement with Kenglo One Limited (see March 10, 2011 Press Release). The convertible loan carries interest of 2% per annum above the base rate of Barclays Bank plc. The Loan will be repaid upon exercise by Kenglo of the previously issued warrants of the Company held by Kenglo, subject to the terms of the warrants and the loan agreement. During 2010 Galantas had completed a private placement with Kenglo. The gross amount raised was $ 2,277,500.

The Company utilised the funds from both the convertible loan secured during 2011 and the 2010 private placing in conjunction with cash generated from operations in 2011 to finance the exploration drilling program commenced in 2011, the fixed plant refurbishment completed in 2011, mobile equipment acquisitions in 2011 and are currently utilising the funds for the ongoing expanded drilling program at the Omagh mine.

During the second quarter Kenglo One Limited exercised its right to acquire 20,560,340 common shares of the Company under the terms of warrants held by it. The warrants were exercisable at $0.10 per share. The aggregate consideration from the exercise of the warrants of $ 2,056,034 was used by the Company to extinguish, in its entirety, the principal and interest obligations outstanding under the convertible loan agreement between Kenglo and the Company. As a result of this extinguishment, a gain on debt extinguishment of $ 190,624 on the convertible debenture was recorded in profit and loss and a loss on debt extinguishment of $ 8,800 on the equity portion of convertible debenture was recorded in equity. As a result of this exercise, Kenglo currently holds 66,110,340 common shares representing 25.8% of the outstanding common shares of the Company.

Related Party loan repayments during the six months ended June 30, 2012 amounted to $ 94,392 (UK£ 60,000).

The Company will be required in the future to continue its efforts to raise funds for future developments and operations. 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 condensed consolidated interim financial statements have been prepared on a going concern basis as discussed in Note 1 of the June 30, 2012 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 condensed consolidated interim statements of financial position.

1.7 CAPITAL RESOURCES

As at June 30, 2012, the Company had capital requirements to repay, under existing arrangements.

a) Accounts payable and accrued liabilities amounting to $ 2,321,843 incurred in the normal course of business.

b) A UK £ loan facility from G&F Phelps Limited, a company controlled by a director of the Company, in the amount of $ 1,640,840 (£ 1,026,552). 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. Interest accrued on related party loans is included under due to related parties. As at June 30, 2012, the amount of interest accrued totalled $ 64,046 (UK£ 40,069).

c) Amounts due to directors of the Company totalled $ 894,064.

Contingent Liability

During 2010, the Company's subsidiary Omagh Minerals Limited received a payment demand from Her Majesty's Revenue and Customs in the amount of $ 532,509 (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 condensed consolidated interim financial statements.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet transactions.

1.9 RELATED PARTY TRANSACTIONS

Director fees of $ 8,750 and $ 16,100 respectively were paid or accrued for the three and six months ended June 30, 2012 ($ 10,750 and $ 20,500 respectively for the three and six months ended June 30, 2011). Stock based compensation for these directors totalled $ 17,370 and $ 31,433 for the three and six months ended June 30, 2012 ($ Nil for the three and six months ended June 30, 2011).

Remuneration accrued for the President and CEO totalled $ 79,920 (UK£ 50,000) and $ 158,580 (UK£ 100,000) respectively for the three months and six months ended June 30, 2012 ($ 78,950 (UK£ 50,000) and $ 157,940 (UK £ 100,000) respectively for the three and six months ended June 30, 2011). Stock based compensation for the President/CEO totalled $ 8,586 and $ 17,961 for the three and six months ended June 30, 2012 ($ Nil for the three and six months ended June 30, 2011).

Remuneration of the CFO totalled $ 7,365 and $ 16,175 for the three and six months ended June 30, 2012 ($ 8,300 and $ 16,800 for the three and six months ended June 30, 2011). Stock based compensation for the CFO totalled $ 2,147 and $ 4,490 for the three and six months ended June 30, 2012 ($ Nil for the three and six months ended June 30, 2011).

At June 30, 2012 G&F Phelps Limited, a company controlled by director of the Company, had amalgamated loans to Galantas of $ 1,640,840 (UK£ 1,026,552) (December 31, 2011 $ 1,716,643 (UK£ 1,086,552)) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the three and six months ended June 30, 2012 amounted to $ 9,965 (UK£ 6,232) and $ 20,295 (UK£ 12,798) respectively ((three and six months ended June 30, 2011 $ 16,598 (UK£ 10,397) and $ 33,023 (UK£ 20,909)) respectively. Interest accrued is included under due to related parties. As at June 30, 2012, the interest accrued amounted to $ 64,046 (UK£ 40,069) (December 31, 2011 - $ 43,085 (UK£ 27,271)).

As at June 30, 2012 due to directors for fees totalled $ 16,100 (December 31, 2011 $ Nil) and due to Directors, mainly for salaries and benefits accrued at June 30, 2012, amounted to $ 877,964 (UK£ 549,277) (December 31, 2011 - $ 757,339 (UK£ 479,277)) and are included with due to related parties.

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 condensed consolidated interim financial statements in conformity with IFRS 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. Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable that are included in the condensed consolidated interim statements of financial position;
- the recoverability of deferred development and exploration costs incurred on the Omagh mine;
- the estimated life of the ore body and the estimated recoverable ounces or pounds mined from proven and probable reserves of deferred development and exploration costs which are included in the condensed consolidated interim statements of financial position and the related amortization and depreciation included in the condensed consolidated interim statements of income/loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the condensed consolidated interim statements of financial position and the related amortization and depreciation included in the condensed consolidated interim statements of income/loss;
- the inputs used in accounting for stock-based compensation transactions in the condensed consolidated interim statements of income/loss;
- Management applied judgment in determining the functional currency and presentation currency based on the facts and circumstances that existed during the period;
- Management assumption of amount of material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the period; and
- Management's position that there is no income tax considerations required within these audited consolidated financial statements.

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards (IFRS) issued and outstanding as of August 17, 2012, the date the Board of Directors approved the statements. The accounting policies and methods of computation followed in these condensed interim consolidated financial statements are set out in detail on Note 4 of the December 31, 2011 audited consolidated annual financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2012 could result in restatement of these condensed interim financial statements.

Future accounting changes/New standards not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board or International Financial Reporting Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

(ii) IFRS 10 Consolidated Financial Statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier adoption is permitted.

(iii) IFRS 11 Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 13 Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS's. The key points of IFRS 13 are as follows:

- fair value is measured using the price in the principal market for the asset or liability, or absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs;
- information must be provided on an entity's valuation processes for fair value measurements categorize Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) IAS 1 – Presentation of financial statements ("IAS1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July1, 2012.

(VII) IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20"). On October 19, 2011 the IASB issued IFRIC 20. The interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's current financial instruments consist of cash, accounts receivable and advances, long term deposit, inventory, accounts payable and other liabilities and due to related parties. 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 June 30, 2012 and June 30, 2011 are detailed below:

Expense Account	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011
Management & administrative wages	$ 149,280	$ 145,355
Other operating expenses	$ 64,597	$ 201,641
Accounting & corporate	$ 14,779	$ 19,371
Legal & audit	$ 27,886	$ 55,155
Stock based compensation	$ 45,445	$ 31,621
Shareholder communication	$ 67,797	$ 93,044
Transfer agent	$ 10,442	$ 11,975
Directors fees	$ 8,750	$ 10,750
General office	$ 1,952	$ 2,036
Accretion expenses	$ 0	$ 41,998
Bank interest and charges	$ 22,076	$ 31,271
Total	**$ 413,004**	**$ 644,217**

General Administrative Expenses for the three months ended June 30, 2012 totalled $ 413,004 compared to $ 644,217 for the three months ended June 30, 2011.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs in both Galantas corporate and the Omagh mine which totalled $ 149,280 for the second quarter ended June 30, 2012 compared to $ 145,355 for the corresponding period of 2011.Other operating expenses, the majority of which are incurred in UK£, and include amongst others professional fees, insurance costs, travel together with the ongoing expenses of the Company's jewellery business amounted to $ 64,597 for the three months ended June 30, 2012 compared to $ 201,641 for the corresponding period of 2011. The higher level of costs in the second quarter of 2011, when compared to 2012, was mainly due to one off costs in connection with both a local tribunal award in favour of an ex-employee and a provision for restructuring costs at the Omagh mine together with increases in insurance costs and training costs. Accounting and corporate costs for the quarter amounted to $ 14,779 compared to $ 19,371 for the corresponding period of 2011. The higher level of costs in the second quarter of 2011, when compared to 2012, was in connection with additional costs incurred on the Company's transition to IFRS in 2011. Legal and audit costs totalled $ 27,886 for the quarter compared to $ 55,155 for the second quarter of 2011. The main reason for the higher level of costs in 2011 was due to legal costs incurred by Omagh Minerals Limited during that quarter. Legal fees also include costs at the corporate level in connection with ongoing corporate matters. There were also additional audit fees during the second quarter of 2011 in connection with an audit review of the Company's first quarter's financials following the transition to IFRS.

Stock based compensation costs for the second quarter of 2012 amounted to $ 45,445 compared to $ 31,621 for the corresponding period of 2011. The increase in the 2012 costs is mainly as a result of the granting of stock options during the second half of 2011.

Shareholder communication costs amounted to $ 67,797 for the second quarter of 2012 compared to $ 93,044 for the corresponding period of 2011.Shareholder communication costs include investor relations, shareholders information including costs relating to the holding of the Company's AGM, filing fees and listing fees. Shareholder communications costs were higher in the second quarter of 2011 due to a number of factors including costs incurred in connection with an investor relations programme undertaken during that quarter and increased investor relations fees in relation to the Company's listing on the AIM market in the UK due to an under provision in the first quarter of 2011. Transfer agents fees for the second quarter of 2012 amounted to $ 10,442 which compared to $ 11,975 for the corresponding period of 2011. Transfer agents costs for the second quarter include certain costs in connection with the holding of Company's AGM. Directors' fees for the second quarter of 2012 totalled $ 8,750 compared to $ 10,750 for the corresponding period of 2011. General office expenses for the second quarter of 2012 amounted to $ 1,952 compared to $ 2,036 for the second quarter of 2011.

Accretion expenses on the convertible loan for the second quarter of 2011 amounted to $ Nil compared to $ 41,998 for the corresponding period of 2011.The accretion charge arises as the carrying value of the loan is less than its face value due to it being a convertible loan with the discount being accreted over the term of the loan. No accretion charge was included for the second quarter of 2012 when the loan was repaid. Bank interest and charges for the second quarter of 2012 amounted to $ 22,076 compared to $ 31,271 for the quarter ended June 30, 2011. The lower level of bank interest and fees in the second quarter of 2012 reflects the repayment of the convertible loan during the period.

This resulted in General administrative expenses totalling $ 413,004 and $ 644,217 for the respective periods.

General Administrative Expenses for the Six Months ended June 30, 2012 and June 30, 2011 are detailed below:

Expense Account	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Management & administrative wages	$ 301,511	$ 268,825
Other operating expenses	$ 134,831	$ 236,719
Accounting & corporate	$ 27,946	$ 36,852
Legal & audit	$ 52,517	$ 128,035
Stock based compensation	$ 93,011	$ 53,161
Shareholder communication	$ 126,586	$ 123,357
Transfer agent	$ 13,129	$ 14,754
Directors fees	$ 16,100	$ 20,500
General office	$ 4,399	$ 4,116
Accretion expenses	$ 45,529	$ 52,149
Bank interest and charges	$ 51,401	$ 52,618
Total	**$ 866,960**	**$ 991,086**

General Administrative Expenses for the six months ended June 30, 2012 totalled $ 866,960 compared to $ 991,086 for the six months ended June 30, 2011.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs at both Galantas corporate and the Omagh mine which totalled $ 301,511 for the six months ended June 30, 2012 compared to $ 268,825 for the corresponding period of 2011. The lower level of management and administrative wage costs during the first half of 2011, when compared to 2012, was mainly attributable to certain administration wage costs being incorrectly categorised as production costs during of 2011. Other operating expenses, the majority of which are incurred in UK£, and include amongst others professional fees, insurance costs, travel together with the ongoing expenses of the Company's jewellery business amounted to $ 134,831 for the six months ended June 30, 2012 compared to $ 236,719 for the corresponding period of 2011. The higher costs in the first six months of 2011, compared to 2012, was mainly due to both one off costs in connection with a local tribunal award to an ex-employee and a provision for restructuring costs at the Omagh mine together with increases in insurance costs, training costs and travel expenses. Accounting and corporate costs for the six months ended June 30, 2012 amounted to

$ 27,946 compared to $ 36,852 for the corresponding period of 2011. The higher level of costs in the first half of 2011, when compared to 2012 was in connection with additional costs incurred on the Company's transition to IFRS. Legal and audit costs totalled $ 52,517 for the six months compared to $ 128,035 for the six months ended June 30, 2011.The main reason for the higher costs in the first half of 2011 was due to legal costs incurred by Omagh Minerals Limited in connection with local issues. Legal fees also include costs at the corporate level in connection with ongoing corporate matters. There were also additional audit fees during the first half of 2011 in connection with an audit review of the Company's first quarter's financials following the transition to IFRS.

Stock based compensation costs in 2012 amounted to $ 93,011 for the six months ended June 30, 2011 compared to $ 53,161 for the corresponding period of 2010. The increase in the 2012 costs is mainly as a result of the granting of stock options during the second half of 2011.

Shareholder communication costs amounted to $ 126,586 for the six months ended June 30, 2012 compared to $ 123,357 for the corresponding period of 2011. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees. Shareholder communications costs were higher than previous in both the first half of 2012 and 2011 due to a number of factors including costs incurred in connection with both an investor relations programmes and the holding of the Company's AGM. Transfer agent's fees for the six months ended June 30, 2012 amounted to $ 13,129 which compared to $ 14,754 for the corresponding period 2011. Transfer agents costs for the first six months include certain costs in connection with the holding of Company's AGM. Directors' fees for the six months ended June 30, 2011 totalled $ 16,100 compared to $ 20,500 for the corresponding period of 2011. General office expenses for the six months ended June 30, 2012 amounted to $ 4,399 compared to $ 4,116 for the corresponding period of 2011.

Accretion expenses on the convertible loan for the first six months of 2012 amounted to $ 45,529 compared to $ 52,149 for the corresponding period of 2011. The accretion charge arises as the carrying value of the loan is less than its face value due to it being a convertible loan with the discount being accreted over the term of the loan. Bank interest and charges for the six months ended June 30, 2011 amounted to $ 51,401 compared to $ 52,618 for the six months ended June 30, 2011.

This resulted in General administrative expenses totalling $ 866,960 and $ 991,086 for the respective periods.

Disclosure of Outstanding Share Data

Share Capital

Subsequent to June 30, 2012, the expiry date of the 24,550,000 common share purchase warrants outstanding were extended for one year from July 22, 2012 to July 22, 2013.

The Company is authorized to issue in series an unlimited number of common and preference shares. At August 17, 2012 there were a total of 256,210,395 shares issued, 24,550,000 warrants outstanding expiring July 2013 and 14,750,000 stock options with expiry dates from December 2012 to September 2016.

TRENDS AFFECTING THE COMPANY'S BUSINESS

<u>Gold Price in US Dollars and UK Sterling</u>

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 UK £ (Sterling) per troy ounce. The gold price in both US$ and UK£, which was range trading during the first four months of 2012, then weakened during the period of May to July 2012. During the second quarter of 2012 the gold price averaged US$ 1,611 and UK£ 1,017 compared to US $ 1,504 and UK£ 924 for the second quarter of 2011, an increase of 7% and 10% respectively. In the six months ended June 30, 2012 the gold price averaged US$

1,651 and UK£ 1,047 compared to US $ 1,444 and UK£ 894 for the second quarter of 2011, an increase of 14% and 17% respectively.

MONTH	Gold Price US $ per oz	Gold Price UK£ per oz	Quarterly Average US$	Quarterly Average UK£
JANUARY 2012	1,656.12	1,067.76		
FEBRUARY 2012	1,742.60	1,103.55		
MARCH 2012	1,673.77	1,057.94	1,690.83	1,076.41
APRIL 2012	1,650.00	1,030.29		
MAY 2012	1,585.51	996.68		
JUNE 2012	1,596.70	1,025.12	1,610.75	1,017.36
JULY 2012	1,593.91	1,022.19		

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. Sales revenues at the Omagh mine are designated in US Dollars and are converted to UK£, as Operating, Exploration and Capital costs are designated in UK£. Thus a stronger US$ is to the Company's financial benefit. The US Dollar averaged $ 1.57 to the UK£ in the first quarter of 2012 and although the UK Sterling rate strengthened marginally to $ 1.58 in the second quarter of 2012, the subsequent trend is towards UK Sterling weakness / US Dollar strength.

MONTH	Average US $:£	Quarterly Average US$:£
JANUARY 2012	1.55	
FEBRUARY 2012	1.58	
MARCH 2012	1.58	1.57
APRIL 2012	1.60	
MAY 2012	1.59	
JUNE 2012	1.56	1.58
JULY 2012	1.56	

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. The majority of costs at the mine are incurred in UK£ Sterling and are converted to Canadian Dollars at the average rate for the relevant accounting period. When costs are expressed in Canadian Dollars terms within the Corporation's accounts, there is an increase in costs when there is a fall in value or weakening of the Canadian Dollar against Sterling.

The Canadian dollar has weakened against UK Sterling during the second quarter, although July's monthly average shows a strengthening in the Canadian dollar back towards the level of the first quarter 2012.

MONTH	Average Can$:£	Quarterly Average Can$:£
JANUARY 2012	1.57	
FEBRUARY 2012	1.57	
MARCH 2012	1.57	1.57
APRIL 2012	1.59	
MAY 2012	1.61	
JUNE 2012	1.60	1.60
JULY 2012	1.58	

Financing Trends

Difficulties in the Western credit markets have impacted on all companies entering into banking credit arrangements. However, the company has entered into scoping discussions with banking lenders as to the availability of suitable finance in regard to underground mine development. Preliminary discussions have been very positive and the company is working towards the objective of funding development principally from this source.

The relative weakness of the Canadian and UK equity markets for junior mining companies has restricted financing opportunities from this area.

Political Trends

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

Recent local and regional elections have appeared to produce a political environment not dissimilar to that previously occurring. There appears to be a growing appreciation of the employment opportunities within the Corporation's operations. This has been strengthened by continued dialogue with political representatives at local and senior level.

RISKS AND UNCERTAINTIES

Galantas operates in a sector – mineral production and exploration – which carries inherent risks only some of which are within management's ability to reduce or remove. The main sector risk is always metal price. The Company's other business, high value Irish gold jewellery, is dependent upon the mine consistently being able to supply reliable certified Irish gold.

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

Current Global Financial and Economic Conditions

Current global financial and economic conditions have been characterized by extreme volatility. Several financial institutions and other major business have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact the Company's ability to obtain funding in the future and on 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

Although not required at present, additional funds, if required, may not be available. Further exploration and development of the Corporation's properties may require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production at the Omagh mine. The ability of the Company to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on satisfactory terms. If additional financing is raised by the issuance of shares from the Company's treasury, control of the Company may change and existing security holders may suffer additional dilution of their interests.

Uncertainty of Mineral Resource and Mineral Reserve Estimates

The estimates for mineral resources and mineral reserves are determined in accordance with NI 43-101 and CIM Standards. There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of metals from such resources may not be realized. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect in the future on the Company's financial position and results of operations. Estimated mineral resources may have to be recalculated based on changes in mineral resource prices, further exploration or development activity, or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence reserve or resource estimates. Market price fluctuations for mineral resources, increased production costs or reduced recovery rates, or other factors can render proven and probable mineral reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated mineral reserves could require material writedowns in investment in the affected mining property and increased amortization, reclamation and closure charges.

Uncertainty of Inferred Mineral Resources

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

Exploration, Development and Operations Risks

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

The nature of the Corporation's business is highly speculative due to its proposed involvement in the exploration, development and production of minerals. The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. No assurance can be given that additional minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis or at all. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Substantial additional expenditures will be required to locate and establish additional mineral reserves, to develop metallurgical processes and to expand mining and processing facilities at the Omagh site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The commercial viability of an additional mineral deposit, if one is discovered, depends on a number of factors, including the particular attributes of the deposit (such as size and grade), proximity to infrastructure, metal prices, which are highly cyclical, and regulations imposed by various levels of government, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Most of these factors are beyond the control of the Corporation. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mineral exploration and development are highly speculative and few properties that are explored are ultimately placed into commercial production. There is no certainty that the expenditures made by the Corporation on the search and evaluation of additional mineral deposits will result in discoveries of commercial quantities of ore.

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 and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. 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.

The Corporation notes the positive results of a recent detailed Compliance Study by the Northern Ireland Environment Agency and continues its policy of best achievable environmental practice.

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 making additional applications for permitting in order to make additional ore available for mining. The Company will require consent for underground operations to ensure the long term continuation of the operations.

Regulations and Permits

While Galantas holds the required permits for current operations at the Omagh Mine there is no guarantee that these permits, if and when required, will be renewed, or renewed on terms acceptable to the Company. Furthermore, the Company may be required to obtain additional licenses and permits from various governmental authorities to continue and expand its development and production activities. The Company's activities are also subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. Galantas is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's operating and exploration activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict Galantas from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Risks Relating to Government Regulation

The Company's operations and properties are subject to laws and regulations governing mineral concession acquisition, mine development and prospecting, mining, production, occupational health and safety, labor standards, employment, waste disposal, toxic substances, land use, environmental protection, use of water, exports, taxes, royalties and other matters. It is possible that the Company may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of the Company's permits and agreements, which could have a material adverse impact on the Company's current operations and future development projects. The Company may experience increased costs and delays in production as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there is no assurance that Galantas will be able to obtain all required permits on reasonable terms or on a timely basis. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder including the loss of the Company's mining concessions, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

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 was dialogue 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. There has been no final determination by DETI.

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.

Insurance and Uninsurable Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability. The Company currently has liability insurance in an amount that management considers adequate. However, such insurance may not cover all the potential risks associated with a mining company's operations. In addition, in the future, the costs of such insurance may become prohibitive and, in any event, the nature of the risks for mining companies is such that liabilities might exceed policy limits. Insurance coverage may not continue to be available at all or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

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

Currency fluctuations may affect the Company's future operations, financial position and results. The Company's revenues are in US dollars. Most of the costs and expenditures of the Company are incurred in UK 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. The appreciation of the UK£ against the U.S. dollar would reduce the UK£ revenues at the Omagh mine which could materially and adversely affect the Corporation's profitability, results of operation and financial condition. Financial results are published in Canadian dollars with the UK£ operating results being converted at average exchange rates for each period. There is also 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.

Gold Price

The price of gold may affect the Company's future operations. 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. Market prices for gold are volatile and are affected by numerous factors beyond the Company's control, including expectations regarding inflation, global and regional demand, speculative activities, political and economic conditions and production costs in major gold-producing regions. The aggregate effect of these factors on gold prices, both in the current financial environment and generally, is impossible for the Company to predict. While Galantas would benefit from an increase in the value of gold, the Company could be adversely affected by a decrease in the value of gold.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 the surface and underground development of the Kearney orebody, where quantities are only estimated and subject to adverse variance.

Dependence on Key Employees and Skilled Personnel

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key employees and qualified personnel. To a significant extent, the success of the Company is, and will continue to be, dependent on the expertise and experience of these employees. Continued operations at the Omagh Mine will require the Company to successfully retain its skilled personnel. The number of persons skilled in the development and production of mining properties is limited and competition for this workforce is intense. Although the Corporation believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success. The loss of one or more of the Corporation's key employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Share Price Fluctuations

In recent years, and particularly in the current global financial conditions, the securities markets in Canada and the UK 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.

Dividends

The Corporation has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term. Earnings, if any, will be retained to finance further exploration and development of the Corporation's business.

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.