GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2010

This document constitutes management's discussion and analysis (MD&A) of the financial and operational results of Galantas Gold Corporation (the Company) for the year ended December 31, 2010. 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 audited consolidated financial statements and related notes for the year ended December 31, 2010. The Company prepares and files its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The currency referred to in this document is the Canadian dollar. The MD&A is prepared in conformance with National Instrument 51-102F1 and was approved by the Company's Audit Committee on April 15, 2011.

FORWARD LOOKING STATEMENTS

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

OVERVIEW – STRATEGY - DESCRIPTION OF BUSINESS

Company Overview

Galantas Gold Corporation is a producing mineral resource issuer and the first to acquire planning consent to mine gold in Northern Ireland. The Company's wholly owned Ontario holding company, Cavanacaw Corporation, owns all of the shares of two Northern Ireland companies – Omagh Minerals Limited, owner of prospecting and mining rights, planning consent plus land, buildings and equipment; and Galantas Irish Gold Limited, owner of rights to work, market and sell part of the Company's gold production as certified Irish gold jewellery.

Mining at the Omagh mine is conducted by open pit methods. The mine produces a flotation concentrate most of which is shipped to a smelter in Canada under a life of mine off-take agreement. Some concentrate is occasionally set aside from that sold to the smelter for separate processing in a specialist facility. The gold produced by the separate facility becomes feed – stock for the Galantas Irish gold jewellery business.

The Company's strategy to increase shareholder value is to:

- Increase the production of the open pit mine and processing plant on its Kearney and Kerr deposits,
- Continue to explore and develop extensions to the Kearney, Kerr and nearby known deposits so as to expand minable reserves and increase gold production in stages,
- Explore its 2 prospecting licences which aggregate 435 square kilometres, focusing on the more than 50 gold targets identified to date, and
- Promote and expand on a commercial basis the Galantas®Irish gold jewellery business now that certified Irish gold from the mine has become available.

Reserves and Resources

During 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

Market conditions in the jewellery trade remain poor. Galantas jewellery sales continue to remain very low. As a consequence, management focus has been entirely on the mine operation during 2010.

Management and Staff

Overall management is exercised by one Executive Director along with a General Manager who is in charge of operations in Omagh where the mine, plant and administration currently employs 45 people.

Key Performance Driver

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

Overview of 2010

Galantas Gold Corporation had a net income of $ 985,283 for the year ended December 31, 2010 compared with a net loss of $ 6,361,697 for the year ended December 31, 2009. The net income for year ended December 31, 2009 included an asset impairment loss which amounted to $ 5,314,412 for 2009. There was no asset impairment charge in 2010.

The Company had cash balances at December 31, 2010 of $ 2,661,798 compared to $ 485,997 at December 31, 2009. The working capital deficit at December 31, 2010 amounted to $ 292,336 which compared with a deficit of $ 3,711,772 at December 31, 2009.

During 2010, Galantas completed a private placement through the issue of 45,550,000 common shares at an issue price of $ 0.05 per share. The placement was completed in two tranches during the second and third quarters of 2010. The gross amount raised by the placing was $ 2,277,500.

Production at the Omagh mine during the year ended December 31, 2010 was slightly below the production levels achieved during 2009.

Following the availability of additional working capital both from cash generated from operations and from the Company's private placement the Omagh mine embarked on an investment program designed to upgrade and refurbish the processing plant during the fourth quarter of 2010. The main objective of the refurbishment, which will be completed in stages and will continue into the first quarter of 2011, is to increase capacity in the mill.

Subsequent to December 31, 2010, Galantas announced that it had 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 funds from the loan will be used to expand the Company's exploration drilling program. 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. The loan agreement remains subject to the approval of the TSX Venture Exchange.

1.1 DATE OF THE MD&A

The MD&A was prepared on April 15, 2011.

1.2 REVIEW OF FINANCIAL RESULTS

Year Ended December 31, 2010

The net income for the year ended December 31, 2010 amounted to $ 985,283 compared to a net loss of $ 6,361,697 for the year ended December 31, 2009 as summarized below. The primary reason for the loss in 2009 was due to an impairment charge totalling $ 5,314,412 on both deferred development and exploration costs $ (3,448,736) and property, plant and equipment costs $ (1,865,676) during 2009. There was no asset impairment charge in 2010.

	Year ended December 31, 2010	**Year ended December 31, 2009**
Revenues	**$ 6,831,410**	**$ 5,409,913**
Production costs	$ 3,998,696	$ 3,485,447
Inventory movement	$ 34,061	$ 206,640
Cost of sales	**$ 4,032,757**	**$ 3,692,087**
Income before the undernoted	**$ 2,798,653**	**$ 1,717,826**
Amortization and depreciation	$ 765,124	$ 1,666,692
Impairment of assets	$ 0	$ 5,314,412
Loss on sale of asset	$ 6,123	$ 0
General administrative expenses	$ 1,177,927	$ 1,217,978
Foreign exchange loss (gain)	$ (135,804)	$ (119,559)
Net Income (Loss)	**$ 985,283**	**$ (6,361,697)**

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during 2010. Sales revenues from for the year ended December 31, 2010 amounted to $ 6,831,410 which compared to revenues of $ 5,409,913 for the corresponding period of 2009. Despite the level of metal produced and shipped during 2010 being slightly below 2009 levels the Company's sales revenues in 2010 were above those of 2009 boosted by the favourable movement in both gold prices and exchange rates during 2010. Additionally, an uplift in revenues from 2009 shipments arising from the better than anticipated concentrate grades contributed to increased revenues in 2010.

Cost of sales includes production costs at the mine and inventory movements. Production costs for the year ended December 31, 2010, which consist mainly of production costs at the mine, amounted to $ 3,998,696 compared to $ 3,485,447 for the year ended December 31, 2009. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, consumables and royalties. There were substantial increases in production costs during 2010 when compared with 2009 including increases in production wages to $ 1,490,000, an increase of $ 341,000 which was mainly due to both the employment costs of increased production personnel and increased costs arising from the change in shift pattern to a 24 hour/7 day week with 12 hour shifts and to certain wage costs, which in 2009 were classified within other operating expenses category, and which in 2010 are being classified as production costs. Oil and Fuel increased by $ 287,000 to $ 1,021,000 arising from both higher fuel prices and increased fuel consumption on additional hired equipment. Equipment Hire increased by $ 137,000 to $ 570,000 arising from additional mobile equipment being hired at the pit. Repairs and Servicing increased by $ 173,000 to

$ 511,000 due partially to abnormal repair bills arising from frost and water damage to mill and laboratory equipment in early 2010 together with a number of major overhauls to plant equipment undertaken during the third quarter of 2010. General consumables increased by $ 33,000 to $ 206,000. However these increases in UK£ costs were mitigated by the favourable Canadian dollar/UK£ exchange rate movements which prevailed in 2010 when compared to 2009. This arose from the Canadian dollar being at stronger levels against the UK£ during 2010 when compared to the average rate that prevailed during 2009. This has resulted in UK£ production costs being lower when expressed in Canadian dollars in 2010 when compared to 2009.

The inventory movement reflects a reduction in inventory at both December 31, 2010 and 2009 when compared to inventories at the beginning of the respective years.

This resulted in a Net Income before amortization, impairment of assets, other expenses and foreign exchange gain for the year ended December 31, 2010 of $ 2,798,653 compared to a Net Income of $ 1,717,826 for 2009.

Amortization of deferred development and exploration costs for the year ended December 31, 2010 amounted to $ 495,474 compared to $ 1,056,953 for 2009. The amortization charges in 2010 is substantially lower than that of 2009 due to both the amortization charge now being calculated on the lower book value of deferred development and exploration costs following the asset impairment at the end of 2009 and the higher level of till strip amortization in 2009. Depreciation of property, plant and equipment during the year totalled $ 269,650 which compared with $ 609,739 for the year ended December 31, 2009. This reduction is due mainly to the depreciation charge now being calculated on a lower book value following the asset impairment at the end of 2009.

There was no asset impairment charge in 2010. The impairment of assets charge for the year ended December 31, 2009 totalled $ 5,314,412 and consisted of an impairment of deferred development and exploration costs of $ 3,448,736 and an impairment of property, plant and equipment $ 1,865,676. This impairment of assets in 2009 was a write down of the Company's assets as a result of the fair value of the Company's assets being less than estimated carrying value. Fair value of the assets in use is determined using discounted estimated future cash flows. After completing a review of the discounted value of future cash flows it was determined that the carrying value was not likely to be fully recoverable. Key assumptions for inflation, discount rates and foreign exchange rates were based on information available from third party sources that management believed to be reasonable in the circumstances. The difference between the carrying value and the discounted future cash flow has been recognized as an impairment of assets.

The loss on sale of an asset amounted to $ 6,123 in 2010 compared to $ Nil for 2009.

General administrative expenses for the year ended December 31, 2010 amounted to $ 1,177,927 compared to $ 1,217,978 for the corresponding period of 2009. General administrative expenses are reviewed in Section 1.15 Other MD&A Requirements.

There was a Foreign exchange gain of $ 135,804 for the year ended December 31, 2010 which compared with a Foreign exchange gain of $ 119,559 for the corresponding period of 2009. The foreign exchange gains in the years ended December 31, 2010 and 2009 is partly as a result of the Canadian dollar exchange rate being stronger against the UK£ at the end of December 2010 and December 2009 when compared to exchange rate that prevailed at the beginning of the respective years.

This has resulted in a Net Income of $ 985,283 for 2010 compared to a Net Loss of $ 6,361,697 for 2009. When the Net Income/Loss is adjusted for non cash items before changes in non-cash working capital the cash generated from operating activities amounted to $ 1,956,547 for the year ended December 31, 2010 compared to $ 725,344 for the year ended December 31, 2009 as per the Consolidated Statement of Cash Flows. The cash generated from operating activities after changes in non-cash working capital for 2010 amounted to $ 1,183,905 compared to $ 545,828 for the corresponding period of 2009.

Total assets at December 31, 2010 amounted to $ 14,026,653 an increase of $ 2,080,350 from the December 31, 2009 total assets of $ 11,946,303.

Cash at December 31, 2010 was $ 2,661,798 compared to $ 485,997 at December 31, 2009. Accounts receivable consisting mainly of trade debtors, reclaimable sales taxes and prepayments amounted to $ 751,233 at year end compared to $ 657,515 at December 31, 2009. Inventory at December 31, 2010 amounts to $ 411,605 compared with an inventory of $ 445,666 at end 2009. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business. There was a low level of concentrate stocks at the end of 2010 and 2009 due to almost all concentrates produced having been shipped at year end.

Property plant and equipment totalled $ 3,789,934 compared to $ 3,691,172 at December 31, 2009. The increase in property, plant and equipment assets reflects additional capital expenditure of $ 368,000 during 2010 net of disposals and offset by depreciation. The expenditure consists mainly of additional equipment for the mine and a capital investment in the plant designed to increase the capacity of the mill. Deferred development and exploration costs totalled $ 6,068,316 at December 31, 2010 compared to $ 6,547,135 at the end of 2009. This reduction is due primarily to the amortization charge during 2009. Long term deposit at December 31, 2010, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to $ 343,767 compared to $ 118,818 in 2009.

Current liabilities at $ 4,116,972 compared to $ 5,300,950 at the end of 2009. The working capital deficit December 31, 2010 amounted to $ 292,336 compared to $ 3,711,772 at December 31, 2009. Accounts payable and accrued liabilities totalled $ 1,127,803 compared to $ 1,840,788 at December 31, 2009. The improved financial position of the Company following its return to profitability has enabled Galantas to pay long standing creditors resulting in a reduction of accounts payable and accrued liabilities at the end of 2010. The current portion of the external financing facilities totalled $ 31,266 at December 31, 2010 and compares with $ 77,830 at the end of 2009 reflecting repayments during the year. Loans from related parties at December 31, 2010 amounted to $ 2,957,903 compared to $ 3,382,332 at the end of 2009. The asset retirement obligation at December 31, 2010 amounted to $ 447,400 compared to $ 447,400 at December 31, 2009. Non-current loans from related parties and external financing facilities total $ Nil at December 31, 2010 compared to $ 34,102 at December 31, 2009.

1.3 SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008 (Restated)	Year Ended December 31, 2007
Revenue (including interest income)	$ 6,831,410	$ 5,409,913	$ 4,403,114	$ 655,322
Net income (loss)	$ 985,283	$ (6,361,697)	$ (2,452,220)	$ (2,165,656)
Net income (loss) per share basic	$ 0.00	$ (0.03)	$ (0.01)	$ (0.01)
Net income (loss) per share diluted	$ 0.00	$ (0.03)	$ (0.01)	$ (0.01)
Cash and cash equivalents	$ 2,661,798	$ 485,997	$ 587,489	$ 21,308
Working Capital (Deficit)	$ (292,336)	$ (3,711,772)	$ (3,541,359)	$ (1,499,218)
Total Assets	$ 14,026,653	$ 11,946,303	$ 18,426,892	$ 20,416,211
Long Term Liabilities	$ 0	$ 34,102	$ 618,025	$ 1,504,185
Shareholders' Equity	$ 9,462,281	$ 6,163,851	$ 12,249,846	$ 15,436,283

The Net Income (Loss) is discussed in Section 1.2 Review of Financial Results.

The Company does not have any extraordinary items and has not declared a dividend for the years presented above.

The December 31, 2008 amounts reflect the restated 2008 Financial Statements as detailed in Note 15 of the December 31, 2009 Financials.

Revenue primarily consists of sales of concentrates from the Omagh mine with limited sales revenues from the Company's jewellery business. Revenue is discussed in Section 1.2 Review of Financial Results.

Cash levels at December 31, 2010 are above those of December 31, 2009 reflecting both the private placement and cash generated from operations during 2010.

Up to 2010 the Company's working capital deficit had been increasing from year to year due to both increases in loans from related parties and long term liabilities being reclassified as current liabilities. However the Company's improved financial performance together with the private placement in 2010 has enabled Galantas to substantially reduce its working capital deficit in 2010.

Total assets had reduced at December 31, 2009 mainly as a result of the 2009 impairment charge and the amortization/depreciation of assets. However the improved performance together with the private placement in 2010 has resulted in an increase in Galantas assets at December 31, 2010.

Long term liabilities are $ Nil at December 31, 2010 as a result of both loan repayments and the remaining portion now being reclassified within current liabilities.

Shareholders equity has increased following both the Company's return to profitability and the private placement in 2010. The reductions Shareholders Equity in 2009 and 2008 is due primarily due to the increased deficits as a result of the net loss incurred in 2009 and 2008.

1.4 RESULTS OF OPERATIONS

2010 Financing Activities

During the second quarter of 2010, Galantas announced a private placement (See June 3, 2010 Press Release) of up to 50,000,000 units. Each unit was priced at $ 0.05 and comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $ 0.10. The placement was completed in two tranches during the second and third quarters of 2010. The gross amount raised by the placing was $ 2,277,500.

In total the Company issued 45,550,000 units. Kenglo One Limited subscribed for all units issued in the placement. Each unit was priced at $ 0.05 and comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $ 0.10. This subscription resulted in Kenglo One Limited now having a holding in the Company of approximately 19.3% of the issued shares in the Company immediately following the placing. If warrants within the offering are exercised, Kenglo's stake in the Company could rise to approximately 32.4% of the issued shares in the Company. The Company's intention is to use the funds from the placing for fixed plant improvements already underway at year end, mobile equipment purchases, an expanded drilling program and working capital. The expanded drilling program will concentrate initially on targets close to the operating mine site that have already been reported upon by consultants ACA Howe (Press Release 12th June 2008) and are expected to commence in the first quarter of 2011. A cash fee of 1% of the gross amount raised was paid to an independent agent.

During 2009, the Company entered into an agreement with G&F Phelps Limited, a related party, whereby G&F Phelps combined it's UK£ loans to Galantas with loans due by the Company to both Welsh Gold Limited and to the President and Chief Executive Officer of the Company. As part of this arrangement G&F Phelps also paid off the balance of the Company's UK£ 250,000 term loan facility and this repayment was amalgamated into the G&F Phelps loan. The amalgamated loan bears interest at 2% above UK base rate, is repayable on demand and is secured by a mortgage debenture over all the Company's assets.

Subsequent to December 31, 2010, Galantas announced that it had 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 funds from the loan will be used to further expand the Company's exploration drilling program together with the acquisition of two drill rigs. 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. If the warrants are not exercised by Kenglo by the applicable expiry dates of the warrants (being June 8, 2012 and July 22, 2012, as applicable), the Company shall issue shares to Kenglo, in lieu of a cash repayment of the loan, in accordance with the terms of the loan agreement, subject to the minimum conversion price of $ 0.10 per share. There are no finder's fees or bonus payable in connection with the loan. The loan agreement remains subject to the approval of the TSX Venture Exchange. The

Company's intention is to use the funds from the loan for drilling equipment purchases, a further expanded drilling program and working capital.

Production

Production at the Omagh mine during the year ended December 31, 2010 was slightly below production levels achieved during 2009 as summarized in the table below.

Annual	2010	2009
Tonnes Milled	36,288	35,460
Dry Tonnes Concentrate	1,500.2	2,003.1
Gold Grade (g/t)	119.2	93.3
Gold Produced (oz)	5,513	5,810
Gold Produced (kg)	177.2	186.8
Silver Grade (g/t)	338.2	252.4
Silver Produced (oz)	15,736	15,978
Silver Produced (kg)	505.9	513.7
Lead Grade (%)	16.3%	12.1%
Lead Produced (T)	251.2	242.5

Tonnes milled during 2010 totalled 36,288 tonnes compared to 35,460 tonnes in 2009. Concentrate production for 2010 amounted to 1,500.2 dry tonnes of concentrate which compares to 2003.1 dry tonnes for the year ended December 31, 2009 – a decrease of 25%. The reduction in concentrates in 2010 was due mainly to a change of mineralogy in the northern extensions of the Kearney pit which produces more gold in bulk sulphide concentrate. Metal content of production for the year ended December 31, 2010 totalled 5,513 ounces of gold (177.2kg), 15,736 ounces of silver (505.9kgs) and 251.2 tonnes of lead. This compares with metal content for the corresponding period of 2009 of 5,810 ounces of gold (186.8 kgs), 15,978 ounces of silver (513.7 kgs) and 242.5 tonnes of lead which represents a 5% decrease in gold output, a 1% decrease in silver output and a 4% increase in lead output. The 2010 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 improved production performance achieved at the mine during 2009 continued into the first quarter of 2010 when the mine achieved its highest quarterly production output to date. Further stripping of the Kearney vein overburden was carried out during this quarter. In addition the overburden stripping of the Kerr vein, which commenced in the second half of 2009, continued. The mill operated satisfactorily during the first quarter of 2010. The shutdown over Christmas and the New Year was utilized to replace and rotate the worn ball mill lining and white metal bearings.

However these improved production levels of the first quarter were not sustained during the remainder of the 2010. Production fell back during the second quarter when mining operations concentrated in a northerly direction on the Kearney vein. Further stripping was carried out on the Kerr Vein and a small quantity of Kerr ore was mined and blended with feed from the Kearney vein. The average process plant head grade for the quarter reduced due in part to mining through a wide fault zone of severely fractured psammite and schist. Additionally a trial operation in the processing plant was conducted on a lower than previous cut-off grade of ore

(1.6g/t versus 3g/t gold). The geological change and the process plant trial both led to a reduction in output in the second quarter. The trial was a technical success in that it demonstrated that lower grade material could be processed satisfactorily in volume. Also a number of pinch points and improvements were identified in the processing circuit to increase throughput which continued to be systematically addressed during the second half of 2010. The production levels achieved during the third quarter of 2010 continued below target. There were a number of breakdowns in the process plant during this third quarter including a major breakdown of the ball mill gearbox. A replacement gearbox was fabricated and a reserve gearbox was ordered to avoid similar problems in the future. In addition there were problems with the cone crusher and a breakdown of the blower system. Mining operations during the third quarter continued to concentrate on both the Kearney and Kerr veins. The Kerr ore body had started to widen and increase in grade at depth. Results of the first mining of the Kerr veins were released following an initial surface sampling and the subsequent processing of a bulk sample on the Kerr Vein (See Press Release dated 19th October 2010). The results were better than expected compared to the limited previous data available. The Kerr Vein has planning consent and is now in production with ore from the Kerr vein being blended with ore from the Kearney open pit.

Following on from the problems encountered during the third quarter and with the availability of additional working capital both from cash generated from operations and from the Company's private placement earlier in the year the Omagh mine embarked on an investment program designed to upgrade and refurbish the processing plant during the fourth quarter of 2010. The main objective of the refurbishment, which will be completed in stages and will continue into the first quarter of 2011, is to increase capacity in the mill to 360 tonnes per day (126,000 tonnes per year) as additional ore becomes available from the open pits. This refurbishment resulted in production interruptions and this combined with extreme local weather conditions during December hampered production during the fourth quarter to the extent that production levels achieved in the fourth quarter were below production levels achieved in earlier quarters.

The first step on the refurbishment was the installation of a larger, semi-automatic concentrate filter press. The new press replaced a smaller, manually operated model which will be refurbished and held as stand-by equipment. The new press has been commissioned and is operating satisfactorily. The plant upgrade includes a refurbished second-line ball mill being installed. In addition the prime ball mill has had its bearings renewed and both are expected to be operational in early 2011. There are also plans to install additional refurbished short-head (fine) cone crusher within the closed-circuit crushing arrangement which will be utilized in conjunction with the present cone crusher that is also undergoing refurbishment and is expected to join the circuit later in the first quarter of 2011. Site power is provided by a single 1,000kVA, diesel-powered generator. A second generator (800kVa) which will provide servicing and breakdown cover is also in the process of being acquired. There are also plans for the refurbishment of a jaw crusher (coarse) in early 2011. All of these changes will enable greater volumes of ore to be processed and lower grade ore be economically processed.

During 2010 discussions continued with the appropriate regulatory body in Northern Ireland with regard to obtaining approval for the closure plan at the Omagh mine which approval is expected to be obtained in 2011. Additionally a further permitting application will require to be submitted by the mine in order to make additional ore available for mining and in particular for an underground mine on the Kearney/Joshua deposits. Work has commenced on this application in advance of drilling because of potential time delays in obtaining planning consents. An Environment Impact Statement will also be required.

Exploration

Exploration activity remained at low levels during the first half of 2010 due to the Company's working capital restrictions. Exploration activity followed on from the prospecting work which recommenced during the second half of 2009 on the three licence areas OM1, OM2and OM3 in Counties Tyrone and Fermanagh, Northern Ireland. The Company issued a press release in early 2010 summarising the results of the exploration carried out on these three licences and announcing that analyses of the results had disclosed 13 new gold targets additional to those drill ready targets reported in 2008 bringing the number of targets for follow up operation to 122. There was limited exploration in the first half of 2010 and this was confined to license area OM1. Prospecting licenses for areas OM2 and OM3 lapsed during 2010. A new license application was submitted for an area covering most of the OM2 area and the northern section of OM3 resulting in license OM4 being granted in January 2011 for a two year period.

Following an easing of the Company's working capital restrictions there was an increase in exploration activity during the second half of the year. A drilling program was announced in a press release dated June 8th 2010. The program initially concentrated on targets within the mine site boundaries that had already been reported upon by consultants ACA Howe (Press Release 12th June 2008). The program commenced with the aforementioned surface sampling study, a bulk sampling study and a mining dilution study on the Kerr Vein. Results of the surface sampling, bulk sampling and mining dilution studies were released early in the fourth quarter (See Press Release dated 19th October 2010). The results were better than expected compared to the limited data previously available. Subsequent to December 31, 2010, the Company announced that following the successful channel sampling program carried out earlier a core drilling contract had been arranged which includes 2,000 metres of diamond drilling. This program is scheduled to commence during the first quarter of 2011.

Subsequent to December 31, 2010, Galantas reported that following the receipt of loan funds the previously announced 2,000 metre diamond drilling program is to be expanded up to a 5,000 metre program. This combined drilling program will concentrate on the Joshua and Kearney veins. The Kearney vein has planning consent for an open pit, which is being currently worked. The drilling program will provide data for a potential underground operation based upon both of these veins. The Kearney vein has been drilled with a partial fence of holes at around 220m deep and the program is looking to enlarge the vertical and horizontal extent of the Kearney resource base. To date the Joshua Vein has been sparsely drilled with only 17 holes on vein to a maximum depth of 157 metres. The planned program is looking to extend the depth and northern extent of the Joshua vein with a view to the possibility of working part of it by a shallow open pit.

1.5 SUMMARY OF QUARTERLY RESULTS

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

Quarter Ended	Total Revenue	Net Profit (Loss)	Net Profit (Loss) per share & per share diluted
December 31, 2010	$ 1,587,321	$ (16,085)	$ (0.00)
September 30, 2010	$ 1,759,978	$ 156,982	$ 0.00
June 30, 2010	$ 1,503,296	$ 71,968	$ 0.00
March 31, 2010	$ 1,980,815	$ 772,418	$ 0.00
December 31, 2009	$ 1,667,716	$ (5,672,371)	$ (0.03)
September 30, 2009	$ 950,950	$ (164,988)	$ (0.00)
June 30, 2009	$ 1,648,243	$ (234,325)	$ (0.00)
March 31, 2009	$ 1,143,004	$ (290,013)	$ (0.00)

The results for the Quarter ended December 31, 2010 are discussed under Section 1.10 - Fourth Quarter. Revenues are primarily from the sales of concentrates. There have been losses in each of the quarters up to December 31, 2009. The increase in the Net Loss in the quarter ended December 31, 2009 to $ 5,672,371 is due primarily to the impairment of assets which resulted in an additional charge in the fourth quarter of $ 5,314,412. Subsequent to January 1, 2010, the Company has been 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, as discussed in Section 1.4 – Results of Operations, resulted in a loss being incurred for the fourth quarter of 2010.

1.6 LIQUIDITY

The Company had a cash balance of $ 2,661,798 at December 31, 2010 compared with a cash balance of $ 485,997 at December 31, 2009.

As at December 31, 2010, the Company had a working capital deficit of $ 292,336 which compared with a deficit of $ 3,711,772 at December 31, 2009. Ore supply continues to be a challenge with management focusing heavily on the ongoing development of the pit which is making progress.

During the second quarter of 2010, Galantas announced a private placement (See June 3, 2010 Press Release) of up to 50,000,000 units. The placement was completed in two tranches during the second and third quarters of 2010. The gross amount raised by the placing was $ 2,277,500. In total the Company issued 45,550,000 units. Kenglo Limited subscribed for all units issued in the placement. Each unit was priced at $ 0.05 and comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $ 0.10. This subscription resulted in Kenglo Limited now having a holding in the Company of approximately 19.3% of the issued shares in the Company immediately following the placing. If warrants within the offering are exercised, Kenglo's stake in the Company could rise to approximately 32.4% of the issued shares in the Company. The

Company's intention is to use the funds from the placing fixed plant improvements already underway at year end, mobile equipment purchases, an expanded drilling program and working capital.

There were no additional Related Party Loans received during the year ended December 31, 2010. Repayments on the Financing Facility were $ 80,666 during 2010.

During 2009, the Company entered an arrangement with G&F Phelps Limited, a related party, whereby G&F Phelps combined it's UK£ loans to Galantas with loans due by the Company to both Welsh Gold plc and to the President and Chief Executive Officer of the Company. As part of this arrangement G&F Phelps paid off the balance of the Company's UK£ 250,000 term loan facility which is now amalgamated into this loan. The amalgamated 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.

Subsequent to December 31, 2010, Galantas announced that it had 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. The loan agreement remains subject to the approval of the TSX Venture Exchange.

The Company's intention is to use the funds from both the 2010 private placing and the convertible loan secured during the first quarter of 2011 to finance the fixed plant improvements already underway at year end, mobile equipment purchases, a further expanded drilling program which includes the acquisition of two drill rigs and working capital at the Omagh mine.

The Company may 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 consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the December 31, 2010 consolidated financial statements.

Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated balance sheet.

1.7 CAPITAL RESOURCES

As at December 31, 2010, the Company had capital requirements to repay, under existing arrangements.

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

b) A UK£ financing facility with Barclays Lease Finance. The amounts outstanding on this facility at December 31, 2010 amounted to $ 31,266 (£ 20,154).

c) A UK £ loan facility from G&F Phelps Limited, a company controlled by a director of the Company, in the amount of $ 2,788,381 (£1,797,448). This loan bears interest at 2% above base rate, is repayable on demand and is secured by a mortgage debenture over all the Company's assets.

d) Amounts due to directors of the Company $ 169,522 (£ 109,277).

e) On December 22, 2010, the Company announced that it has approved the purchase of a Hitachi EX800, 80 tonne tracked excavator and two A40C articulated dump-trucks for its wholly-owned subsidiary Omagh Minerals Limited from G&F Phelps Limited, a related party. Total consideration for the equipment is $ 298,625 (UK£ 192,500) + VAT. The transaction is subject to the approval of the TSXV Exchange. On January 4, 2011, the TSXV approved the transaction between the Company and G&F Phelps Limited.

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 $ 516,817 (UK£ 333,151) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company's subsidiary Omagh Minerals Limited intends to vigorously defend itself against this claim. No provision has been made for the claim in the consolidated financial statements.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet transactions.

1.9 RELATED PARTY TRANSACTIONS

Directors fees of $ 48,427 (2009 - $ Nil) were paid or accrued during the year ended December 31, 2010. Remuneration accrued for the President CEO totalled $ 143,262 (UK£ 90,000) for the year ended December 31, 2010 (2009 $ Nil).

During 2009, the Company signed an agreement for the rent of mining equipment with G&F Phelps Limited ("G&F Phelps"), a Company controlled by a director of the Company. At December 31, 2010 the amount payable to G&F Phelps for the rent of the mining equipment amounted to $ 137,741 (UK£ 88,791) (December 31, 2009 - $ 129,837 (UK£ 76,745)).

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

- G&F Phelps amalgamated its UK loans to the Company and took over all loans from Welsh Gold plc and the President and Chief Executive Officer of the Company to Galantas. The amalgamated loans bear interest at 2% above UK base rate, are repayable on demand and are secured by a mortgage debenture over all the Company's assets;
- G&F Phelps extended this loan arrangement with the Company by repaying the balance of $ 140,012 (UK£ 82,126) on the Company's UK£ term loan facility;

- the Company has included a fee of $ 42,895 (UK£ 25,000) payable to G&F Phelps under due to related party arising from the provision of limited support by them on certain financial obligations of the Company; and
- The Company to repay to G&F Phelps any costs incurred by G&F Phelps as a result of it entering into this agreement.

G&F Phelps Limited, a company controlled by director of the Company, had amalgamated loans to Galantas of $ 2,616,349 (UK£1,686,552) (December 31, 2009 $ 2,853,909 (UK£ 1,686,552)) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets.

Interest accrued on related party loans is included under due to related party. As at December 31, 2010, the amount of interest accrued is $ 34,291 (UK£ 22,105) (December 31, 2008 - $ 213,713 (UK£ 126,323)).

Directors current accounts amounted to $ 169,522 (UK£ 109,277) at December 31, 2010 (December 31, 2009 $ 184,873 (UK£ 109,277)).

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

1.10 FOURTH QUARTER

	Quarter Ended December 31, 2010	Quarter Ended December 31, 2009
Revenues	**$ 1,587,321**	**$ 1,667,716**
Production costs	$ 890,806	$ 905,746
Inventory adjustment	$ 15,977	$ 175,050
Cost of sales	**$ 906,783**	**$ 1,080,796**
Income before undernoted	**$ 680,538**	**$ 586,920**
Amortization and depreciation	$ 182,748	$ 640,072
Impairment of assets	$ 0	$ 5,314,412
Loss on sale of asset	$ 6,123	$ 0
General administrative	$ 479,537	$ 258,707
Foreign exchange loss	$ 28,215	$ 46,100
Net income (loss) for quarter	**$ (16,085)**	**$ (5,672,371)**

Galantas reported a Net Loss of $ $ 16,085 for the three months ended December 31, 2010 compared to a Net Loss of $ 5,672,371 for the corresponding period of 2009. The primary reason for the loss in the fourth quarter of 2009 was due to an impairment charge totalling $ 5,314,412 on both deferred development and exploration costs $ (3,448,736) and property, plant and equipment costs $ (1,865,676) during 2009. There was no impairment charge in 2010.

Sales revenues for the fourth quarter of 2010 amounted to $ 1,587,321 compared to revenues of $ 1,667,716 for the corresponding period of 2009. The reduction in sales revenues in the fourth quarter of 2010 is due to the lower level of metal produced and shipped during the fourth quarter of 2010 compared to 2009 levels. However this reduction in revenues is partially offset by the favourable movement in both gold prices and exchange rates during the fourth quarter of 2010 when compared to the corresponding period of 2009.

Production costs consist mainly of production costs at the mine. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, consumables and royalties amounted to $ 890,806 for the fourth quarter of 2010 compared to $ 905,746 for the corresponding period of 2009. Production costs in UK£ terms for the fourth quarter of 2010 were above production costs for the corresponding period of 2009 but this increase was more than offset by the favourable Canadian dollar/UK£ exchange rate movements which prevailed during the fourth quarter of 2010 when compared to 2009. This was due to the Canadian dollar being at stronger levels against the UK£ during the fourth quarter of 2010 when compared to the average rate that prevailed during the fourth quarter of 2009. This has resulted in UK£ production costs being lower when expressed in Canadian dollars during the fourth quarter of 2010 when compared to 2009. The inventory adjustments for both 2010 and 2009 fourth quarters of $ 15,977 and $ 175,040 arose from the reduction in the December 31, 2010 and 2009 inventories from the respective September 30 inventory levels.

This resulted in an Income before the undernoted items of $ 680,538 for the fourth quarter of 2010 compared to $ 586,920 for the corresponding period of 2009.

Amortization and depreciation for the three months ended December 31, 2010 amounted to $ 182,748 compared to $ 640,072 for the corresponding period of 2009. The reduction in the amortization and depreciation charge is due to both the amortization and depreciation charge now being calculated on a lower net book value following the asset impairment at the end of 2009 together with the till strip amortization which occurred during the fourth quarter of 2009 being well above 2010 levels.

There was no charge for asset impairment for the fourth quarter of 2010. The impairment of assets charge for the quarter ended December 31, 2009 totalled $ 5,314,412 and consisted of an impairment of deferred development and exploration costs of $ 3,448,736 and an impairment of property, plant and equipment $ 1,865,676. This impairment of assets in 2009 was a write down of the Company's assets as a result of the fair value of the Company's assets being less than estimated carrying value. Fair value of the assets in use is determined using discounted estimated future cash flows. After completing a review of the discounted value of future cash flows it was determined that the carrying value was not likely to be fully recoverable. Key assumptions for inflation, discount rates and foreign exchange rates were based on information available from third party sources that management believed to be reasonable in the circumstances. The difference between the carrying value and the discounted future cash flow has been recognized as an impairment of assets.

The loss on sale of an asset amounted to $ 6,123 in 2010 compared to $ Nil for 2009.

General administrative expenses totalled $ 479,537 for 2010 compared to $ 258,707 for the fourth quarter of 2009. General administrative expenses for the quarter are reviewed in Section 1.15 Other MD&A Requirements.

There was a Foreign exchange loss of $ 28,215 in the fourth quarter of 2010 compared to a loss of $ 46,100 for the corresponding period of 2009.

This resulted in a Net Loss of $ 16,085 for the quarter ended December 31, 2010 compared to a Net Loss $ 5,672,371 for the corresponding period of 2009.

1.11 PROPOSED TRANSACTIONS

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

1.12 CRITICAL ACCOUNTING ESTIMATES

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

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Future Accounting Pronouncements

IFRS

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

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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

1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

1.15 OTHER MD&A REQUIREMENTS

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

General Administrative Expenses for the Years ended December 31, 2010 and December 31, 2009 are detailed below:

Expense Account	Year Ended December 31, 2010	Year Ended December 31, 2009
Management & administrative wages	$ 429,436	$ 406,290
Other operating expenses	$ 169,078	$ 216,349
Accounting & corporate	$ 65,138	$ 58,097
Legal & audit	$ 175,986	$ 107,988
Stock based compensation	$ 59,204	$ 133,903
Shareholder communication	$ 110,765	$ 103,383
Transfer agent	$ 27,770	$ 16,871
Directors fees	$ 48,427	$ 0
General office	$ 4,739	$ 17,159
Bank interest and charges	$ 87,384	$ 157,938
Total	**$ 1,177,927**	**$ 1,217,978**

General Administrative Expenses for the year ended December 31, 2010 totalled $ $ 1,177,927 compared to $ 1,217,978 for the year ended December 31, 2009.

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 $ 429,436 for the year ended December 31, 2010 compared to $ 406,290 for 2009. There was an increase of approximately $ 150,000 in wage costs in 2010 which was mainly attributable to the 2010 remuneration accrued for the President and CEO who had foregone his remuneration in 2009. This increase was partially offset by certain wage costs, which in 2009 were classified within Other operating expenses category, but which in 2010 have been included in production costs and by the favourable Canadian dollar/UK£ exchange rate movements which prevailed in 2010 when compared to 2009 resulting in UK£ management and administrative wages being lower when expressed in Canadian dollars during 2010 when compared to 2009 when they were converted at the stronger Canadian dollar/UK£ exchange rate. 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 $ 169,078 for the year ended December 31, 2010 compared to $ 216,349 for 2009. The decrease in costs in 2010 is due to both reduced administrative costs in the Company's jewellery business and the favourable Canadian dollar/UK£ exchange rate movements which prevailed in 2010 when compared to 2009 and has resulted in UK£ other operating expenses being lower when expressed in Canadian dollars during 2010 when compared to 2009. Accounting and corporate costs for the year amounted to $ 65,138 compared to $ 58,097 for 2009.This increase reflects the higher level of external accounting services required during 2010.Legal and audit costs totalled $ 175,986 for the year 2010 compared to $ 107,988 for 2009.The main reason for the 2010 increase was due to higher legal costs incurred by Omagh Minerals Limited during the year in connection with its ongoing activities. In addition legal costs at the corporate level increased as a result of costs incurred in connection with the private placement.

Stock based compensation costs in 2010 amounted to $ 59,204 compared to $ 133,903 in 2009. There was a decrease in costs in 2010 mainly as a result of the increased number of options outstanding in 2010 which are now fully vested compared to 2009. This increase was partially offset by additional stock based compensation costs arising from the issue of stock options during the fourth quarter of 2010.

Shareholder communication costs at $ 110,765 for 2010 compared to $ 103,383 for 2009. Shareholder communication costs include investor relations, shareholders information, filing fees, listing fees. Shareholder communications costs were higher in 2010 due mainly to costs associated with Company's private placement during 2010. Transfer agents fees for 2010 amounted to $ 27,770 which compared to $ 16,871 for 2009. Transfer agent's costs for 2010 were above those of 2009 due to increased costs associated with the holding of the Company's special annual general meeting during 2010. Directors fees for 2010 amounted to $ 48,427 compared to $ Nil for 2009. General office expenses, which consist mainly of corporate administrative costs amounted to $ 4,739 for year ended December 31, 2010 compared to $ 17,159 for 2009. The reduced level of General office expenses in 2010 is due to certain costs which were included in General office in 2009 being included in other cost categories in 2010.

Bank interest and fees have reduced from $ 157,938 for the year ended December 31, 2009 to $ 87,384 for the year ended December 31, 2010. The lower level of bank interest and fees in 2010 reflects the inclusion in 2009 of a once off fee of £ 25,000 in connection with financial guarantees provide on behalf of the Company by a related party, the positive impact of lower interest rates in 2010 and the favourable Canadian dollar/UK£ exchange rate which prevailed in 2010 when compared to 2009.

This resulted in General administrative expenses totalling $ 1,177,927 and $ 1,217,978 for the respective periods.

General Administrative Expenses for the Three Months ended December 31, 2010 and December 31, 2009 are detailed below:

Expense Account	Quarter Ended December 31, 2010	Quarter Ended December 31, 2009
Management & administrative wages	$ 204,012	$ 97,379
Other operating expenses	$ 51,008	$ 50,286
Accounting & corporate	$ 21,195	$ 17,550
Legal & audit	$ 76,545	$ 39,161
Stock based compensation	$ 51,257	$ 27,835
Shareholder communication	$ 32,206	$ 6,129
Transfer agent	$ 3,364	$ 2,161
Directors fees	$ 19,427	$ (11,000)
General office	$ 3,749	$ 5,531
Bank interest and charges	$ 16,774	$ 23,675
Total	**$ 479,537**	**$ 258,707**

General Administrative Expenses for the quarter ended December 31, 2010 totalled $ 479,537 compared to $ 258,707 for the quarter ended December 31, 2009.

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 $ 204,012 for the fourth quarter ended December 31, 2010 compared to $ 97,379 for the corresponding period of 2009. The increase in wage costs in the fourth quarter 2010 was mainly attributable to the accrued fourth quarter 2010 remuneration of the President and CEO who had foregone his remuneration in 2009. 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 $ 51,008 for the fourth quarter ended December 31, 2010 compared to $ 50,286 for the corresponding period of 2009. Accounting and corporate costs for the quarter amounted to $ 21,195 compared to $ 17,550 for the corresponding period of 2009. This increase reflects the higher level of external accounting services required during the fourth quarter of 2010. Legal and audit costs totalled $ 76,545 for the quarter compared to $ 39,161 for the fourth quarter of 2009. The main reason for the 2010 increase was due to both higher legal costs incurred by Omagh Minerals Limited during the quarter in connection with its ongoing activities and legal costs at the corporate level in connection with both ongoing corporate matters and the costs in connection with the private placement earlier in the year for which there was an under provision in earlier quarters.

Stock based compensation costs in 2010 amounted to $ 51,257 for the fourth quarter compared to $ 27,835 in 2009. The increase in 2010 costs is mainly as a result of the issue of stock options during the fourth quarter of 2010.

Shareholder communication costs amounted to $ 32,206 for the fourth quarter of 2010 compared to $ 6,129 for 2009. Shareholder communication costs include investor relations, shareholders information, filing fees, listing fees. Shareholder communications costs were higher in the fourth quarter of 2010 due mainly to costs associated with Company's private placement during 2010 which had been included in share issue costs in earlier quarters. In addition in 2009 there had been an over provision for shareholder communication costs in earlier quarters which resulted in a reduced cost for the fourth quarter of 2009. Transfer agents fees for the fourth quarter of 2010 amounted to $ 3,364 which compared to $ 2,161 for 2009. Directors fees for the fourth quarter of 2010 totalled $19,427 compared to $ (11,000) credit for the corresponding period of 2009. The increased level of Directors fees in the fourth quarter of 2010 was due to an under provision in earlier quarters. The 2009 fourth quarter $ (11,000) credit was due to the reversal of a provision for fees to the end of the third quarter of 2009 during the fourth quarter of 2009. General office expenses for the fourth quarter of 2010 amounted to $ 3,749 compared to $ 5,531 for the fourth quarter of 2009.

Bank interest and fees have reduced from $ 23,675 for the quarter ended December 31, 2009 to $ 16,774 for the quarter ended December 31, 2010. The lower level of bank interest and fees in 2010 reflects the positive impact of lower interest rates which prevailed in 2010 when compared to 2009.

This resulted in General administrative expenses totalling $ 479,537 and $ 258,707 for the respective periods.

Disclosure of Outstanding Share Data

Share Capital

The Company is authorized to issue in series an unlimited number of common and preference shares. At April 15, 2011 there were a total of 235,650,055 shares issued, 45,550,000 warrants outstanding expiring from June 2012 to July 2012 and 10,800,000 stock options expiring from June 2012 to November 2015.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

IFRS Transition Plan

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

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

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

Impact of Adopting IFRS on the Company's Business

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

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

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

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting Galantas.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has identified the following optional exemptions that it expects apply in its preparation of an opening IFRS statement of financial position as at January 1, 2010, its transition date:

- To apply IFRS 2 *Share-based Payments* only to equity instruments issued after November 7, 2002, and that had not vested by the transition date.
- To apply IFRS 3 Business Combinations prospectively from the transition date, therefore not restating business combinations that took place prior to the transition date.
- To apply the transition provisions of IFRIC 4, Determining whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the transition date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 Borrowing Costs prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ending March 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

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

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

1. *Exploration and Evaluation Expenditures*

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

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

2. *Impairment of (Non-financial) Assets*

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

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

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

3. *Foreign Currency*

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

   Galantas has determined that at the transition date the UK£ will be the functional currencies of all entities in the Company except for the parent Company Galantas Gold Corporation which has a Canadian Dollar functional currency. In accordance with IFRS1 optional exemptions, the Company will elect to transfer the cumulative translation differences, recognised as a separate component of equity, to deficit at the transition date. Under GAAP, the subsidiaries were defined as integrated foreign operations from the date of the acquisition to the transition date and therefore no foreign exchange translation in equity was noted.

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

4. *Share-based Payments*

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

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

5. *Asset Retirement Obligations (Decommissioning Liabilities)*

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

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

6. *Property and Equipment*

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

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

7. *Income Taxes*

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

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

TRENDS AFFECTING THE COMPANY'S BUSINESS

Gold Price in US Dollars and UK Sterling

The Gold concentrate output from the Omagh Mine, which also contains silver and lead credits, is sold in US dollars. Most of the value is accrued from the gold content. The following table is composed from data published by the Bank of England of average monthly gold price in US$ and UK £ (sterling) per troy ounce. The gold price in both US$ and UK£ continued to strengthen throughout 2010. The gold price averaged US$ 1,225 and UK£ 793 during 2010 compared to US$ 973 and UK£ 622 for 2009, an increase of 26% and 27% respectively. Subsequent to December 31, 2010, the US$ gold price retreated in January and February but has again reached new highs in March in US dollars terms. The majority of costs at the mine are incurred in UK£ Sterling and the Company's US dollar sales revenues are converted to Sterling.

MONTH	Gold Price US $ per oz	Gold Price UK£ per oz	Quarterly Average US$	Quarterly Average UK£
JANUARY 2010	1117.96	691.65		
FEBRUARY 2010	1095.41	701.79		
MARCH 2010	1113.34	739.61	1108.90	711.02
APRIL 2010	1148.69	749.61		
MAY 2010	1205.43	823.86		
JUNE 2010	1232.92	835.90	1195.68	802.96
JULY 2010	1192.97	780.34		
AUGUST 2010	1215.81	776.26		
SEPT 2010	1269.83	819.40	1226.20	792.00
OCTOBER 2010	1342.02	846.18		
NOVEMBER 2010	1369.89	857.94		
DECEMBER 2010	1390.79	891.46	1367.57	865.19
JANUARY 2011	1356.40	859.27		
FEBRUARY 2011	1372.30	851.52		

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. The trend of the first quarter of 2010 was that of sterling weakness, and the trend continued in the second quarter. The trend reversed in the third quarter and although there was a retrace of the trend in December, the trend of strengthening Sterling continued in the first quarter of 2011. The US $ to UK£ exchange rate averaged $ 1.55: UK£ in 2010 compared to US$ 1.56: UK£ in 2009.

MONTH	Average US $:£	Quarterly Average US$:£
JANUARY 2010	1.62	
FEBRUARY 2010	1.56	
MARCH 2010	1.51	1.56
APRIL 2010	1.53	
MAY 2010	1.46	
JUNE 2010	1.48	1.49
JULY 2010	1.53	
AUGUST 2010	1.57	
SEPT 2010	1.56	1.55
OCTOBER 2010	1.59	
NOVEMBER 2010	1.60	
DECEMBER 2010	1.56	1.58
JANUARY 2011	1.58	
FEBRUARY 2011	1.61	

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.

<u>The Canadian Dollar / UK Sterling Currency Exchange Rate.</u>

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 CAN$ at the average rate for the relevant accounting period. The CAN$ strengthened against the UK£ during 2010 and averaged CAN$ 1.59: UK£1 compared to CAN$ 1.78: UK£1 during 2009.

MONTH	Average Can :£	Quarterly Average Can$:£
JANUARY 2010	1.69	
FEBRUARY 2010	1.65	
MARCH 2010	1.54	1.63
APRIL 2010	1.54	
MAY 2010	1.52	
JUNE 2010	1.53	1.53
JULY 2010	1.60	
AUGUST 2010	1.63	
SEPT 2010	1.61	1.61
OCTOBER 2010	1.61	
NOVEMBER 2010	1.62	
DECEMBER 2010	1.57	1.60
JANUARY 2011	1.57	
FEBRUARY 2011	1.59	

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

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

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

The risk is that additional funds, if required, may not be available. Continued delays and difficulties in bringing the production up to capacity have in the past resulted in cash shortages. Management continues to actively pursue additional working capital and has implemented an aggressive ore extraction program. There is no guarantee that future sources of funding will be available to the Company as and when required in the current volatile markets.

Ore Reserves

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

Mineral Processing

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

Environmental

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

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

Permitting

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

Title

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

Political

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

Uninsurable Risks

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

Revenue

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

Currency Fluctuations/Bullion Price

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

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

Construction and Development

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

Personnel

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

Share Price Fluctuations

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

Potential Dilution

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