GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Three and Nine Months ended September 30, 2009

This document constitutes management's discussion and analysis (MD&A) of the financial and operational results of Galantas Gold Corporation (the Company) for the three and nine months ended September 30, 2009. This MD&A supplements, but does not form part of the consolidated financial statements of the Company, and should be read in conjunction with Galantas's unaudited consolidated financial statements and related notes for the nine months ended September 30, 2009 as well as the audited consolidated financial statements for the year ended December 31, 2008. The Company prepares and files its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The currency referred to in this document is the Canadian dollar. The MD&A is prepared in conformance with National Instrument 51-102F1 and was approved by the Company's Audit Committee on November 25, 2009.

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

<u>Company Overview</u>

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 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 nearby known deposits,
- Continue to explore and develop extensions to the Kearney and nearby known deposits so as to expand minable reserves and increase gold production in stages,
- Explore its 3 prospecting licences which aggregate 653 square kilometre, 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 embraces an open pit mine which supplies ore to a crushing-grinding-froth flotation plant. The plant produces a gold and silver rich sulphide flotation concentrate which is sold to a commercial smelter. The plant was commissioned as stated in a press release dated June 26, 2007.

Galantas Irish Gold Limited

Presently market conditions in the jewelry trade are generally poor and retailers have become cautious in the current economic climate. As a consequence, management focus has continued to be on the mine operation during the third quarter and first nine months of 2009.

Management and Staff

Overall management is exercised by one Executive Director along with a General Manager who is in charge of operations in Omagh where the mine, plant and administration employs 44 people.

Key Performance Driver

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

Overview of Third Quarter

Galantas Gold Corporation incurred a net loss of $ 164,988 for the three months ended September 30, 2009 compared with a net income of $ 113,170 for the corresponding period of 2008. The net loss for the nine months ended September 30, 2009 amounted to $ 689,326 compared to a loss of $ 1,745,022 for the nine months ended September 30, 2008.

The Company had cash balances at September 30, 2009 of $ 112,074 compared to $ 587,489 at December 31, 2008. The working capital deficit at September 30, 2009 amounted to $ 3,791,780 which compared with a deficit of $ 3,541,359 at December 31, 2008. There were no financings during the third quarter of 2009. Year to date financings consisted of the issue of 3,134,200 Galantas common shares in exchange for £ 78,355 of debt in early 2009.

Production at the Omagh mine during the three months ended September 30, 2009 disappointed and was below levels achieved during the previous quarters of 2009. However, production for the nine months ended September 30, 2009 benefited from the higher production levels achieved during the first six months and exceeded production for the nine months ended September 30, 2008.

1.1 DATE OF THE MD&A

The MD&A was prepared on November 25, 2009.

1.2 REVIEW OF FINANCIAL RESULTS

Three Months Ended September 30, 2009

The net loss for the three months ended September 30, 2009 amounted to $ 164,988 compared to a net income of $ 113,170 for the three months ended September 30, 2008.

Galantas changed its revenue recognition accounting policy for sales of concentrates in the fourth quarter of 2008 whereby sales in the third quarter of 2009 are now recognized at the time of shipment when title passes and significant risks and benefits of ownership are considered to be transferred. The final revenue figure at the end of any given period will be subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes. As the Company was in the early stages of commercial production in the third quarter of 2008 appropriate estimates of this final settlement were not able to be made. Accordingly, revenues for the three months ended September 30, 2008 were not recognized until final settlement and any payments received prior to settlement were included as deferred revenue on the balance sheet. This had the effect that shipments for the third quarter of 2008 were excluded from sales and included in inventories. Sales revenues for this period consist mainly of Quarter 2 2008 shipments for which the final settlement value would only have been agreed during the three months ended September 30, 2008. The changes in accounting policy did not impact on the results for either quarter as concentrate inventories were valued at net realizable value at September 30, 2008 reflecting the Company's accounting policy for inventories being valued at the lower of cost or net realizable value.

Revenues from the sale of concentrate and jewelry for the three months ended September 30, 2009 amounted to $ 950,950 which compared to revenues of $ 1,175,104 for the corresponding period of 2008.This decrease in sales revenues reflects the lower level of concentrates produced and shipped during the third quarter of 2009. Sales revenues primarily consisted of concentrate sales from the mine. Jewelry sales remained low during the quarter.

Cost of Sales consists of mainly of production costs at the mine and inventory movements and can be summarized as follows:

	Three Months Ended September 30 2009	**Three Months Ended September 30 2008**
Production costs	$ 748,470	$ 709,154
Inventory movement	$ 60,152	$(89,322)
Cost of sales	$ **808,622**	$ **619,832**

Production costs for the three months ending September 30, 2009 amounted to $ 748,470 compared to $ 709,154 for the corresponding period of 2008. The increase in production costs during the third quarter of 2009 when compared to 2008 was due mainly to increased payroll, equipment hire and repair and servicing costs. The 2008 production costs were also lower due to the higher level of costs allocated to till stripping during the third quarter of 2008. The 2009 inventory movement reflects a reduction in inventory during the quarter whereas the inventory movement in 2008 reflects an increase in inventory.

Amortization of Deferred development and exploration costs for the third quarter of 2009 amounted to $ 253,315 compared to $ 130,726 for the third quarter of 2008. The higher level of level of amortization charges during the third quarter of 2009 is due to a significant increase in till strip amortization for the period. Depreciation of property, plant and equipment during the third quarter of 2009 totaled $ 143,866 which compared with $ 229,794 for the third quarter of 2008. The reduction in depreciation is due both the depreciation charge being based on the reducing balance of the assets together with a depreciation overprovision in the third quarter of 2008.

This resulted in a Net Loss before Other expenses and Income for the three months ended September 30, 2009 of $ 254,853 compared to a Net Income before Other expenses and Income of $ 194,752 for the corresponding period of 2008. Other Expenses and Income for the three months ended September 30, 2009 which include a foreign exchange gain of $ 426,887 amounted to $ (89,865) compared to $ 81,582, which included a foreign exchange gain of $ 389,736, for the corresponding period of 2008. These exchange gains are primarily due to the weakening of the UK£ currency against the Canadian Dollar at both 2009 and 2008 period ends. Other Expenses and Income are set out in Section 1.15 Other MD&A Requirements. This has resulted in a Net Loss for the three months ended September 30, 2009 of $ 164,988 compared to a Net Income of $ 113,170 for the corresponding period of 2008.

Cash balances at September 30, 2009 amounted to $ 112,074 compared to $ 587,489 at December 31, 2008. Accounts receivable at September 30, 2009 amounted to $ 561,427 at September 30, 2009 compared to $ 330,467 at December 31, 2008 and consist primarily of trade debtors from the sale of concentrates. Accounts receivable also includes reclaimable sales taxes and prepayments. Inventory at September 30, 2009 amounts to $ 620,706 and compares with inventory of $ 652,306 at December 31, 2008. Inventory consists mainly of jewelry products and unworked gold belonging to the jewelry business . The non-cash asset of future income taxes, amounted to $ 2,094,043 at September 30, 2009 and at December 31, 2008.

Property plant and equipment net of depreciation at September 30, 2009 totaled $ 5,716,618 compared to $ 6,152,874 at December 31, 2008. The decrease of $ 436,256 was primarily due to the depreciation charged during the period. Deferred development and exploration costs net of accumulated amortization totaled $ 10,276,609 at September 30, 2009 compared to $10,601,856 at the end of 2008 with the decrease being due to the amortization charge for the nine months ended September 30, 2009.

Current liabilities at September 30, 2009 totaled $ 5,085,987 compared to $ 5,111,621 at December 31, 2008. The working capital deficit September 30, 2009 amounted to $ 3,791,780 compared to $ 3,541,359 at December 31, 2008. Accounts payable and accrued liabilities at September 30, 2009 amounted to $ 1,920,268 compared to $ 2,298,303 at December 31, 2008. The current portion of the external financing and term loan facilities totaled $ 84,441 at September 30, 2009 and compares with $ 309,043 at the end of 2008 reflecting repayments made during the period. Loans from related parties at September 30, 2009 amounted to $ 3,081,278 compared to $ 2,504,275 at December 31, 2008. This increase in the UK£ denominated related party loans at the end of September 30, 2009 is attributable to a number of factors including the amalgamation of all related party loans which are now repayable on demand and additional loans during the period which are partly offset by a reduction of the loan in Canadian Dollar terms through the impact of the weakening of the UK£ against the Canadian at the end of the period. The asset retirement obligation at December 31, 2008 amounted to $ 447,400 at

September 30, 2009 and December 31, 2008. Non current loans from related parties and external financing facilities total $ 47,570 at September 30, 2009 compared to $ 618,025 at December 31, 2008. This reduction is mainly due to the reclassification of related party loans to current liabilities at September 30, 2009.

Nine Months Ended June 30, 2009

The net loss for the nine months ended September 30, 2009 amounted to $ 689,326 compared to a loss of $ 1,745,022 for the nine months ended September 30, 2008.

Galantas changed its revenue recognition accounting policy for sales of concentrates in the fourth quarter of 2008 whereby sales for the nine months ended September 30, 2009 are now recognized at the time of shipment when title passes and significant risks and benefits of ownership are considered to be transferred. The final revenue figure at the end of any given period will be subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes. As the Company was in the early stages of commercial production during the first nine months of 2008 appropriate estimates of this final settlement were not able to be made. Accordingly, revenues for the nine months ended September 30, 2008 were not recognized until final settlement and any payments received prior to settlement were included as deferred revenue on the balance sheet. This had the effect that a significant number of shipments for the first nine months of 2008 were excluded from sales and included in inventories. Sales revenues for the first nine months of 2008 would have consisted mainly of Quarter 1 2008 and Quarter 2 2008 shipments for which the final settlement value would only have been agreed during the nine months ended September 30, 2008. The changes in accounting policy did not impact on the results for either period as concentrate inventories were valued at net realizable value at September 30, 2008 reflecting the Company's accounting policy for inventories being valued at the lower of cost or net realizable value.

Revenues from the sale of concentrate and jewelry for the nine months ended September 30, 2009 amounted to $ 3,742,197 which compared to revenues of $ 2,447,456 for the corresponding period of 2008.This increase in sales revenues reflects both the change in accounting policy referred to above, the increased level of concentrates produced and shipped during the period and higher gold prices. Sales revenues primarily consisted of concentrate sales from the mine. Jewelry sales continued to remain low during the nine months ended September 30, 2009.

Cost of Sales for the nine months ended September 30, 2009 total $ 2,611,291 compared to $1,754,019 for the corresponding period of 2008. Cost of sales consistig mainly of production costs and inventory movements are summarized below:

	Nine Months Ended September 30 2009	**Nine Months Ended September 30 2008**
Production costs	$ 2,642,891	$ 2,562,584
Inventory movement	$ (31,600)	$ (808,565)
Cost of sales	**$ 2,611,291**	**$ 1,754,019**

Production costs for the nine months ended September 30,2009 at $ 2,642,891are primarily production costs at the mine whereas production costs for the corresponding period of 2008 totaling $ 2,562,584 also include additional production costs at the Company's jewelry business of approximately $400,000. The resultant increased mine production costs in 2009 reflect the higher production levels during 2009.

The main cost increases are equipment hire, mill consumables and equipment and mill repairs. In addition, there were certain other costs at the mine, including Royalties, which in 2008 were included as Other operating expenses but which in 2009 have been included in the cost of sales category resulting in a further variance when comparing 2009 and 2008 other operating expenses. The inventory movement credits arise from increased levels of both concentrates and jewelry inventories at September 30, 2009 and 2008 when compared to January 1 levels.

Amortization of Deferred development and exploration costs for the first nine months of 2009 amounted to $ 592,310 compared to $ 368,580 for the corresponding period of 2008. The higher level of amortization during the first nine months of 2009 is due to a combination of increased production in the period on which the amortization calculation is based together with increased till strip amortization during the nine months. Depreciation of property, plant and equipment during the first nine months of 2009 totaled $ 434,310 which compared with $ 689,021 for the first nine months of 2008. The reduction in the depreciation is due primarily to the depreciation charge being based on the reducing balance of the assets together with a depreciation overprovision in the first nine months of 2008.

This resulted in a Net Income before Other expenses and Income for the nine months ended September 30, 2009 of $ 104,286 compared to a Net Loss before Other expenses and Income of $ 364,164 for the corresponding period of 2008. Other Expenses and Income for the nine months ended September 30, 2009 which include a foreign exchange gain of $ 165,659 amounted to $ 793,612 compared to $1,380,858, which included a foreign exchange gain of $ 212,342 for the corresponding period of 2008. These exchange gains are mainly due to the weakening of the UK£ currency against the Canadian Dollar at both 2009 and 2008 period ends. Other Expenses and Income are set out in Section 1.15 Other MD&A Requirements. This has resulted in a Net Loss for the nine months ended September 30, 2009 of $ 689,326 compared to a Net Loss of $ 1,745,022 for the corresponding period of 2008.

1.3 SELECTED ANNUAL INFORMATION

Not applicable to Quarterly MD&A

1.4 RESULTS OF OPERATIONS

2009 Financing Activities

There were no financing activities during the three months ended September 30, 2009.

During the first quarter of 2009 the Company announced that it had received the consent of the TSX Venture Exchange in regard to the issue of 3,134,200 Galantas common shares in exchange for debt. The Company had arranged with a creditor supplying drilling services for the exchange of £78,355 of debt for the issue of 3,134,200 units with each unit comprising of one common share priced at £0.025 and one warrant. Galantas had previously reported in late December 2008 that it had completed a private placement for £282,250 through the placing of 11,290,000 common shares priced at £0.025 per share. The placing comprised of brokered and un-brokered parts. The brokered part, which raised

£162,250 was subject to an arrangement fee of 5%. The Company reported that it intends to use the funds from the placing to purchase capital equipment and for general working capital purposes.

During the third quarter 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 is now 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

Production

Production at the Omagh mine was below expectations during the three months ended September 30, 2009. Concentrate production for the third quarter of 2009 amounted to 367.8 dry tonnes of concentrate which compares to 503.1 dry tonnes for the third quarter of 2008 – a decrease of 36.8 %. Metal content of production for the three months ended September 30, 2009 totalled 1,005 ounces of gold (31.2kg), 2,262 ounces of silver (70.4kgs) and 35.3 tonnes of lead. This compares with metal content for the corresponding period of 2008 of 1,642 ounces of gold (51.1kgs), 4,115 ounces of silver (128.0kgs) and 51.1 tonnes of lead which represents a 39% decrease in gold output, a 45% decrease in silver output and a 31% decrease in lead output. These production figures and metal contents are provisional and subject to averaging or umpiring provisions under the concentrate off – take agreement detailed in a press release dated October 3, 2007. Following the increased production levels attained during the second quarter of 2009 production during the third quarter was hampered the decision to divert production during August and September to expand the operating length of the Kearney open pit by the stripping of overburden. A shortage of working capital prevented the overburden stripping being carried out independently of production. Stripping of overburden must be carried out as a precursor to exposing ore for mining. Approximately 120,000 cubic metres (loose) of overburden was moved into sound berms to the east of the Kearney vein and into a backfilling area in the south of the Kearney open pit. Additionally, in the third quarter, the restricted pit production zone reduced the opportunity to blend lower grades from the southern-most part of the pit with higher grades from the north. The addition of a hired bull-dozer and truck increased productivity to partially offset the use of production equipment on the till strip. Total articulated truck movements in the third quarter of 2009 increased by 46% compared to the second quarter of 2009, due in part to shorter truck runs required on the movement of till.

The quantity of mill feed was maintained at the same level as the previous quarter but grade dropped to approximately 3.64 g/t gold compared to the blended feed of the previous quarter at 6.1 g/t gold. Gold recovery in the third quarter dropped to approximately 90% from 93% achieved in the second quarter due to the lower grade of ore.

The Kerr Vein overburden strip was suspended whilst this stage of the Kearney overburden strip was completed. The Kerr Vein pit is planned to be incorporated into the paste cell tailings storage arrangement at a later date.

Concentrate production for the first nine months of 2009 amounted to 1,509.5 dry tonnes of concentrate which compares to 1,223.5 dry tonnes for the first nine months of 2008 – an increase of 23 %. Metal content of production for the nine months ended September 30, 2009 totalled 4,492 ounces of gold (139.7kg), 13,019 ounces of silver (404.9kgs) and 167.9 tonnes of lead. This compares with metal content for the first nine months of 2008 of 3,859 ounces of gold (120.0kgs), 9,087 ounces of silver (282.6kgs) and 117.2 tonnes of lead which represents a 16% increase in gold output, a 44% increase in silver output and a 43% increase in lead output. These production figures and metal contents are provisional and subject to averaging or umpiring provisions under the concentrate off – take agreement.

Exploration

Following the temporary suspension of exploration in the second quarter, prospecting work recommenced on Omagh Minerals, the Company's wholly owned subsidiary, three licence areas during the third quarter. Most work concentrated on licence area OM1 in developing a greater understanding of the structural controls of mineralisation in the Lack inlier. This work was completed in cooperation with the GSNI and geologists from TCD. Indicator minerals have been identified and correlated with known gold bedrock occurrences. This work will assist with selecting targets indicated by airborne prospecting and soil sampling. In licences OM2 and OM3 a contract geochemist has been employed to work on area and infill soil sample grids. These areas were selected from Tellus Survey data that showed promise. Early indications are that prospective areas are replicated and further prospecting has begun with rock samples collected for analysis. The Company issued a press release on September 16, 2009 summarising exploration work on these three licences.

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and net financial results in Canadian dollars for the first quarter of 2009 and for the seven preceding quarters are summarized below:

Quarter Ended	Total Revenue	Net Profit (Loss)	Net Profit (Loss) per share & per share diluted
September 30,2009	$ 950,950	$ (164,988)	$ (0.00)
June 30,2009	$ 1,648,243	$ (234,325)	$ (0.00)
March 31, 2009	$ 1,143,004	$ (290,013)	$ (0.00)
December 31,2008	$ 1,955,509	$ (216,072)	$ (0.00)
September 30, 2008	$ 1,175,104	$ 113,170	$ 0.00
June 30,2008	$ 650,565	$ (712,273)	$ 0.00
March 31, 2008	$ 621,787	$ (1,145,919)	$ (0.01)
December 31, 2007	$ (63,505)	$ (1,070,540)	$ (0.01)

The results for the quarter ended September 30, 2009 are discussed under Section 1.2 – Review of Financial Results.

Revenues, commencing in quarter ended September 30, 2007 when the Omagh mine started commercial production, are primarily from the sales of concentrates. The negative sales in the quarter ending December 31, 2007 is due to a change in the revenue recognition accounting policy adopted by the Company during that quarter whereby revenues were not recognized until the final settlement of each shipment. This resulted in shipments for the fourth quarter of 2007 being included in inventories at

December 31, 2007 as the final settlement values of those shipments could not be accurately estimated until the following quarter. This revenue recognition policy was reversed during the three months ended December 31, 2008 when the Company was able to more accurately determine the sales value at the time of shipment. This resulted in the sales revenue for the fourth quarter of 2008 including the value of shipments for both the third quarter and fourth quarter of 2008 which explains the increased revenues in that quarter. The changes in accounting policy did not materially impact on the Net Loss for either quarter as concentrate inventories were valued at net realizable value at the end of both periods – reflecting the Company's accounting policy for inventories being valued at the lower of cost or net realizable value.

With the exception of quarter ended September 30, 2008 there have been losses in each of the quarters. The Net Income in the quarter ended September 30, 2008 and the reduced loss for the quarter ended December 31, 2008 is due mainly to substantial foreign exchange gains in both quarters. The reduced losses in the quarters ending March 31 and June 30, 2009 is as a result of both higher production/shipments and increased gold prices during those quarters. The $ 234,325 loss for the quarter ended June 30, 2009 includes a foreign exchange loss of $ 237,378.

1.6 LIQUIDITY

The Company had a cash balance of $ 112,074 at September 30, 2009 which compared with $ 587,489 at December 31, 2008.

As at September 30, 2009 the Company's working capital was in a deficit of $ 3,791,780 which compared with a deficit of $ 3,541,359 at December 31, 2008. This level of deficit is expected to persist during the remainder of 2009 but to gradually reduce as cash from operations increases when higher levels of production are achieved. Ore supply continues to be a challenge with management focusing heavily on pit operations and there is steady progress. Additional working capital may be required in the short term.

Related party UK £ loans increased by a net $ 158,842 during the nine months ended September 30, 2009.Additional related party advances during the nine months were partially offset due to the weakening of the UK£ against the Canadian Dollar at the end of the period. Repayments on the financing facility totaled $ 376,906 during the nine months.

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

There were no additional financings during the quarter. The Company announced in January 2009 that it had received the consent of the TSX Venture Exchange in regard to the issue of 3,134,200 Galantas common shares in exchange for debt. The Company had arranged with a creditor supplying drilling services for the exchange of £78,355 of debt for the issue of 3,134,200 units with each unit comprising of one common share priced at £0.025 and one warrant. Galantas had previously reported in late December 2008 that it had completed a private placement for £282,250 through the placing of 11,290,000 common shares priced at £0.025 per share. The placing comprised of brokered and un-brokered parts. The brokered part, which raised £162,250 was subject to an arrangement fee of 5%. The Company reported that it intends to use the funds from the placing to purchase capital equipment and for general working capital purposes.

During the third quarter 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 Limited 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

The Company is continuing its efforts to raise funds for future developments and operations to meet its ongoing obligations. There is however, no assurance that the Company will be successful in its efforts, in which case the Company may not be able to meet its obligations. The consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the September 30, 2009 consolidated financial statements.

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

1.7 CAPITAL RESOURCES

As at September 30, 2009, the Company had capital requirements to repay, under existing arrangements.

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

b) A £ financing facility with Barclays Lease Finance. The amounts outstanding on this facility at September 30, 2009 amounted to $132,001.

c) A UK £ loan facility from G&F Phelps Limited, a company controlled by a director of the Company, in the amount of $ 2,893,783 (£1,795,829) 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 $ 187,495 (December 31,2008 $ Nil)

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1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet transactions.

1.9 RELATED PARTY TRANSACTIONS

The Company has the following transactions with related parties:

Director fees of $ nil and $ 18,000, respectively ($ 9,000 and $ 27,000, respectively for the three and nine months ended September 30, 2008) were paid or accrued during the three and nine months ended September 30, 2009.

During the period, 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. The Company can decide to purchase the mining equipment within the next year. If the Company decides to purchase the mining equipment, the Company may deduct from the purchase price 50% of the charges that it has paid to rent the equipment. During the three and nine months ended September 30, 2009, the Company accrued charges of $ 40,943 and $ 81,018 respectively, payable to G&F Phelps for the rent of the mining equipment.

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

- G&F Phelps amalgamated it's 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 have accrued a fee of $ 42,895 (UK£ 25,000) payable to G&F Phelps arising from the provision of limited support by them on certain financial obligations of the Company. This fee has been added to the outstanding loan by G&F Phelps; and

- The Company to repay to G&F Phelps any costs incurred by G&F Phelps as a result of it entering into these agreement.

A summary of loans due to related parties is summarized below:

G&F Phelps, a company controlled by director of the Company, had amalgamated loans to Galantas of $ 2,893,783 (UK£1,686,552) (December 31, 2008 $ Nil) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets.

Directors current accounts amounting to $ 187,495 (December 31, 2008 $ Nil)

Included in due to related party is $ Nil (£ Nil) (December 31, 2008 - $ 1,556,597 (£ 869,801)) owing to a director and companies controlled by a director of the Company. At December 31, 2008 $ 513,963 (£ 268,781) of the loan was secured against a second charge on the land owned by Omagh and the balance of the loan is unsecured. The loans bear interest at base rate plus 2%. At December 31, 2008 $749,164 (£ 391,781) was due over a period of 3 years.

The Company obtained a UK£ related party loan facility from G&F Phelps, a company controlled by a director of the Company, in the amount of $ Nil (£ Nil) (December 31, 2008 - $ 1,159,052 (£ 647,660) for the financing of mining equipment. At December 31, 2008 $789,088 (£ 412,660) of the term loan is for a period of 4.25 years bearing interest at 4.04% flat with monthly payments of $ 16,814 (£ 8,793) and was secured by all equipment owned by the Company's wholly-owned subsidiary Omagh.

Also included in due to related party is $ Nil (£ Nil) (December 31,2008 - $ 206,787 (£ 115,549) owing to the President and Chief Executive Officer of the Company who in November 2008 agreed to lend up to a total amount of $ 956,100 (£ 500,000) to the Company for a period of six months. The loan facility was secured by the Company's inventory with cross guarantees provided by the Company's subsidiaries. The interest on this loan was at a base rate plus 4.5% per annum, such interest to be calculated monthly and compounded until repaid.

Interest accrued on related party loans is included under accounts payable and accrued liabilities. As at September 30, 2009, the amount of interest accrued is $197,399 (UK£ 115,048) (December 31, 2008 - $140,620(UK£78,576))

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

1.10 FOURTH QUARTER

Not applicable to Quarterly MD&A.

1.11 PROPOSED TRANSACTIONS

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

1.12 CRITICAL ACCOUNTING ESTIMATES

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

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Changes in Accounting Policy

Revenue Recognition

The Company amended its Revenue Recognition Accounting Policy at the end of 2008 whereby revenues from the sales of gold concentrates are recognized at the time of shipment when appropriate estimates of final settlement are made. The previous policy recognized revenue at the time of final settlement when the Company was in the early stages of commercial production and appropriate estimates of sales revenues could not be made until final settlement.

New Accounting Policies

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Section 3064, "Goodwill and Intangible Assets" which replaced the Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") sections 3062 and 3450, EIC-27 and part of Accounting Guideline 11. Under

previous Canadian standards, more items were recognized as assets than under International Financial Reporting Standards ("IFRS"). The objectives of CICA 3064 are to reinforce the principle based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The portions in the new standard with respect to Goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets intends to reduce the differences with IFRS in the accounting for intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets.
The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at September 30, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at September 30, 2009.

Future Accounting Pronouncements

IFRS

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. While the Company has begun assessing the impact of the adoption of IFRS on its consolidated financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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.

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, “Mining Exploration Costs”, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company will apply this new abstract for the year ended December 31, 2009.

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

Other Operating Expenses and (Income) for the Three Months ended September 30, 2009 and September 30, 2008 are detailed below:

Expense Account	Three Months Ended September 30 2009	Three Months Ended September 30 2008
Other operating costs	$ 159,532	$ 225,284
Accounting & corporate	$ 13,554	$ 33,029
Legal & audit	$ 30,238	$ 26,713
Stock based compensation	$ 32,834	$ 105,859
Shareholder communication	$ 27,332	$ 8,525
Transfer agent	$ 2,058	$ 2,240
General Office	$ 1,553	$ 6,602
Bank interest and fees	$ 69,921	$ 63,066
Sub Total	**$ 337,022**	**$ 471,318**
Foreign exchange (gain)	$ (426,887)	$(389,736)
Total	**$ (89,865)**	**$ 81,582**

Other Operating Expenses and (Income) before foreign exchange gains for the third quarter of 2009 totaled $ $ 337,022 compared to $ 471,318 for the third quarter of 2008.

Other operating costs comprising of various costs at the mine including administration, professional fees, insurance, together with the ongoing costs of the Company's jewelry business decreased from $ 225,284 for the three months ended September 30, 2008 to $ 159,532 for the three months ended September 30, 2009. This decrease is due primarily to the lower costs of the jewelry business during the third quarter of 2009 reflecting reduced consulting fees and sales costs which are activity related. Additionally in 2008 there were certain costs at the mine which were included as Other operating costs but which in 2009 have been reclassified and included in the Cost of sales category resulting in a further variance when comparing 2009 and 2008 other operating costs.

Accounting and corporate costs for the third quarter of 2009 amounted to $ 13,554 which compare to $ 33,029 for the third quarter of 2008. The higher level of cost in 2008 reflects a cumulative year to date cost reallocation to Accounting and corporate costs which had the effect of increasing the costs for the three months ended September 30, 2008. Legal and audit costs totaled $ 30,238 for the third quarter of 2009 compared with costs of $ 26,713 for the third quarter of 2008. The increase in cost is mainly attributable an increase in audit fees as a result of the Company accruing for audit fees in 2009 on a quarter by quarter basis. Stock based compensation costs amounted to $ 32,834 in the third quarter of 2009 compared to $ 105,859 in the third quarter of 2008. The reduction is mainly as a result of there being no options issued during the third quarter of 2009. Shareholder communication and public relations costs at for the third quarter 2009 amounted to $ 27,332 which compared with costs of $ 8,525 for the corresponding period of 2008. The lower level of costs for the three months ending September 30, 2008 is due to an under provision of costs during that period. Transfer agents fees amounted to $ 2,058 for the third quarter of 2009 were in line with third quarter 2008 fees of $ 2,240.

General office expenses for three months ended September 30, 2009 amounted to $ 1,553 compared to $ 6,602 for the corresponding period of 2008. The reduction in costs reflects lower directors fees in the current quarter. Bank interest and charges and fees amounted to $ 69,921 for the third quarter 2009 compared to $ 63,066 in the third quarter of 2008. The third quarter 2009 costs include a once off fee of £ 25,000 in connection with financial guarantees provided on behalf of the Company by a related party. Exclusive of this fee there was a reduction in interest charges due to the positive impact of lower interest rates.

There was a foreign exchange gain of $ 426,887 for the three months ended September 30, 2009 compared to a foreign exchange gain of $ 389,736 for the corresponding period of 2008 resulting in Other operating Expenses and (Income) totaling $ (89,865) and $81,582 for the respective periods. These exchange gains are mainly due to the impact of the weakening of the UK£ currency against the Canadian Dollar on the Company’s net £UK liabilities at both period ends.

Other Operating Expenses and (Income) for the Nine Months ended September 30, 2009 and September 30, 2008 are detailed below:

Expense Account	**Nine Months Ended September 30 2009**	**Nine Months Ended September 30 2008**
Other operating costs	$ 474,974	$ 806,746
Accounting & corporate	$ 40,547	$ 62,058
Legal & audit	$ 68,827	$ 55,659
Stock based compensation	$ 106,068	$ 354,567
Shareholder communication	$ 97,254	$ 76,668
Transfer agent	$ 14,710	$ 14,899
General Office	$ 22,628	$ 31,940
Bank interest and charges	$ 134,263	$ 190,663
Sub Total	**$ 959,271**	**$ 1,593,200**
Foreign exchange (gain)	$ (165,659)	$ (212,342)
Total	**$ 793,612**	**$ 1,380,858**

Other Operating Expenses and (Income) before foreign exchange gains totaled $ 959,271 for the nine months ended September 30, 2009 compared to $ 1,593,200 for the corresponding period of 2008.

Other operating costs comprising of various costs at the mine including administration, professional fees and insurance together with the ongoing expenses of the Company's jewelry business decreased to $ 474,974 for the nine months ended September 30, 2009 from $ 806,746 for the nine months ended September 30, 2008. This decrease is due mainly to the lower costs of the jewelry business in the nine months to September 30, 2009 reflecting reduced consulting fees and sales costs which are activity related. In addition to lower insurance and legal and professional costs at the mine in 2009, there were certain other costs at the mine, including Royalties, which in 2008 were included as other operating expenses but which in 2009 have been included in the cost of sales category resulting in a further variance when comparing 2009 and 2008 other operating expenses. Accounting and corporate costs for the first nine months of 2009 amounted to $ 40,547 which compared to $ 62,058 for the first nine months of 2008.The reduction is due mainly to lower accounting costs incurred at the mine during the nine months ended September 30, 2009 when compared to the corresponding period of 2008. Legal and audit costs totaled $ 68,827 for the first nine months compared with costs of $ 55,659 for the corresponding period of 2008. There was a increase in audit costs in 2009 as a result of the both the Company accruing for audit fees in 2009 on a quarter by quarter basis and a prior year under provision.

Stock based compensation costs decreased to $ 106,068 in the nine months of 2009 from $ 354,567 in the first nine months of 2008. The reduction in cost is mainly as a result of their being no options issued during the first nine months of 2009.

Shareholder communication costs amounted to $ 97,254 for the nine months ended September 30, 2009 compared with costs of $ 76,668 for the corresponding period of 2008. The lower level of costs in 2008 resulted from an under provision of costs for that period Transfer agents fees amounted to $ 14,710 for the first nine months of 2009 which are in line with fees of $ 14,899 for the corresponding period of 2008.

General office expenses for nine months ended September 30, 2009 amounted to $ 22,628 compared to $ 31,940 for the corresponding period of 2008 with the reduced level of costs in 2009 being due to a lower provision for directors fees in 2009.

Bank interest and fees have reduced from $ 190,663 in the nine months ending September 30, 2008 to $ 134,263 for the nine month ending September 30, 2009 due mainly to the positive impact of lower interest rates offset by a once off fee of £ 25,000 in connection with financial guarantees provided on behalf of the Company by a related party.

There was a foreign exchange gain of $ 165,659 for the nine months ended September 30, 2009 compared to a foreign exchange gain of $ 212,342 for the corresponding period of 2008. These exchange gains are mainly due to the weakening of the UK£ currency against the Canadian Dollar at both period ends. This resulted in Other operating Expenses and (Income) totaling $ 793,612 and $ 1,380,858 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 September 30, 2009, there were a total of 190,100,055 shares issued, 14,424,200 warrants outstanding expiring from December 2009 to January 2010 and 8,650,000 stock options expiring from May 2010 to October 2013.

IFRS IMPLEMENTATION PLAN

The Accounting Standards Board (AcSB) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, 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 has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

• Exploration and development expenditures,
• Property, plant and equipment (measurement and valuation),
• Provisions, including asset retirement obligations,
• Stock-based compensation,
• Accounting for income taxes, and
• First-time adoption of International Financial Reporting Standards (IFRS 1)

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training.

TRENDS AFFECTING THE COMPANY'S BUSINESS

Gold Price in US dollars and UK Sterling.

The Gold concentrate output from the Omagh Mine, which also contains silver and lead credits, is sold in US dollars. Most of the value is accrued from the gold content. The following table is composed from data published by the Bank of England of average monthly gold price in US$ and GB £ per troy ounce. The average quarterly price in US$ increased in the third quarter to $959.98 per ounce from $921.51 per ounce. However, the majority of costs at the mine are incurred in United Kingdom Pounds Sterling and US dollar revenues are converted to sterling. Data from the Bank of England demonstrates that, compared to the average quarterly price in the second quarter to June 2009, there was a gold price decrease in sterling terms of 1.6% in the third quarter, due to a strengthening in sterling.

MONTH	Gold Price US $ per ounce	Gold Price GB £ per ounce	Quarter end Average US$	Quarter end Average GB £
January 2009	858.69	595.87		
February 2009	943.16	654.96		
March2009	924.27	652.00	908.71	634.28
April 2009	890.2	605.44		
May 2009	928.65	602.43		
June2009	945.67	578.51	921.51	594.79
July 2009	934.24	571.00		
August 2009	949.39	573.92		
September 2009	996.32	610.66	959.98	585.19

The prices quoted are drawn from Bank Of England published statistics.

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 lowest month, which was most favourable in terms of dollar exchange rates, was March 2009. Since then a trend had developed which shows a rise in the value of sterling compared to the US $, a trend which appears to have stabilised in the short term between $1.60 and $1.70 to the £.

MONTH	Average US $ to UK £	Quarter 2009 Average $ / £
January 2009	1.45	
February 2009	1.44	
March2009	1.42	1.43
April 2009	1.47	
May 2009	1.54	
June 2009	1.64	1.55
July 2009	1.64	
August 2009	1.65	
September 2009	1.63	1.64

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. Many of the debts of subsidiaries are due in UK Sterling. UK sterling against the Canadian $ weakened during the third quarter of 2009. The weakening of sterling against the Canadian $ has the effect of decreasing the Company's UK liabilities when expressed in Canadian Dollars.

MONTH (BOE average spot)	Average CAN $ to UK £	Quarter end Avrg. CAN$ / £
January 2009	1.77	
February 2009	1.80	
March 2009	1.79	1.786
April 2009	1.80	
May 2009	1.78	
June 2009	1.84	1.81
July 2009	1.84	
August 2009	1.80	
September 2009	1.77	1.80

Difficulties in the Western credit markets have impacted on all companies entering into banking credit arrangements and these may affect the ability of the company to raise funds for capital expenditure.

In Northern Ireland, the widely acknowledged political agreement has consolidated the positive financial effects of peace and stability in the province, and although there was a short recent period with an increase in activity by those not allied to the peace process, this appears to have diminished.

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 jewelry, 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 favorable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary. If such volatility and market turmoil continue, the Company's business and financial condition could be adversely impacted.

Additional Funding Requirements

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

Ore Reserves

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

Mineral Processing

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

Environmental

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

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

Permitting

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

Title

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

Political

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

Uninsurable Risks

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

Revenue

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

Currency Fluctuations/Bullion Price

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

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

Construction and Development

Most construction costs have been incurred and are therefore known and reflected in the accounts. Future development risk is attached to development of the Kearney 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.