GALANTAS GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Three Months ending June 30, 2007

This document constitutes management's discussion and analysis (MD&A) of the financial and operational results of Galantas Gold Corporation (the Company) for the three months ending June 30, 2007. This MD&A is to be read in conjunction with the unaudited financial statements for the same period. The MD&A does not form part of these unaudited financial statements. The Company prepares and files its financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The currency referred to in this document is the Canadian dollar. The MD&A is prepared in conformance with National Instrument 51-102F1 and was approved by the Company's Audit Committee on August 28, 2007.

This MD&A is dated August 28, 2007.

FORWARD LOOKING STATEMENTS

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

OVERVIEW – STRATEGY< DESCRIPTION OF BUSINESS

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

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

- Complete the development and commissioning of and operate a 150 tonnes per day open pit mine and processing plant on its Kearney deposit,

- Continue to explore and develop extensions to the Kearney and nearby known deposits so as to expand minable reserves and increase gold production in stages,
- Explore its 189 square kilometre prospecting licence, focusing on the more than 50 gold targets identified to date, and
- Establish on a commercial basis the Galantas® Irish gold jewellery business once certified Irish gold from the mine becomes available.

Reserves and Resources

References

1. December, 2005: ACA Howe International Ltd. "Technical Report of the Gold Mining and Exploration Interests of the Omagh Gold Project of Galantas Gold Corporation in Counties Tyrone and Fermanagh, Northern Ireland" (the "Howe Report")
2. September 22, 2006: Galantas Gold Corporation Press Release: "Galantas Develops Omagh Gold Mine..."
3. January 22, 2007: Galantas Gold Corporation Press Release: "Ore Reserve and Resource Estimate".

Ore reserves and mineral resources lie within eight veins in a 5 square kilometre area at the eastern end of the Company's prospecting licence which encompasses a 20 by 6 kilometre fault-bounded inlier of Precambrian "Dalradian" rocks. The deposits sub-outcrop beneath a few meters of glacial and recent overburden and are open to depth and usually along the strike. The steeply dipping Kearney deposit, to be mined first, is some 850 meters long and an average of 4.3 meters wide. It has been drilled with 40 diamond drill holes down to 137 meters and was intersected in one hole at a depth of 300 meters. Below the average 3 meters of overburden , a 359 meters long section at the southern end of the deposit had been 88% stripped and channel sampled in detail in the late 1980's by Rio Tinto (212 meters) and in 1991 by Omagh Minerals Limited (103 meters). Results together with drilling data were used in the Howe Report to calculate reserves and resources. The calculations have not been updated with surface sampling and drilling results obtained in 2006 and in 2007. The Company is in the midst of exploration and development involving diamond drilling, results of which will lead to a new estimate of reserves and resources. This new estimate and accompanying N143-101 technical report has been commissioned and is expected before the end of 2007.

On the Kearney deposit, which is the initial focus of mine development, the Company has: (i) proven ore reserves of 181,480 tonnes at a grade of 7.36 grams of gold per tonne; plus (ii) probable ore reserves of 185,830 tonnes at a grade of 7.68 grams of gold per tonne; plus (iii) an indicated resource of 1,183,680 tonnes at a grade of 7.02 grams of gold per tonne. These reserves and resources have been calculated using a cut-off grade of 1.0 gram of gold per tonne and a cut-off width of 0.5 meters. The reserves lie within the "Kearney Pit" currently being developed. The indicated resource extends from the bottom of the pit presently planned at 37 meters vertical depth to a depth of 137 meters, below which depth the deposit remains open.

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

Indicated Resource (tonnes)	Grade (g/t Au)	Contained Gold (grams Au)	Inferred Resources (tonnes)	Grade (g/tAu)	Contained Gold (grams Au)
329,820	6.72	2,208,53	135,500	4.68	634,643

The estimate in the Howe Report (re-iterated January 22, 2007, press release) was carried out to the standards of the Joint Committee of the Australasian Mining Industry Council Code (JORC). A reconciliation to the mineral resources and mineral reserve categories as set out in National Instrument 43-101 was included in the Howe Report.

The Howe Report describes in section 12 a mining trial on proven reserves that produced four selectively mined samples aggregating 101.4 tonnes grading an average of 53.41 grams gold per tonne. The difference between this and the reserve grade is attributed to a) selectivity practiced in the mining trial, b) dilution inbuilt in the original sampling, and c) naturally inhomogeneous gold distribution. The sustainable mining grade will be established through sampling prior to and during the early life of the open pit. Mineralisation is tightly constrained in the sulphide veins that make up the Kearney and other deposits, making them amenable to selective mining. The processing plant has been designed to accept ore grading up to 20 grams gold per tonne.

Channel sampling of 2 vein segments aggregating 150 meters in the southern part of the Kearney deposit was completed independently in 2006 to obtain an estimate of the selective mining grade that could be sustained in that area. The results, combined with those from 124 samples taken by the Company, showed a weighted undiluted average grade, at a cut-off grade of 3.0 grams per tonne gold, for individual veins of 16.25 grams per tonne gold. Detail is contained within the press release dated September 22, 2006.

Exploration Targets

The Howe Report describes 53 targets selected from integration of geological, geochemical and geophysical data over the Dalradian inlier. The targets were grouped on a priority of 1 to 10 to reflect the likelihood of their hosting additional resources. Eight veins around Kearney were classified as very high priority resource augmentation targets with scores of 9 and 10. These have high grade channel and/or drill intercepts and have resources and/or reserves. Eight veins not drilled, or with lower grades, have scores of 5 to 8. The remaining 37 targets comprise one scoring 6, six scoring 5, four scoring 4, eleven scoring 2 and seven scoring 1.

Howe considers targets scoring 3 to 8 to represent excellent opportunities for discoveries. Howe considered it likely that exploration will add to the reserves and resources and that veins similar to Kearney may lie undiscovered. Howe considered that relatively high grades and widths and continuity of the deposits with known reserves and resources indicate the potential for underground production in the future.

Initial Mining Project

The project embraces an open pit mine capable of supplying ore to a 150-tonnes per day crushing-grinding-froth flotation plant. The plant is designed to produce a gold and silver rich sulphide flotation concentrate for sale to a commercial smelter. The plant was commissioned as stated in the press release dated June 26, 2007. Improvements in terms of production quantity have been made since the end of the last quarter though concentrate quality remains variable. Inconsistencies in terms of production quantity and quality are expected to gradually reduce.

A gravity processing section yet to be installed is expected to recover the small amount of free gold in the ore, possibly around 4%, to be certified as Irish gold for Galantas® jewellery. Infrastructure includes, in addition to access and haul roads and process building, a diesel powered electrical generating station, a modified paste tailings storage facility, water containment dam and reticulation and discharge system including a channel diverting run-off water away from working places.

Galantas Irish Gold Limited

Galantas Irish Gold has carried out market trials wherein jewellery to the value of $693,495 has been sold through retailers in Ireland and direct via the Company's e-commerce enabled website www.galantas.com, $497,045 of the sales having been made since the company entered development stage on January 1, 2003. Manufacturing and distribution systems and an initial retailer network mainly in Ireland are in place and the business awaits production of Irish gold to enable start of regular commercial activity.

At the date of this MD&A, additional certified Galantas® Irish gold had been received in the form of doré bullion, and was being refined in preparation for use in the production of Galantas® jewellery. The Company has a relationship with UK Goldsmiths Group PLC whereby this quality retailer is expected to feature Galantas® products in a number of stores in its large UK chain.

Management and Staff

Overall management is exercised by two Executive Directors along with a General Manager who is in charge of operations in Omagh where the mine, plant and administration employs 27 people. As stated in the press release dated August 7, 2007 Nicholas Hardie has assumed responsibilities as General Manager in Omagh, after M.J. Lavigne resigned as General Manager, VP and Director of the Company.

Key Performance Driver

The achievement of production and cash flow from profitably mining the deposits at Omagh.

1.2 OVERALL PERFORMANCE

After commencing site preparation in 2005 and completing the major part of plant construction and site works in 2006, the second quarter of 2007 saw continued work on commissioning the processing plant and completing construction of site facilities. The plant was commissioned as noted in the press release dated June 26, 2007 and work continues on streamlining the process. Work also continues on adding tailing cells, completing the laboratory, and on general site enhancement around the plant.

Plant commissioning was the main site activity in this quarter with a total of 231.6 wet tonnes of concentrate produced in the development period and 255.7 tonnes subsequent to the end of the quarter in the months of July and August.

Diamond drilling continued throughout the period with focus continuing on detailing the Kearney deposit and exploring the parallel Elkin deposit lying 500 meters to the east. A second drill rig continues on the Elkin deposit with a total of 4551.6 metres in 45 drill holes being completed since the resumption of drilling in 2006, details as tabulated:

	Kearney	Elkins	Kerr	Total
Holes Drilled 2006	7	7	1	15
Meters	456.2	422.5	96.5	975.2
Holes 1st Quarter 2007	7	3		10
Meters	898.9	149.0		1,047.9
Holes 2nd Quarter 2007	13	3		16
Meters	1674.7	304.0		1978.7
Subsequent Holes	4			4
Meters	549.8			549.8

Assay results :

Significant Intercepts for holes drilled during Q2

KEARNEY VEIN - CORE DRILLING RESULTS, July, 2007						
Hole ID	**From (m)**	**To (m)**	**Width (m)**	**Grade (g/t gold)**	**Grade (g/t silver)**	**Grade (% Lead)**
OM-DD-07-26	93.40	93.70	0.30	11.28	12.06	0.03
	113.40	114.95	1.55	2.40	<5	0.06

OM-DD-07-28	48.20	49.92	1.72	12.27	8.64	0.74
and	80.70	84.55	3.85	9.94	3.18	<.01
OM-DD-07-30	82.05	83.25	1.20	6.92	4.73	0.51
OM-DD-07-31	125.75	125.90	0.15	20.16	192.19	19.86
and	134.60	134.75	0.15	62.96	68.00	3.00
OM-DD-07-32	44.70	47.15	2.45	3.90	5.06	0.42
ELKINS VEIN - CORE DRILLING RESULTS, July, 2007						
Hole ID	**From (m)**	**To (m)**	**Width (m)**	**Grade (g/t gold)**	**Grade (g/t silver)**	**Grade (% Lead)**
OM-DD-07-25	29.50	29.76	0.26	17.60	19.26	2.58
and	50.90	51.22	0.32	3.23	<5	<.01
OM-DD-07-27	26.62	26.79	0.17	2.61	<5	<.01
and	39.30	39.70	0.40	4.24	<5	<.01
OM-DD-07-29	52.40	54.10	1.70	11.36	3.13	0.10
including	53.95	54.10	0.15	101.76	35.58	0.29

1.3 SECOND QUARTER FINANCIAL RESULTS

Sales, all of jewellery, at $1,212 (June 30, 2006 - $11,047) were low reflecting the ongoing shortage of inventory as evidenced in the first quarter. This will prevail until a supply of certified Irish gold has been received with which to manufacture new jewellery.

Expenses charged development resulted in the Company incurring a loss of $135,118 in the quarter. This compares with a loss of $411,015 in the second quarter of 2006. The higher losses recorded twelve months ago reflected corporate costs (legal & audit, shareholder communications, accounting and general expenses) associated with listing the Company's shares for trading on AIM market, together with higher stock based compensation a year ago. Comprehensive loss from January1, 2003 amounted to $3,203,111.

At June 30, 2007, total assets were $17,941,523, up $1,186,275 from the end of the first quarter. This increase was mainly ($1,196,523) attributed to development expense deferred and partly ($234,009) to additions to plant and equipment which was offset by a decrease in current assets ($244,257).

Cash at the end of the quarter was $54,152 ($522,166 – end first quarter 2007), accounts receivable totaled $476,439 at the end of the quarter, as compared with $265,978 for the first quarter, the increase due to greater shipments of concentrate to Falconbridge as well as reflecting the timing of the VAT refund. Inventory at $112,847 and representing finished jewellery products and broken ore, up from the first quarter by $13,296. The non-cash item of future income tax credit of $213,366 remains unchanged.

Liabilities at $2,602,067 were up from the first quarter of $1,325,392 reflecting the cash position which varies significantly from quarter to quarter. These amounts are expected to be paid within terms as cash is generated from operations as the mine is commissioned and shipments of concentrate increase.

Expenses

Development expense in the quarter amounted to $135,853 as compared to $172,246 in the previous quarter and $417,785 in the second quarter of 2006. Specific items showing material variances quarter over quarter were:

- Shareholder communications and Public Relations cost $65,633 in the second quarter which was up marginally from the first quarter of $60,912, this is due to continuing attendance at trade shows in Canada and regular shareholder communications.

- Legal and audit fees were $14,172 down significantly from $35,876 in the first quarter when audited 2006 accounts were prepared.

- The foreign exchange gain of $57,669 is significant over the loss of $3,124 in the first quarter and reflects the fluctuation in the Sterling/Canadian dollar rate.

- Stock based compensation at $48,355 was up from $12,740 in the first quarter due to the granting of an additional 500,000 stock options along with prior options vesting.

1.4 RESULTS OF OPERATIONS

The Company's core business is gold mining, hitherto, its revenue has derived from the sale of gold jewellery. Sales remain minimal reflecting the depleted stock of certified Irish gold from the mine and this will prevail until new supplies of Galantas® jewellery are sold.

However, revenue from the sale of development concentrate to Falconbridge continued in the quarter amounting to $234,877 in US Funds which is accounted for in deferred and development costs as other income since the Company is not yet in commercial production. There have been 10 shipments in the quarter representing approximately 231.6 wet tonnes. Two shipments aggregating approximately 45.7 tonnes were shipped for specialist processing to return certified Irish gold as feedstock for the Galantas jewellery business. The first consignment of this gold, weighing approximately 2.3 kgs has been received back from the processor and is being refined. The remaining shipments were made to Falconbridge.

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

The Company has a relationship with UK Goldsmiths Group PLC whereby this quality retailer is expected to feature Galantas® products in a number of stores in its large UK chain.

1.5 SUMMARY OF QUARTERLY RESULTS

Revenues and net financial results are in Canadian dollars for the second quarter of 2007 and for all seven preceding quarters are summarized:

Quarter Ended	Total Revenue	Net Profit (Loss)	Net Profit (Loss) per share & per share diluted
June 30, 2007	1,212	(135,118)	0.00
March 31, 2007	1,355	(171,517)	0.00
December 31, 2006	15,363	188,323	0.00
September 30, 2006	15,673	(238,654)	0.00
June 30, 2006	11,047	(420,215)	0.00
March 31, 2006	3,845	(524,704)	0.00
December 31, 2005	8,771	498,346	0.01
September 30, 2005	7,909	134,265	0.00

Fluctuation in Total Revenue over the eight quarters reflected minimal sales of jewellery made intermittently largely via word of mouth advertising.

1.6 LIQUIDITY

As at June 30th, 2007, the Company's working capital was in a deficit of $872,952 which compared with a surplus of $86,799 at end of the first quarter and a deficit of $806,140 at 2006 year end. Subsequent cash infusions by related parties and other financing have been sourced along with increased shipments of concentrate are offsetting the deficiency. The mill is currently operating at a much more stable and consistent capacity generating necessary cash flow.

1.7 CAPITAL RESOURCES

As at June 30, 2007, the Company had capital requirements to repay, under existing agreements with Barclays Lease Finance including an additional advance in June of $424,870 for the purchase of mining equipment , excluding interest charges, for the next four years of $554,791 in 2008, $494,010 in 2009, $285,337 in 2010 and $92,964 in 2011.

In addition, a term loan of $533,325 (£250,000) for working capital use at an interest rate of 7.25% was taken from Allied Irish Banks in May, it is repayable over 3 years at a monthly payment of $17,310 (£7,743).

The company has no further commitments other than employment contracts with its 3 executive directors, which subsequent to quarter end one director, M.J. Lavigne, has resigned as stated in the press release August 7, 2007.

Financing Activities

Subsequent to quarter end Welsh Gold plc advanced the Company £250,000 at an interest rate of base rate plus 2%, under the same terms as the loan from AIB, save that a second charge has been granted compared to a first charge in the case of the AIB loan. Welsh Gold plc is a company controlled by the President of the Company.

As announced on August 17th, The Company has announced, subject to TSX Venture approval and completion of final documentation, the placing of 7,640,000 units, each unit priced at UK £0.10 and is comprised of one common share and one half warrant. Each full warrant will entitle the holder to purchase one common share within 12 months from closing at a price of UK£0.15. As of the date of this MD&A, the placing had not yet closed.

5,284,000 shares placed on March 2, 2007 became free trading on July 3, 2007

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet transactions.

1.9 RELATED PARTY TRANSACTIONS

The Company was charged $19,344 (June 30, 2006 - $24,926) for accounting and corporate secretarial services by companies associated to the corporate secretary of the Company. Accounts payable include $17,938 (June 30, 2006 - $12,494) owing to these companies. The services provided are ongoing and include book-keeping for the Canadian companies.

During the period, the Company paid or accrued to management in salary $134,160 (June 30, 2006 - $125,400). These amounts were capitalized to deferred development and exploration costs and were pursuant to ongoing executive contracts with the Executive Chairman, the President & CEO and Vice President/General Manager.

Directors fees of $18,500 (June 30, 2006 - $7,000) were paid or accrued during the period.

CUMULATIVE RESULTS OF OPERATIONS AND DEFICIT

Since development commenced on January 1, 2003, the Company has had sales of $497,045 resulting in a negative gross margin of $34,743. The majority of the sales were made as part of marketing trials on Galantas® jewellery products. Expenses in the same period have amounted to $4,249,551. An overall loss of $4,268,411 reduced to a loss of $3,203,111 after income tax recovery of $1,065,300. The deficit increased to $12,100,922 at the end of the period, up from $8,897,811 at the beginning of the development period.

SHARE CAPITAL

The Company is authorized to issue in series an unlimited number of common and preference shares. At the end of June 2007, a total of 167,535,855 shares had been issued, no change occurred during the quarter.

As of June 30, 2007, a total of 20,584,000 warrants were outstanding with expiry dates and exercise price noted in the following table:

Number of Warrants	Exercise Price ($)	Expiry Date
14,000,000	0.32	July 26, 2008
1,300,000	0.25	July 26, 2008
5,284,000	0.45	September 2, 2008

STOCK BASED COMPENSATION

As at the end of June 30, 2007, 3,600,000 options were outstanding, as follows:

Exercisable Options	Number of Options	Exercise Price (4)	Expiry Date
1,400,000	1,400,000	0.15	April 10, 2008
500,000	500,000	0.10	April 1, 2009
200,000	200,000	0.10	May 13, 2010
666,667	1,000,000	0.26	June 14, 2011
166,667	500,000	0.23	June 15, 2012

On June 15, 2007, 500,000 stock options were granted to an employee of the Company to purchase shares at a price of $0.23 per share until June 15, 2012. The options vest one-third upon grant, one-third on the first anniversary and one-third on the second anniversary of grant.

Subsequent to June 30, 2007, 500,000 stock options were exercised for total proceeds of $50,000 at an exercise price of $0.10 expiring April 1, 2009.

OTHER MD&A REQUIREMENTS

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

Expense Account	Second Quarter, 2007	Second Quarter, 2006
Consultants	132,408	53,809
Leases	10,908	153,375
Fuel	120,357	53,147
Wages	373,174	174,385
Interest	11,640	12,883
Travelling	32,103	41,699
Repairs & Maintenance	56,624	25,750
Construction	169,304	194,510
General	23,829	22,003
Amortization	209,770	75,785
Drilling	418,682	
Laboratory	9,775	
Other Income	(372,051)	

The materially higher costs that continued into the second quarter from the first quarter were from Consultants, Fuel, Wages, Repairs & Maintenance and Drilling all related to the transition of the project from early stage construction a year ago to commissioning in the second quarter, where a full complement of people and equipment were working.

The Other Income reflects the shipment of concentrate to Falconbridge.

General , Administration and Other costs were:

	Second Quarter, 2007		Second Quarter, 2006	
	$	%	$	%
Accounting & Corporate	7,803	5.5	10,575	3.0
Consulting Fees		0.0	14,007	4.0
Legal & Audit	14,172	9.9	123,176	35.0
Operating Expenses	30,387	21.2	26,407	7.5
Shareholder Communications	65,633	45.9	172,261	49.0
Transfer Agent	10,071	7.0	11,419	3.2
General Office	15,079	10.5	(6,325)	(1.8)

The significant decrease in costs is largely attributable to the share offering completed last year which incurred legal and shareholder communication expenses.

Changes in Accounting Policies Including Initial Adoption

The Company adopted Accounting Guideline 11 – Enterprises in the Development Stage – as of January1, 2006. The Company is currently assessing the impact of certain new accounting standards relating to Capital Disclosures and Financial Instruments – Disclosures and Presentation, prior to their taking effect on January 1, 2008.

TRENDS AFFECTING THE COMPANY'S BUSINESS

Metal prices remain strong after the long period of weakness which ended approximately two years ago. The sustained price recovery is attributable largely to increased metal consumption in the Far East, most notably China and India, both of which are experiencing raid growth in their economies. Thus, the fundamentals of the metal business are once again favourable for capitalizing new mines and investors have returned to the mineral resource sector.

For junior resource companies like Galantas, there has been selective enhancement in market valuation and it has been possible to raise money from the public for mining and exploration ventures. However, markets are always uncertain and careful management of the Company's cash continues to be the guiding principle for Galantas.

In Northern Ireland, the widely acknowledged political agreement has consolidated the positive financial effects of peace and stability in the province.

RISKS AND UNCERTAINTIES

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

1. Ore Reserves Tonnage and grade of ore may be lower than anticipated. The Kearney deposit along strike and to depth has been proven within the confines of the initial open pit and indicated well beyond. Nevertheless, the ore is variable in detail and it may prove difficult or if not impossible to mine at a consistent grade and supply the plant with sufficient ore regularly into the future. The Company has commissioned an independent re-assessment of it reserves and resources and a report is anticipated in the fourth quarter of 2007.

2. Mineral Processing The plant may not perform to design and, whilst improving, still has not completely done so. Ore from the Kearney deposit has been subjected to metallurgical trial including pilot plant studies in reputable laboratories by the Company. The previous owner, Rio Tinto, did mineralogical and bench scale metallurgical studies. The flow sheet is simple and the equipment in the plant is industry standard. Nevertheless, scale-up to sustainable commercial production may introduce unforeseen technical problems. Efforts to foresee such problems and ameliorate them have been made and an internal metallurgical audit assisted by independent professionals was carried out in advance of commissioning and production. The study concluded that, "The process selected is in accordance with the results of test work and would be expected to produce satisfactory results technically but there are mechanical and electrical concerns regarding the capability of the facility to maintain a high degree of operating time". This is primarily due to lack of spare capacity, particularly of pumps. Management considered that this situation is manageable with the addition of extra pump capacity which has been implemented. A number of modifications to equipment and operating practices have been made and have resulted in improvements in comminution section throughput. External consultants were engaged to assist in commissioning. While marked improvement was noticed subsequent to the end of the quarter, its continuation cannot yet be guaranteed. Therefore there is risk to 2007 cash flow and to the capital budget.

3. Environmental The project was subject to one of Ireland's lengthiest public enquiries whereat its design and operating fundamentals were challenged and defended to the satisfaction of the independent assessors and industry experts representing regulators and the Company. In

operation, the facilities will be subject to self monitoring and strict independent monitoring. One of managements priorities has been to establish and maintain a culture of environmental care on the site with the object of preventing accidents. It is disappointing that a second accident involving a contractor on site whereby natural silt bearing water mistakenly crossed the road adjacent to the property during drilling. While the incident caused no environmental damage it is nonetheless under review and may be subject to fines and/or penalties. Subsequently the new General Manager has stepped in with a clear brief to place greater emphasis on controlling all work on site.

4. Permitting The Company has comprehensive permission to carry out its activities. Overall consents were granted in 2000 after an exhaustive public inquiry and fulfillment of more than 30 pre-conditions which attached to the provisional consent granted in 1995. Remaining consents required – building regulations, archaeological supervision of excavation which is mandatory throughout Ireland, compliance with IPPC regulations – relate to operating procedures and are being addressed with the relevant authorities as the project develops. Nevertheless, as in all jurisdictions, regulatory provisions are subject to change and the Company may be faced with additional constraints in the future.

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

6. Political Northern Ireland has achieved a stable political status conducive to business as is evidenced by the relatively large amounts of inward investment that the province has enjoyed over the past decade. The mine is well removed from areas of potential urban disturbance.

7. Financial The risk is that additional funds, if required, may not be available. In spite of recent private placements, the Company still may not have sufficient capital to enable the Kearney mine to be brought to full production and any further slippage in production will result in a cash shortage. Steps have been taken aimed at having additional working capital available if required. An initial assessment indicates that both debt and equity funding may be available, but there is always uncertainty about financings until they are completed.

8. Revenue The Company has contracted sale of its concentrate to Falconbridge. 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. This will become clearer as additional shipments are made this year and close contact with the smelter is maintained.

9. Currency Fluctuations/Bullion Price Most of the costs to the company are incurred in British Pounds Sterling. Gold price expressed in Sterling is within approximately 15% of 5 year highs and may stay such or remain on a rising trend. There is risk that this trend may reverse and reduce Sterling income. Inflation is widely viewed as a threat in the United Kingdom and elsewhere and this is cause for concern. Results are published in Canadian dollars and there is therefore a currency risk. The Company's policy is to not sell forward its bullion.

10. Construction and Development The project has taken longer to build than forecast with increased cost and deferment of future revenue. This risk is particularly acute for a new and relatively small project such as Galantas is building in Northern Ireland where there is no mining history. One is mindful that there has already been serious slippage from schedule and it cannot be ruled out that further slippage may occur given that there are uncertainties connected with factors such as the detail of environmental compliance measures, geological conditions, contractor performance, materials availability and actual outturn costs.

11. Personnel Notwithstanding the relatively small scale of the Kearney mine, a level of expertise is required in the mine, plant and ancillary activities including geology and accounting. With the world experiencing a high level of minerals industry activity, the Company foresees difficulties in recruiting additional qualified people. Already, the Company was short a geologist for most of the prior summer and this has caused delays in logging and sampling drill cores. While a geologist is now engaged, the general shortage of skilled people may well prevail for some time to come and the risk is that costs, operations, future expansion and indeed excellence may be impacted negatively.