GALANTAS GOLD CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
Year ended December 31, 2006

This document, dated April 26, 2007, constitutes management's discussion and analysis (MD&A) of the financial and operational results of Galantas Gold Corporation (the Company) for the 12 months ending December 31, 2006. The MD&A, to be read in conjunction with the audited financial statements for the same period, does not form part of these financial statements. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles (GAAP). The MD&A was approved by the Company's audit committee on April 26, 2007.

FORWARD LOOKING STATEMENTS

The information in the MD&A contains forward looking statements, including statements regarding anticipated operational and financial performance. Such statements are not guarantees of the Company's 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 statement contained herein.

OVERVIEW – STRATEGY, DESCRIPTION OF BUSINESS

Galantas Gold Corporation is a development stage mineral resource company and the first to acquire and the only company to hold 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 consents 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 is to:

- Develop and operate a 150 tonnes per day open pit mine and processing plant on its Kearney deposit,
- 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.

Omagh Minerals Limited is moving towards full production of its open pit mine on proven reserves in the Kearney deposit. Plant, mine and infrastructure construction has been the focus to date. However, diamond drilling with one machine started early in the year aimed at expanding resources within the Kearney Mine deposit. Drilling also got underway to investigate the neighbouring "Elkin Vein". Once full production has been achieved, exploration will be expanded, initially targeted on the 15 known gold occurrences in the Kearney Vein Swarm and the more than 30 occurrences known elsewhere on the 189 square kilometre licence as well as, potentially, other prospective areas outside the present licence.

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 are found 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 metres of glacial and recent overburden and are open to depth and usually along the strike. The Kearney deposit is to be mined first. This steeply dipping deposit is some 850 metres long and, in its southern stripped portion, an average of 4.3 metres wide. It has been drilled with 40 diamond drill holes to a depth of 137 metres and was intersected in one hole at a depth of 300 metres. Below the average 3 metres of overburden, a 359 metres long section at the southern end of the deposit had been 88 % exposed and sampled in detail at surface in the late 1980’s by Rio Tinto (212 metres) and in 1991 by Omagh Minerals (103 metres). These results together with drilling data were used in the Howe Report to calculate reserves and resources. These calculations have not been updated with results obtained in 2006, although such update is committed for later in 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 per tonne of gold plus (ii) probable ore reserves of 185,830 tonnes at a grade of 7.68 grams per tonne of gold; plus (iii) an indicated resource of 1,183,680 tonnes at a grade of 7.02 grams per tonne of gold. All of the above reserves and resources have been calculated using a cut-off grade of 1.0 gram per tonne gold and a cut-off width of 0.5 metres. The proven and probable reserves are contained within the open pit, the “Kearney Pit”, currently being developed. The indicated resource extends from the bottom of the Kearney Pit at 37 metres vertical depth to a vertical depth of 137 metres. The deposit remains open below this depth.

Additional to the reserves and resources on the Kearney Deposit, the Howe Report confirmed indicated and inferred resources in other deposits within the Company’s mining licence, summarised as follows at a cut-off grade of 1.0 gram per tonne gold and a cut-off width of 0.5 metres:

Indicated Resource (Tonnes)	Grade (g/t Au)	Contained Gold (Grams Au)	Inferred Resource (Tonnes)	Grade (g/t Au)	Contained Gold (Grams Au)
328,820	6.72	2.208,530	135,500	4.68	634,643

These estimates of mineral reserves and resources were included the Howe Report. 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 NI 43-101 technical report has been commissioned for delivery by the end of the third quarter of 2007.

The estimate contained in the Howe Report was carried out to the standards of the Joint Committee of the Australasian Mining Industry Council code (JORC). A reconciliation to the mineral resource and mineral reserve categories as set out in National Instrument 43-101 was included with the Howe Report.

The Howe Report describes in Section 12 a mining trial on proven reserves that produced four selectively mined samples weighing 101.4 tonnes returning an average gold grade of 53.41 grams per tonne. The difference between this and the reserve grade is attributed to a) selectivity used in the mining trial, b) dilution inbuilt into 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 irregular 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 20 grams per tonne gold.

In addition, channel sampling within 2 segments aggregating 150 metres within the southern portion of the Kearney vein was carried out by independent geologists to obtain an estimate in that area of the mining grade that can be sustained in keeping with selective mining. The assay results, combined with those from 124 samples earlier taken by the Company showed a weighted undiluted average grade at a cut-off grade of

3.0 g/t gold for individual veins of 16.25 g/t gold. Detail of this sampling is contained within the press release dated September 22nd, 2006.

Exploration Targets

The Howe Report describes 53 targets selected from integration of geological, geochemical and geophysical data over the approximate 20 kilometre length and 6 kilometre breadth of the Dalradian inlier. The targets were grouped on a priority of 1 to 10, scores reflecting technical merit, ie the likelihood of their hosting additional gold resources. Eight veins around the Kearney Vein were classified as very high priority resource augmentation targets with scores of 9 and 10. These exhibit high grade channel and/or drill intercepts and already have resources (1995 and 2004) and/or reserves (1995). Eight veins not drilled, or drilled with lower grades, have target scores of 5 to 8. The remaining 37 targets comprise one scoring 6, 6 scoring 5, 4 scoring 4, 11 scoring 2, and 7 scoring 1.

Howe considered targets scoring 3 to 8 to present some excellent opportunities for new discoveries on or near known veins in the Kearney Vein Swarm and elsewhere on the prospecting licence. Howe considered it likely that aggressive exploration will add substantially to the reserves and resources and that veins similar to Kearney may lie undiscovered. Howe considered that the relatively high grades and widths and continuity of the deposits with known reserves and resources indicate the potential for underground production in future.

Initial Mining Project

The project embraces an open pit mine capable of supplying a crushing-grinding-froth flotation plant with a capacity of 150 tonnes per day. The plant is designed to produce a gold- and silver-rich sulphide flotation concentrate for sale to a smelter. Whilst still in commissioning, on February 15th, 2007, the Company announced the first shipment of concentrate to a Canadian smelter owned by Falconbridge Ltd., subsidiary of Xstrata plc. Plant commissioning continues.

A gravity section which remains to be completed, is expected to recover a small amount of the free gold, possibly around 4%, as certified Irish gold for feedstock for *Galantas*® jewellery. Site 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 site working places. This is described in “Technical Report(s)” filed on www.SEDAR.com on March 29th, 2006.

Galantas Irish Gold Limited

Galantas Irish Gold has carried out market trials wherein jewellery to the value of $690,928 has been sold through retailers in Ireland and direct via the company’s e-commerce enabled website www.galantas.com. ($45,928 of the sales were made in 2006. Manufacturing and distribution systems and an initial retailer network in Ireland are in place and the business awaits production of Irish gold in 2007 to enable the start of regular commercial activity.

Management and Staff

There were no changes in the Directors of the Company. There continues to be three executive Directors. Vice President, Mr M. J. Lavigne, is General Manager with responsibility for the site in Omagh where the mine, processing plant and administration employs 20 people.

Key Performance Driver

Given that the Company is still in the late stages of construction and commissioning of a mine and processing plant, there remains one key performance driver – the achievement of production and cash flow from the gold deposits at Omagh.

1.1 Date

This MD&A was prepared on April 26, 2007

1.2 Overall Performance

Mine Construction

After purchase of mining and metallurgical equipment and commencement of site stripping in mid-2005, the focus of work during 2006 was on constructing the processing plant and establishing infrastructure necessary to achieve production. Access roads, waste storage facilities including modified paste cell repositories, a recirculation pond, and drainage channels for site water control were brought to an advanced state and the processing plant was assembled in a building constructed on the site and by year-end, was nearing readiness for commissioning. This has been carried out intermittently subsequent to the year-end and still continues, producing small amounts of concentrate for sale.

Construction progress suffered from a series of delays when compared with the original plan and forecasts made in a press release entitled, "Operational Update", on June 26th and re-iterated in page 5 of the June 30th MD&A.

The shortfall from plan and forecast is the result of a number of causes. Significant delays were incurred early in the project, in 2005 and early 2006, due to more stringent regulatory requirements related to archaeological supervision of overburden excavation, In particular, this restricted the movement of peat deposits on the property during the optimum summer season for handling such material. The difficulties with moving saturated peat were under-estimated by management and this was made worse by having to do so in inclement weather. Equipment delivery delays were notable as was the performance of certain specialist contractors. Earlier delays impacted construction, especially site preparation, in the last half of the year as weather conditions deteriorated. Subsequent to the end of the period, in January 2007, commissioning did get underway and has continued in an intermittent manner due to the slow completion and modification of certain items of plant and the laboratory. At the time of writing in mid-April, 2007, some progress toward production has been made as announced on April 18th. It was noted in a press release dated January 8th that "operations would be irregular and slow" and such has proved to be the case. Production rates are expected to improve over the next two months, but this expectation carries risk due to the fact that items of plant have not yet performed at rated capacity. As a consequence, it is noted that it is still not possible to forecast the date of commencement of regular plant operation.

An internal audit of the processing plant was carried out in November, 2006, assisted by professional external metallurgical engineers, GBM Minerals engineering Consultants Ltd. The main conclusion was that the plant was in accordance with results of test work and could be expected to produce satisfactory results technically, but there were concerns expressed about the ability of the plant to maintain a high degree of operating time, largely due to lack of duplicates including pumps. Since then, expenditures have included capital items to provide for duplication of some systems, particularly pumps. As a subsequent event, in mid-April, the external metallurgical engineers were engaged again to assist with final commissioning.

The Kearney vein has been exposed for approximately 390 metres of its length and wall rocks stripped back enough to enable initial mining to take place. This has been restricted during plant commissioning to extracting ore intermittently along the vein so as to prepare the working surface for detailed pre-production sampling and regular mining.

Exploration

Diamond drilling was carried out in the period with two main objectives – definition drilling on the Kearney Deposit mainly within the mining envelope, and sampling the Elkin Vein, parallel to and 500 metres separated from Kearney, to assess its suitability, subject to planning consent, for a further open pit mine. Seven holes were drilled in each target, aggregating 546.2 metres in Kearney and 422.5 metres in

Elkin. Results are reported in press releases dated December 12th, 2006 and 30th January, 2007. Earlier drilling included sterilisation drilling related to site facilities, and to testing one geophysical anomaly, neither intersecting ore or potential ore.

Subsequent to the end of the period, a further seven infill holes were completed in Kearney for a total of 898.9 metres, and 4 holes into Elkin for a total of 269 metres. Sampling results are awaited. Drilling continues.

Channel Sampling was carried out on parts of the southern portion of the Kearney deposit, and extended into areas historically sampled by Rio Tinto. The strike length sampled aggregated 150 metres. The purpose of the sampling was to assist in estimating the mining grade that could be sustained in keeping with the selective mining that will be practised.

A total of 119 channel samples was taken and assayed at OMAC Laboratories in Galway, Ireland, (an independent, certified CCRMP laboratory) for gold by fire assay and a suite of other elements by ICP-ORE. The assay results were reported in the above referenced press release dated September 22nd, 2006. These assay results, combined with those from 124 samples earlier taken by the Company and reported on in a press release dated March 17th, 2006, showed a weighted undiluted average grade at a cut-off grade of 3.0 g/t gold for individual veins of 16.25 g/t gold. These results are interim as the programme is continuing as mining gets underway

1.3 Selected Annual Information

	2006	**2005**	**2004**
Revenue	**45,928**	**47,804**	**175,831**
Loss before tax	**(1,290,750)**	**(808,232)**	**(1,186,652)**
Future tax recovery	**295,500**	**769,800**	**nil**
Net Income(loss)	**(995,250)**	**(38,432)**	**(1,186,652)**
Basic & Diluted loss/share	**(0.01)**	**(0.00)**	**(0.01)**
Total Assets	**15,559,278**	**9,355,408**	**5,575,356**
Total Liabilities	**2,132,980**	**921,759**	**571,616**
Long-term portion	**379,773**	**271,664**	**nil**

Revenues, solely deriving from sales of jewellery from inventory, have declined as inventory has become depleted. The precipitate fall in 2005 reflected the discontinuation of advertising after 2004 upon inventory depletion.

Higher before-tax losses in 2004 and 2006 reflected larger overhead levels in 2004 when a Vancouver office was maintained and subsequently discontinued, and in 2006 high legal, accounting and related expenses were incurred with having the Company's shares listed for trading on the London Stock Exchange's AIM market.

Assets increased over the 3 years in line with acquisition of mining plant and equipment and, in May of 2006, the purchase of 6.12 hectares (15.12 acres) of additional freehold land at the mine site in Northern Ireland. The purchase price inclusive of duty, tax, and registration charges was $781,182. The property adjoins the north side of the land parcel aleady owned by the Company, and contains the Elkin Vein which had a calculated resource (see reference 1., page 1.) and is being diamond drilled at the present. Liabilities reflected mainly those incurred in the normal course of business, the large amount in 2006 reflecting trade creditors having accumulated expenses until completion of phases of work. Long-term debt in 2005 and 2006 relates to equipment backed "lease purchase" loans from Barclays Lease Finance.

1.4 Results of Operations

The Company's core business is gold mining. Its only source of revenue is from sales of gold jewellery which have been possible with test market products made from gold from earlier mined "bulk samples" from the Kearney deposit. Sales have dwindled over the past several quarters and amounted to $15,363 in the quarter ending December 31st. This compares with $15,673 in the previous quarter. Continuing low sales are from inventory, now largely depleted, of finished jewellery products. This situation will continue until supplies of certified Irish gold become available later after the start of mine production followed by production of certified Irish gold for the manufacture of new inventory.

It was announced on April 20th that discussions were well advanced with the UK's Goldsmiths Group plc whereby this large high-quality jewellery retailer would have *Galantas*® jewellery products available for sale in certain of its UK stores.

1.5 Summary of Quarterly Results

Revenues and net financial results in Canadian dollars for the fourth quarter of 2006 and for the seven preceding quarters are summarised:

Quarter ended	Revenue	Net Profit/(loss)	Per Share Diluted/Undiluted
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	3,775	498,346	0.01
September 30, 2005	7,909	134,265	0.00
June 30, 2005	15,623	(519,016)	(0.01)
March 31, 2005	20,497	(152,027)	0.00

Revenues derived solely from word of mouth sales of a largely depleted inventory of *Galantas*® jewellery products which had been created to enable the market trial carried out mainly over the past 3 years.

1.6 Liquidity and 1.7 Capital Resources

As with all exploration and development stage companies, Galantas relies on cash reserves, borrowing ability, and sale of equity as required to fund its activities. Being in the midst of developing a mine and processing plant on its project in Omagh, the Company has been successful in private placings of equity, as detailed below, and in arranging debt finance to assist in capital equipment purchase and subsequent to the end of the year a further loan for general working capital purposes. In addition, a small amount of cash (($45,928) been provided in the year from sales of jewellery.

On December 31, 2006, the Company had a working capital deficiency of $806,140 as compared with positive $1,020,880 at the end of 2005. The deficit at year end was due to the costs incurred in the construction of the infrastructure for the mine and plant. Proceeds of a private placement early in 2007, detailed elsewhere, were received and applied in large part to settle with contractor creditors. Cash at the end of the period was $234,909, compared with $1,121,985 at the end of 2005, the decline reflecting use of cash to capitalising the mine and plant.

Subsequent to year-end, plant commissioning has haltingly got underway and at the time of preparation of this report, timing of start of regular production remains uncertain. Whilst plant commissioning has produced and should produce gradually increasing amounts of saleable concentrate, it may become necessary to raise additional funds prior to profitable production, particularly to be applied to increasing the pace of the diamond drilling campaign. These funds could come in part from borrowing against land and other assets and in part from additional sale of equity. At present there are no specific plans for such capital raising.

The Company's main cash requirements are in respect of:

1. accounts payable in the normal course of business, including corporate overheads;
2. residual amounts to be funded to complete constructing the mine at Omagh;

3. repayment of loans incurred against processing and mining equipment, as detailed elsewhere.

The Company has no further capital commitments.

1.8 Off-Balance Sheet Arrangements

There are no off-balance sheet transactions at either the parent company or subsidiary level.

1.9 Related Party Transactions

The Company was charged $45,296 (2005 - $35,183) for the provision of accounting and corporate secretarial services provided by companies associated to the Corporate Secretary. Accounts payable includes $5,568 (2005 - $4,505) owing to these companies. Provision of the services continues on a month to month basis.

The Executive Chairman, the President/Chief Executive Officer, and the Vice President have each been compensated £40,000 during the year for their services which are in essence applied in executive capacity to developing the gold mine at Omagh and in managing the Company's corporate affairs. Their compensation has been capitalised to deferred development costs. The provision of the services is governed by contract.

Non-executive directors were paid $25,250 in 2006 and $28,500 in 2005.

There were no other related party transactions.

1.10 Fourth Quarter

Sales of jewellery were $15,363 compared with $15,673 in the 3rd quarter and $45,928 in the year.

Expenses were $123,973 or $41,324 per month in the quarter. This compared with $252,304 or $84,101 per month in the previous quarter and with $1,330,188 or $110,849 per month in the year. The decline in the second half of the year reflected normal operations; earlier in the year payments included extraordinary legal and accounting costs associated with the listing of the Company's shares of the LSE's AIM market.

As at December 31st, the Company had total assets of $15,559,278. This was an increase of $911,340 over assets at the 3rd quarter, the increase representing acquisition of plant and equipment. The main net additions to assets were deferred development costs ($7,542,920, up $1,254,482 in the quarter), property, plant and equipment ($6,110,357, up $861,984 from the previous quarter) reflecting mainly additions to mining and processing equipment purchased as the project develops.

Accounts receivable at $397,953 compared with $144,727 a year ago, the increase reflecting timing differences of VAT refund. Inventory representing a combination of finished jewellery products and broken ore at $100,839 was similar to the position a year ago ($101,363).

Liabilities included $1,499,678 of accounts payable which compared with $297,785 a year ago. The increase reflected delayed paying of invoices of project expenses, mainly incurred by contractors. The level of these expenses was high in the period due to site activity intensifying as the processing plant was being installed and connected. The current portion of the financing facilities discussed below was $253,529 at the quarter end compared with $99,207 a year ago. The increase reflected the impact of the second Barclays "lease purchase" loan put in place in 2006.

EXPENSES

Expenses were $230,973 in the fourth quarter, as compared with $252,304 in the previous quarter. Specific items showing material variance in the quarter from a year ago are -

- Consulting fees were negative $7757, reflecting reallocating the cost of metallurgical consultancy to operating expense.
- There was a foreign exchange gain of $67,271 as compared with a loss of $93,784 in the third quarter and $76,248 for the year. Expenses incurred in British pounds have cost more Canadian dollars given that currency's strength.
- Legal and audit fees at $36,990 for the fourth quarter compared with $6,325 in the previous quarter and $223,749 for the year. The increased annual expense related to the cost of the AIM listing. The fourth quarter expense reflected delayed invoicing from earlier in the year from the Company's legal advisors.
- Management fees were nil in both the quarter and year as opposed to $164,000 in 2005 reflecting termination payments, now expired, with the former president.
- Shareholder communications and public relations cost $55,911 in the quarter as compared with $64,137 in the previous quarter. The expense represents contractual arrangements with an IR firm as required for the introduction to AIM as well as the Company's attendance at 3 trade shows including the annual PDAC. The expenditure for the year at $568,121 included extraordinary expenditures connected with the AIM listing.
- Transfer Agent fees were $3,466 in the quarter, as compared with $4,782 in the previous quarter and $25,202 in the year, the higher annual figure representing the cost of issue of stock upon private placements.
- Travel and general office expenses were $5,476 in the fourth quarter, compared with $23,130 in the previous quarter and $59,954 in the year.
- The non-cash item of stock-based compensation added $13.032 to expenses in the quarter, as compared with $15,638 for the previous quarter and $192,327 for the year. The item reflects the non-cash cost to the company of the granting of employee incentive options.

1.11 Proposed Transactions

Other than a jewellery offtake agreement as noted above, the Company has no proposed transactions.

1.12 Critical Accounting Estimates

The Company did not rely on any critical accounting estimates.

1.13 Changes in Accounting Policies Including Initial Adoption

The Company adopted Accounting Guideline 11 – Enterprises in the Development Stage – as of January 1, 2006, once formal development commenced at the Omagh site.

1.14 Financial Instruments and Other Instruments

On July 28th, 2006, the Company announced the closing of a private placement for gross proceeds of $3,500,000. Pursuant to the terms of the offering, Galantas issued 14,000,000 Units at the price of $0.25 per Unit, including 2,000,000 Units for subscribers specifically identified by Galantas, (the "President's List"). Each Unit consisted of one common share of Galantas and one common share purchase warrant, each warrant entitling the purchaser to purchase one common share at a price of $0.32 per share at any time until July 26, 2008. An application has been made to admit any new shares issued under the placing to trading on AIM on the same day that they become eligible for trading on the TSX Venture Exchange.

Total costs of the share issue were $331,928 or 9.5% of the gross proceeds. Union Securities Ltd., acting as agent, was paid a cash fee of $240,000 representing 8% commission based on units sold under the offering, plus $20,000 representing 4% in cash for units sold pursuant to the President's List. Other costs amounting to $71,928 associated directly with the issue were mainly to defer the costs of Union Securities' due diligence. In addition to the cash costs associated to the private placement, Galantas issued to the agent 1,300,000 compensation options equal to 10% of all Units sold and 5% of all units sold pursuant to the President's List. Each Agent's Compensation Option entitles the Agent to purchase one Unit of Galantas at

$0.25 per unit at any time prior to July 26, 2008 at the price of $0.25 per unit. The funds were used to purchase the land referred to in the Company's last MD&A and in a press release dated May 25th, 2006,($793,744) and items of plant and equipment ($115,036), fund exploration, mainly diamond drilling prior to project cash flow ($400,000), and provide working capital of $2,046,256 to fund construction.

Corporate and Project fund raising had started in mid-2005 when the Company initiated project development. Ongoing development has been financed, prior to the August 2006 private placing, in the following manner:

- Sale of equity completed March, April and May of 2005, providing cash net of fees of $3,279,283.
- Equipment lease financing from Barclay's Asset Finance, $470,000 in April, 2005 and $359,252 in March, 2006.
- Exercising of warrants in March and April 2006, providing $2,627,500.

In addition in 2005, sales of jewellery provided cash of $47,804 and in 2006, $45,928. Sales have been in decline since early 2005, as jewellery inventory has become depleted.

Subsequent Events

1. On February 12, 2007, 4,400,000 stock options were exercised by Directors and Officers and a Consultant of the Company. Exercise prices were from $0.10 to $0.15 per share and total proceeds were $540,000.
2. On March 2, 2007, the Company announced a private placing of 5,284,000 units with the UK's Gartmore Irish Fund. Each unit was priced at $0.325 and comprises one common share and one warrant. Each warrant entitles the holder to purchase one common share within 18 months from closing at a price of $0.45. Gross funds raised by the placing are $1,717,300. An arrangement fee of 5% is payable to Lewis Charles Securities, the Company's London broker. The placing shares were subject to a 4 month hold period which expires on July 3rd, 2007. The warrants are exercisable up until September 3rd, 2008.
3. On February 13th, 2007, the Company announced that it was arranging, on behalf of its wholly owned subsidiary, Omagh Minerals Limited, a £250,000 loan facility repayable over 3 years at an interest rate of 5.25%. The facility is provided by First Trust Bank in Northern Ireland. Draw downs will be made in the near future.

Commitments

Two "Lease Purchase" loans extended by Barclays Asset Finance have time limited repayment provisions as tabled below. At current exchange rate of $2.1 CDN to the British pound, the blended monthly payment until April, 2009, is $22,830 and thereafter until June, 2010, $10,650. Both loans provide for the assets to be purchased at the end of the term for nominal consideration.

Loan	Date	Repayment Terms
$555,000 (£238,700) Mining Fleet	May 19, 2005	48 monthly payments of £5,071 from 18 June, 2005 to 18 June, 2010
$365,400 (£180,000) Mill Equipment	Mar. 17, 2006	36 monthly payments of £5,578 from 15 April, 2006 to 15 April, 2009

CUMULATIVE RESULTS OF OPERATIONS AND DEFICIT

Since development commenced on January 1, 2003, the company has had sales of $494,478 resulting in a negative gross margin of $36,018, which reduced to negative $20,324 after interest income of $15,694. All the sales were made as part of marketing trials of *Galantas*® jewellery products. Expenses in the same period have amounted to $3,941,452, resulting in a before tax loss of $3,961,776 which is reduced to a loss of $2,896,476 after future income tax recovery of $1,065,300. Deficit increased to $11,794,287 at the end of the period, up $2,896,476 from $8,897,811 at the beginning of the developmental period.

CAPITAL EXPENDITURE

Property, plant and equipment were purchased for $861,984 in the quarter, as compared with $908,780 in the prior quarter and $3,207,192 in the year. These expenditures were for various items connected with the development of the project and consisted mainly of costs related to the processing plant at Omagh.

Deferred development costs capitalised amounted to $7,542,920 on December 31st, 2006, up from $4,314,368 at the end of December, 2005 and up from $6,288,438 in the 3rd quarter of 2006. The capital additions were all related to construction of the mine at Omagh. Notable items included in deferred development cost were –

- wages at $309,604 in the quarter ($888,833 in the year) which was up from $214,699 in the previous quarter reflecting intensifying development on the site;
- construction at $330,463 ($686,176 in the year) compared with $109,412 in the previous quarter, all due to work related to construction of the processing plant, tailings facilities and mining preparation. The higher cost in the 4th quarter reflected the higher level of construction activity.
- diamond drilling on which $180,665 was expended in the year;
- consultants at $51,728 ($235,254 in the year) which was equivalent to the previous quarter and largely attributed to the employment of executive directors whose time is devoted to the project;
- fuel at $75,420 ($204,698 in the year), up from $48,837 in the previous quarter, reflecting increased activity in site clearance and mining;
- repairs and maintenance at $100,477 ($222,770 in the year) compared with $49,711 in the previous quarter, the increase due to modifications and repairs to crushing equipment;
- travelling at $34.723 ($161,097 in the year) compared with $57,698 in the previous quarter;
- general expenses at $29,704 in the quarter (86,646 in the year), in line with 3rd quarter expense of $20,205;
- laboratory expenses of $23,587, began to be incurred in the quarter as the facility was nearing commissioning.

SHARE CAPITAL

The Company is authorised to issue in series an unlimited number of common and preference shares. At the end of December, 2006, 157,851,855 shares had been issued, unchanged from the previous quarter. The 157,851,855 shares on issue at the end of September, 2006, compared with 143,851,855 issued at the end of June, 2006. As of September 30, 2006, at total of 15,300,000 warrants remained outstanding, 14,000,000 exercisable at $0.32 on July 26, 2008, and 1,300,000 exercisable at $0.25 on the same date, both relating to the private placement made in the third quarter of 2006.

STOCK BASED COMPENSATION

The Company had 7,500,000 options outstanding to directors, employees, certain consultants and contractors at exercise prices ranging from 10 cents per share up to 26 cents per share with a weighted average price of $0.14 per share. Details of all options outstanding as at December 31st, 2006, are:

Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
1,500,000	1,500,000	0.12	May 17, 2007
2,800,000	2,800,000	0.15	April 10, 2008
2,000,000	2,000,000	0.10	April 1, 2009
133,334	200,000	0.10	May 13,2010
333,334	1,000,000	0.26	June 14, 2011
6,766,668	7,500,000		

Subsequent Event

On February 12th, 2007, 4,400,000 options with an exercise price ranging from $0.10 up to $0.15 per share were exercised by directors, officers and a consultant for gross proceeds of $540,000.

TRENDS AFFECTING THE COMPANY'S BUSINESS

Metal prices continued strong after the long period of price weakness which ended starting approximately 2 years ago. The sustained price recovery is thought largely due to increasing metal consumption in countries of the Far East, most notably China and India, both of which are experiencing rapid growth in manufacturing and exports. Thus, the fundamentals of the metals business are once again favourable for capitalising new mines and investors have returned to the mineral sector, particularly to large public companies.

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 peace has held and the climate for investment remains positive.

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 a mine being developed to provide a reliable supply of certified Irish gold.

The Company has assessed the risks surrounding its businesses. 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. <u>Ore Reserves</u> 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 its reserves and resources and a report is anticipated towards the end of the third quarter 2007.
2. <u>Mineral Processing</u> The plant may not perform to design, and in commissioning to date, has not done so in part. Ore from the Kearney deposit has been subjected to metallurgical trials 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 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 considers that this situation is manageable with the additions of extra pump capacity which has been implemented. Nonetheless, the plant has failed to produce to rated capacity to date (mid-April) and there is no reliable estimate as to when it will. 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 management's priorities has been to establish and maintain a culture of environmental care on the site with the object of preventing accidents. Such, however, cannot be ruled out as was evidenced by an incident on the 27th of January, 2007, when a small discharge of natural silt bearing water was mistakenly made during surface works. While the incident caused no environmental damage and incurred no penalties, it has prompted a review of site procedures to minimise the chances of similare incidents recurring.
4. Permitting The company has comprehensive permission to carry out its activities. Overall consents were granted in 2000 after an exhaustive public inquiry and fulfilment 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 future.
5. Title The Company owns the land in secure freehold on which the project is located. Precious metals licences and mining leases 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 Department 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 paid 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 on the Company.
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. With the recent private placement, the company believes that it has sufficient capital to enable the Kearney mine to be brought to initial production this year. Nonetheless, any further slippage in start-up/commissioning will result in a cash shortage. Steps have been taken aimed at having additional working capital available if required. At the time of writing, and due to delays in achieving profitable production, it is uncertain whether or not additional funds will be required this year. An assessment indicates that both debt and equity funding may be available, but this is not certain.
8. Revenue The Company has contracted sale of its concentrate to Falconbridge. Whilst the payments 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 more clear 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. At the date of this report, the plant is still in an early stage of commissioning due to various equipment problems and delays in delivery of capital items.

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 summer and this has caused a delay 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.