

**GALWAY RESOURCES LTD.**  
(A Development Stage Company)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010**

## **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Galway Resources Ltd. (A Development Stage Company) ("Galway" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2010. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2009, as well as the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2010, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial reporting and, accordingly, do not include all of the information and notes required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at November 25, 2010, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Galway common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on Galway's website at [www.galwayresources.com](http://www.galwayresources.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Galway's properties to contain economic gold deposits; the Company's ability to meet its working capital needs at the current level for the next three-month period ending in the fourth quarter of fiscal 2010; the plans, costs, timing and capital for future exploration and development of Galway's property interests including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity

analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for gold; and general business and economic conditions.

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

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

## **Description of Business**

Galway is a mining exploration company that is currently focused on gold exploration in Colombia, South America. Galway's goal is to deliver superior returns to shareholders by concentrating on the acquisition of properties that have the potential to contain economically recoverable gold reserves. The Company currently plans to focus its expenditures on certain properties, as set out below under "Mineral Property Interests".

To date, the Company has not earned significant revenues from its mining properties, and is considered to be in the exploration and development stage. The ability to ensure continuing operations is dependent on it completing the acquisition of its mineral property interests, the discovery of economically recoverable reserves, confirmation of its interest in the underlying mineral claims, and its ability to obtain necessary financing to complete the exploration activities, development and future profitable production.

## **Overall Performance**

The Company is pleased with the progress made during the third quarter of 2010, most notably releasing very encouraging results from an additional 19 drill holes from its California (Colombia) gold project, which is located adjacent to and along strike with Ventana's La Mascota/La Bodega gold discovery. The Company released a total of 39 drill holes during the first 3 quarters which included 89.0 meters (m) grading 3.2 grams per tonne gold (g/t Au), including 9.0 m of 23.1 g/t Au, and including 3.0 m of 50.0 g/t Au and 383 g/t silver (Ag) from GWY-10. Subsequent to the end of the third quarter, Galway released an additional 13 drill holes which included 19.5 m grading 11.0 g/t Au including 1.5 m of 108.0 g/t Au from GWY-54 and 5.0 m grading 26.0 g/t Au, including 2.0 m of 62.7 g/t Au, plus a separate 67.3 m of 1.1 g/t Au from GWY-53, both of which are located along the same zone as GWY-10. The Company has now identified high-grade gold mineralization over a 1,000 meter strike length at California.

The Company has applied for permits to begin drilling at the El Volcan Mine, located in Vetas, Colombia, 8 kilometres southwest of the California gold trend. Drilling is expected to begin in Q1 2011. During the second quarter, Galway announced very encouraging channel sample results from the upper level of the El Volcan Mine which included 18.2 g/t Au over a 107 meter strike length and a true width (TW) of 0.9 meters.

During the nine month period ended September 30, 2010, the Company incurred a net loss of \$7,174,868 or \$0.09 per share versus \$2,396,894 or \$0.05 per share in the same period of the prior year. During the three month period ended September 30, 2010, the Company incurred a net loss of \$2,841,567 or \$0.04 per share versus \$610,730 or \$0.01 per share in the same period of the prior year. The Company spent \$1,709,501 (nine month ended September 30, 2009: \$108,515) during the nine month period ended September 30, 2010 on exploration activities on its mineral properties. At September 30, 2010, the Company had mineral property interests valued at \$3,845,299, compared to \$2,135,798 at December 31, 2009, an increase of \$1,709,501. The increase in mineral property interests is primarily due to additional funds expended on existing projects and properties.

At September 30, 2010, the Company had working capital of \$5,767,182, compared to \$10,029,241 at December 31, 2009. The Company had cash and cash equivalents of \$6,698,666 at September 30, 2010, compared to \$11,423,604 at December 31, 2009.

## **Trends**

While general economic conditions continue to improve and stability appears to be returning to financial and commodity markets, significant uncertainty concerning the short and medium term global economic outlook persists. Management, in conjunction with the Board of Directors, will continue to monitor these developments and their effects on Galway's business and react accordingly.

## **Mineral Property Interests**

The Company's exploration activities are at an early stage, and it has not yet been determined whether its properties contain an economic mineral reserve. As such, any activities of the Company will constitute exploratory searches for minerals. See "Risks and Uncertainties" below.

### **Colombia Exploration**

#### *(i) Description and update of Galway's Colombian Exploration Projects*

##### *California Gold Project*

The Colombian gold initiative was announced on July 28, 2009, providing the Company with a significant land position in the highly prospective California Gold District. The Company has strategically increased its land package during 2010 by 67% to 560 hectares along strike and adjacent to Ventana Gold's La Bodega/Mascota property and 3 kilometers southwest and also along strike of Greystar's Angostura property. Over 2,000 channel and surface samples have been taken by Galway. Drilling began in December 2009 with three drill rigs currently operating. The Company has focused drilling on three key zones, the NE Zone, the Pie de Gallo Zone and the San Celestino Zone. Significant gold discoveries have been made in all three zones along a 1 km strike length. Results from 39 drill holes have been reported during the first three quarters of 2010 with 19 holes reported during the second quarter, which included 121.5 m of 2.7 g/t Au (TW=81.0m), including 79.5 m of 3.8 g/t Au (TW=53.0m) from GWY-37 and 25.0 m of 3.6 g/t Au, including 16.0 m of 5.4 g/t Au from GWY-26. Subsequent to the end of the third quarter, Galway reported results from an additional 13 holes, which included 6.0 m grading 39.5 g/t Au (TW=4m), including 2.0 m of 118.5 g/t Au (TW=1.3m) from GWY-43 and 19.5 m grading 11.0 g/t Au, including 1.5 m of 108.0 g/t Au from GWY-54. Two of the three drills have shifted away from the systematic 100-meter step-out type of exploration where structures were being identified toward the better delineation and expansion of significant gold discoveries. The third drill will either test for extensions of known mineralization or conduct wildcat exploration on Galway's California property.

Under terms of the agreements Galway has entered into in the California and Vetás districts, the Company will pay a combined total of \$2.6 million and 2.5 million shares of Galway Resources. For California, the terms extend over a three year period for 80% of the properties, plus a pro rata payment of between 0.5% and 2%, payable in both cash and stock, of measured and indicated gold resources at the time of the exercise of the options. The remaining 20% is a participating interest and Galway has first right of refusal. For Vetás, the time period is four years with an option to earn 100% of the project by also paying 1.5% of the gold value of measured and indicated gold resources, payable in cash and stock. Presented below are highlights of previously reported drill results:

### **NE Zone**

The NE Zone of Galway's California property is located along its northeastern boundary with Ventana Gold. Highlights from reported drill results from this area include:

- 11.0 m of 3.3 g/t Au from GWY-12
- 1.5 m of 109.5 g/t Au from GWY-19
- 85.5 m of 1.1 g/t Au (TW=60.5m), including 1.5 m of 21.4 g/t Au (TW=1.1m) from GWY-30
- 148.5 m of .65 g/t Au (TW=87.0m) from GWY-32
- 121.5 m of 2.7 g/t Au (TW=81.0m), including 79.5 m of 3.8 g/t Au (TW=53.0m), including 1.5 m of 151.5 g/t Au (TW=1.0m) from GWY-37
- 44.0 m of 1.1 g/t Au and 18.6 g/t Ag (TW=33.0m), including 10.3 m of 2.1 g/t Au and 28.8 g/t Ag (TW=7.7m) from GWY-47
- 50.5 m of 1.4 g/t Au and 18.3 g/t Ag (TW=33.6m), including 12.0 m of 3.0 g/t Au and 40.3 g/t Ag (TW=8.0m) from GWY-51

### **Pie de Gallo Zone**

The Pie de Gallo Zone is a 300 meter long open pit, which was mined in ancient times by the Spaniards and explored by Anaconda Mining Company in 1946-47. Highlights from drill results reported from the Pie de Gallo zone include:

- 4.5 m of 22.4 g/t Au, including 3.0 m of 32.8 g/t Au from GWY-01
- 31.0 m of 2.9 g/t Au, including 1.5 m of 29.1 g/t Au from GWY-02
- 10.5 m of 3.6 g/t Au from GWY-03
- 3.0 m of 30.0 g/t Au from GWY-07
- 22.5 m of 2.0 g/t Au from GWY-09
- 89.0 m of 3.2 g/t Au, including 9.0 m of 23.1 g/t Au, including 3.0 m of 50.0 g/t Au from GWY-10
- 34.5 m of 4.1 g/t Au, (TW=29.9m), including 3.0 m of 37.9 g/t Au (TW=2.25m) from GWY-42
- 6.0 m of 39.5 g/t Au (TW=4.0m), including 2.0 m of 118.5 g/t Au (TW=1.3m) from GWY-43
- 15.5 m of 3.8 g/t Au and 28.9 g/t Ag, including 1.5 m of 15.0 g/t Au and 3.0 m of 132.5 g/t Ag within an area of stock work mineralization from GWY-46
- 3.0 m of 50.0 g/t Au and 84.8 g/t Ag, including 1.5 m of 98.9 g/t Au and 103.0 g/t Ag from GWY-52
- 5.0 m grading 26.0 g/t Au, including 2.0 m of 62.7 g/t Au; plus a separate 67.3 m grading 1.1 g/t Au, including 1.3 m of 7.2 g/t Au and 1.5 m of 5.7 g/t Au; plus a separate 6.0 m grading 4.3 g/t Au, including 1.5 m of 15.4 g/t Au from GWY-53
- 19.5 m grading 11.0 g/t Au including 1.5 m of 108.0 g/t Au and 4.5 m of 6.7 g/t Au; plus a separate 4.5 m grading 11.1 g/t Au, including 1.5 m of 29.8 g/t Au; plus a separate 19.5 m grading 1.2 g/t Au, including 1.5 m of 8.4 g/t Au from GWY-54.

### **San Celestino Zone**

The San Celestino Zone (previously known as the El Dorado Zone) is located 1.0 kilometer along strike to the southwest of the Northeast Zone. Highlights of reported drill results from San Celestino include the following:

- 11.0 m of 9.9 g/t Au, including 3.3 m of 30.4 g/t Au from GWY-22
- 7.2 m of 7.6 g/t Au from GWY-23
- 1.5 m of 47.1 g/t Au from GWY-25
- 25.0 m of 3.6 g/t Au, including 16.0 m of 5.4 g/t Au, including 1.5 m of 27.4 g/t Au from GWY-26
- 40.5 m of 1.5 g/t Au from GWY-29

\*True widths are given unless unknown at this time.

During the second quarter, Galway completed its initial 4,500 meter drill program. As a result of its early successes, the Company immediately commenced its second phase of drilling, which is expected to consist of up to an additional 25,000 meters. This program will utilize three drill rigs. Total costs for both phases of the project is expected to be approximately \$4,750,000.

### Vetas Gold Project

In January 2010, the Company secured an interest in the Reina de Oro and Coloro properties in the center of the historic Vetas Gold Mining District located approximately 8km southeast of Galway's California properties. The properties are mostly contiguous and collectively comprise 541 hectares. The Reina de Oro property's main asset at present, the El Volcan Mine, has been the site of gold mining since the 1590's and has produced among the most gold of any in the historic California-Vetas gold mining district. During the second quarter, the Company released results of 489 channel samples from the upper level of the El Volcan mine, which were in addition to 914 channel samples reported in the first quarter from the lower level of the mine. Based on encouraging results from its channel sampling program, the Company is in the late stages of planning and permitting a drill campaign, which is expected to commence in the first quarter of 2011. Current expectations are for the initial drilling program to comprise up to 15,000 meters with an approximate cost of \$2,250,000.

Highlights from Galway's channel sampling in the El Volcan Mine include:

#### Lower Level

- 70.1 m of 104.5 g/t Au (TW=0.8m), , including 25.0 m of 223.8 g/t Au, including 11.5 m of 459.0 g/t Au from the Manzanilla Vein
- 25.0 m of 317.6 g/t Au (TW=0.8m) including 5 m of 1,374.8 g/t Au from the Loscas Vein
- 22.0 m of 11.3 g/t Au (TW=0.9m), including 1.2 m of 48.4 g/t Au from the Loscas Vein

#### Upper Level

- 107.0 m of 18.2 g/t Au (TW=0.9m) in the Tajo Abierto Conjugate Vein
- 37.0 m of 37.9 g/t Au (TW=1.5m) in the Veta Ancha Vein
- 50.0 m of 13.4 g/t Au (TW=0.9m) in the Huesoduro Vein

GALCA Coal Project

A drill program, which is entirely managed and funded by Prodeco, is currently underway at the GALCA coal project in Colombia. The Company has currently received two mining titles and is waiting for an additional four in order to begin the next phase of drilling that is expected to resume in the first quarter of 2011. The Company has an exploration and joint venture agreement with Prodeco, which is the third largest coal producer in Colombia with 11 million tonnes of annual coal production. The GALCA coal project comprises 132,000 hectares that Galway believes could host a new undiscovered coal basin that occurs close to surface. This 19 hole drilling program will be focused on two areas (the northern flank and the south-eastern portion) that appear to have the highest prospects of near-surface coal.

Terms of the GALCA exploration and joint venture agreement include the following: Prodeco will fund the first 19 drill holes, and in consideration for agreeing to fund the feasibility drilling program, will be granted a 60% equity interest in the project. Prodeco will then earn the remaining 40% equity interest in the project by paying Galway an already agreed value per tonne of economically mineable open-cut reserves determined in accordance with the JORC Code, up to US\$70 million.

(ii) Project Expenditures

The following table sets forth a breakdown of material components of exploration expenditures incurred at the various Colombian exploration projects.

Exploration Expenditures	Nine Months Ended September 30, 2010 \$	Nine Months Ended September 30, 2009 \$
Assaying and sampling	749,329	nil
Environmental consulting	nil	nil
Drilling	1,818,821	55,407
General	642,037	181,383
Geological and field expenses	470,029	93,095
Maps, reports and data	23	nil
Mineral property fees	nil	5,728
Travel	320,974	70,050
Wages and salaries	270,162	274,121
<b>Total</b>	<b>4,271,375</b>	<b>679,785</b>

(iii) Budget

The following plans are related to the various Colombian exploration projects, which is anticipated to be funded from a combination of existing funds and funds expected to be raised in the future. Planned expenditures are as follows:

<b>Project/Property Name</b>	<b>Plans for Project</b>	<b>Planned Expenditures for Calendar 2010</b>	<b>Spent (January 1, 2010 to September 30, 2010)</b>	<b>Remaining Commitment (Rounded)</b>	<b>Timing for Completion of Planned Activities</b>
<b>California Gold Project</b>	Drilling to continue into 2011	\$8,000,000	\$5,342,443	\$150,000	2011
<b>Vetas Gold Project</b>	Drilling to begin in first quarter of 2011	\$500,000	\$361,087	\$100,000	2011
<b>Carboluis Project</b>	The Company has decided to not proceed with this project	No expenses	No expenses	No Commitment	2010
<b>GALCA Coal Project</b>	The company has a joint venture agreement with Prodeco to manage and fund a 19 hole drill program	Prodeco funding all project activities	No expenses	No Commitment	2011

**Victorio (Molybdenum –Tungsten) Property**

(i) Description of Victorio Mountain Property

The Victorio Project is an underground molybdenum-tungsten property located in south-western New Mexico. A positive Scoping Study was released on this project during 2008. An NI 43-101 Resource Estimate has been completed on the Victorio project. Management has curtailed spending on this project due to low molybdenum and tungsten prices. John Tumazos of Very Independent Opinion has been engaged to help commercialize this project.

(ii) Update on the Victorio Project

During the nine months ended September 30, 2010, no significant exploration work was performed on the Victorio Project

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**Discussion dated: November 25, 2010**

(iii) Project Expenditures

The following table sets forth a breakdown of material components of exploration expenditures incurred at the Victorio project.

<b>Exploration Expenditures</b>	<b>Nine Months Ended September 30, 2010 \$</b>	<b>Nine Months Ended September 30, 2009 \$</b>
Assaying and sampling	9	375
Environmental consulting	nil	nil
Drilling	nil	10,325
General	9,236	500
Geological and field expenses	nil	nil
Maps, reports and data	nil	nil
Mineral property fees	55,280	48,509
Travel	nil	nil
Wages and salaries	nil	36,380
<b>Total</b>	<b>64,525</b>	<b>96,089</b>

(iv) Budget

Following are the plans related to the United States properties, which are anticipated to be funded from a combination of existing funds and funds expected to be raised in the future. Planned expenditures are as follows:

<b>Project/Property Name</b>	<b>Plans for Project</b>	<b>Planned Expenditures for Calendar 2010</b>	<b>Spent (January 1, 2010 to September 30, 2010)</b>	<b>Remaining Commitment (Rounded)</b>	<b>Timing for Completion of Planned Activities</b>
Victorio Project	The company is in the process of identifying a joint venture partner before continuing with project	No planned expenses	\$341,871	\$0	There are no planned activities

**General Exploration**

The following table sets forth a breakdown of material components of exploration expenditures incurred for General Exploration:

<b>Exploration Expenditures</b>	<b>Nine Months Ended September 30, 2010 \$</b>	<b>Nine Months Ended September 30, 2009 \$</b>
Assaying and sampling	1,032	21,942
Environmental consulting	nil	nil
Drilling	107,456	(2,081)
General	48,843	(4,387)
Geological and field expenses	9,918	(53,350)
Maps, reports and data	283	4,465
Mineral property fees	54,421	nil
Travel	56,996	87,809
Wages and salaries	71,771	167,248
<b>Total</b>	<b>350,720</b>	<b>221,646</b>

## **Overall Objective**

The Company's business objective is the acquisition, exploration and development of properties for the mining of gold. Galway has operations in United States and South America. Galway is in the process of exploring its mineral properties and has not yet determined whether these properties contain an economic gold deposit. The recoverability of the amounts shown for mineral property interests is dependent upon: the selling price of gold at the time the Company intends to mine its properties; the existence of economically recoverable reserves; the ability of the Company to obtain the necessary financing to complete exploration and development; government policies and regulations; and future profitable production or proceeds from the disposition of such properties.

Galway has not discovered an economic mineral deposit. While discovery of ore-bearing structures may result in substantial rewards, it should be noted that few properties that are explored are ultimately developed into producing mines.

The Company may also seek to acquire additional mineral resource properties or companies holding such properties. The Company notes that mineral exploration in general is uncertain and the probability of finding an economic mineral deposit on any one of its early stage prospects is low. However, the probability that one of the many prospects acquired will host an economic mineral deposit is higher. As a result, the Company believes it is able to reduce overall exploration risk by acquiring additional mineral prospects. In conducting its search for additional mineral properties, the Company may consider acquiring properties that it considers prospective based on criteria such as the exploration history of the properties, their location, or a combination of these and other factors. Risk factors to be considered in connection with the Company's search for and acquisition of additional mineral properties include the significant expenses required to locate and establish mineral reserves; the fact that expenditures made by the Company may not result in discoveries of commercial quantities of minerals; environmental risks; risks associated with land title; competition faced by the Company; and the potential failure of the Company to generate adequate funding for any such acquisitions. See "Risks and Uncertainties" below.

## Selected Quarterly Information

A summary of selected information for each of the eight most recent quarters is as follows:

Three Months Ended	Net Revenues (\$)	Net (Loss) Income		Total Assets (\$)
		Total (\$)	Per Share (\$)	
2010-September 30	-	(2,841,567) <sup>(1)</sup>	(0.04)	10,740,363
2010-June 30	-	(2,415,694) <sup>(2)</sup>	(0.03)	12,309,748
2010-March 31	-	(1,917,607) <sup>(3)</sup>	(0.02)	14,142,450
2009-December 31	-	(1,848,514) <sup>(4)</sup>	(0.03)	13,845,275
2009-September 30	-	(610,730) <sup>(5)</sup>	(0.01)	13,527,451
2009-June 30	-	(366,284) <sup>(6)</sup>	(0.01)	3,435,085
2009-March 31	-	(1,419,880) <sup>(7)</sup>	(0.03)	3,706,900
2008-December 31	-	(735,050) <sup>(8)</sup>	(0.01)	5,120,387

Notes:

- (1) Net loss of \$2,841,567 consisted primarily of: exploration costs of \$2,041,930; general and administrative expenses of \$142,277; professional fees of \$86,884; and stock-based compensation of \$556,132. All other expenses related to general working capital purposes.
- (2) Net loss of \$2,415,694 consisted primarily of: exploration costs of \$1,712,495; general and administrative expenses of \$369,899; professional fees of \$86,135; and stock-based compensation of \$351,456. All other expenses related to general working capital purposes.
- (3) Net loss of \$1,917,607 consisted primarily of: exploration costs of \$932,195; general and administrative expenses of \$226,771; professional fees of \$115,182; and stock-based compensation of \$935,720. All other expenses related to general working capital purposes.
- (4) Net loss of \$1,848,514 consisted primarily of: exploration costs of \$746,209; general and administrative expenses of \$222,224; professional fees of \$184,769; and stock-based compensation of \$1,298,008. All other expenses related to general working capital purposes.
- (5) Net loss of \$610,730 consisted primarily of: exploration costs of \$375,884; general and administrative expenses of \$79,191; professional fees of \$69,995; and stock-based compensation of \$57,986. All other expenses related to general working capital purposes.
- (6) Net loss of \$366,284 consisted primarily of: exploration costs of \$200,904; general and administrative expenses of \$79,812; professional fees of \$52,177; and stock-based compensation of \$10,498. All other expenses related to general working capital purposes.
- (7) Net loss of \$1,419,880 consisted primarily of: exploration costs of \$420,732; general and administrative expenses of \$122,671; professional fees of \$62,160; and stock-based compensation of \$14,315. All other expenses related to general working capital purposes.
- (8) Net loss of \$735,050 consisted primarily of: exploration costs of \$645,220; general and administrative expenses of \$54,175; professional fees of \$52,680; and stock-based compensation of \$66,345. All other expenses related to general working capital purposes.

## **Results of Operations**

Nine months ended September 30, 2010, compared with nine months ended September 30 2009

### ***Nine months ended September 30, 2010***

Galway incurred a net loss of \$7,174,868 for the nine month period ended September 30, 2010, resulting in a loss per share of \$0.09. The loss was mostly attributable to exploration costs which amounted to \$4,686,620 (versus \$997,520 incurred in the same period of the prior year), in addition to general and administrative fees of \$738,947, professional fees of \$288,201 and \$1,843,308 in stock-based compensation fees. The Company also earned \$6,151 in interest income and realized a foreign exchange gain of \$478,863 during the period. Galway incurred expenses before interest income and foreign exchange gain of \$7,659,882 during the period compared with \$1,579,599 in the same period of 2009.

### ***Nine months ended September 30, 2009***

Galway incurred a loss of \$2,396,894 for the nine month period ended September 30, 2009, resulting in a loss per share of \$0.05. The loss was mostly attributable to exploration costs which amounted to \$997,520 in addition to general and administrative fees of \$281,674, professional fees of \$184,332 and \$82,799 in stock-based compensation fees. During the period, the Company also earned \$8,014 in interest income, incurred a foreign exchange loss of \$102,662, asset impairment charge of \$717,568 and loss on disposal of equipment of \$5,079. Galway incurred expenses before interest income, foreign exchange loss, loss on equipment and asset impairment loss of \$1,579,599 during the period.

### ***Comparison Analysis***

The increase of \$4,777,974 in net loss was principally because:

- The Company incurred an increase in exploration costs of \$3,689,100 for the nine months ended September 30, 2010, compared to the nine months ended September 30, 2009. The increase can be attributed to an increased level of exploration activity on the Company's gold properties in Colombia compared to 2009;
- The Company incurred an increase in stock-based compensation of \$1,760,509 for the nine months ended September 30, 2010, compared to the nine months ended September 30, 2009. The increase can be attributed to the grant of various options on June 30, 2009 and October 9, 2009 to purchase common shares of the Company. A value of \$3,085,827 for these option grants was assigned using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%; expected volatility of 151%-158%; risk-free interest rate of 2.49%-2.63%; and an expected life of five years.

Several variables are used when determining the value of stock options using the Black-Scholes valuation model:

- The expected term: the Company used the expected term of the stock of five years, which is the maximum term ascribed to these stock options, for the purposes of calculating their value. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.
- Volatility: the Company used historical information of a similar company on the market price of its common shares to determine the degree of volatility at the date the stock

options were granted. Therefore, depending on when the stock options were granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.

- Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term as at the date of the grant of the stock options. The risk-free interest rate would vary depending on the date of the grant of the stock options and their expected term.
  - Dividend yield: the Company has not paid dividends in the past because it is in the exploration stage and has not yet earned any significant income. Also, the Company does not expect to pay dividends in the foreseeable future because it does not expect to bring its mineral properties into production and earn significant revenue any time soon. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.
- 
- The Company incurred an increase in professional fees of \$103,869 for the nine months ended September 30, 2010, compared to the nine months ended September 30, 2009. The increase can be attributed to the increase in assistance required from the Company's corporate lawyers and external accountant in 2010 compared to 2009;
  - Office and general expenses increased by \$457,273. Office and general expenses totalled \$738,947 for the nine months ended September 30, 2010 (nine months ended September 30, 2009 - \$281,674) and consisted of costs such as advertising and promotion, telephone, rent, insurance, postage, and courier charges. The increase in office and general expenses can be attributed to increased support costs for the Company's projects during the first quarter of 2010 compared to 2009;
  - The Company incurred an increase in shareholder communications expense of \$1,785 for the nine months ended September 30, 2010, compared to the nine months ended September 30, 2009. The increase can be attributed to increased corporate activity requiring payments to regulatory institutions and service providers assisting the Company to meet its increased regulatory requirements;
  - The Company incurred an increase in travel expense of \$76,969 for the nine months ended September 30, 2010, compared to the nine months ended September 30, 2009. The increase can be attributed to travel charges incurred to develop Galway's investor profile and business opportunities;
  - Foreign exchange loss decreased by \$581,525 during the nine months ended September 30, 2010, compared with the same period in 2009. The decrease in foreign exchange loss can be attributed to the conversion of its Canadian monetary assets and liabilities;
  - All other expenses related to general working capital purposes.

Three months ended September 30, 2010, compared with three months ended September 30 2009

***Three months ended September 30, 2010***

Galway incurred a net loss of \$2,841,567 for the three month period ended September 30, 2010, resulting in a loss per share of \$0.04. The loss was mostly attributable to exploration costs which amounted to \$2,041,930 (versus \$375,884 incurred in the same period of the prior year), in addition to general and administrative fees of \$142,277, professional fees of \$86,884 and \$556,132 in stock-based compensation fees. The Company also earned \$2,610 in interest income and incurred a foreign exchange gain of \$1,793 during the period. Galway incurred expenses before interest income and foreign exchange gain of \$2,845,970 during the period compared with \$591,944 in the same period of 2009.

***Three months ended September 30, 2009***

Galway incurred a loss of \$610,730 for the three month period ended September 30, 2009, resulting in a loss per share of \$0.01. The loss was mostly attributable to exploration costs which amounted to \$375,884 in addition to general and administrative fees of \$79,191, professional fees of \$69,995 and \$57,986 in stock-based compensation fees. During the period, the Company also earned \$788 in interest income, incurred a foreign exchange loss of \$15,426 and loss on disposal of equipment of \$4,148. Galway incurred expenses before interest income, foreign exchange loss and loss on equipment of \$591,944 during the period.

***Comparison Analysis***

The increase of \$2,230,837 in net loss was principally because:

- The Company incurred an increase in Exploration costs of \$1,666,046 for the three months ended September 30, 2010, compared to the three months ended September 30, 2009. The increase can be attributed to an increased level of exploration activity on the Company's gold properties in Colombia compared to 2009;
- The Company incurred an increase in stock-based compensation of \$498,146 for the three months ended September 30, 2010, compared to the three months ended September 30, 2009. The increase can be attributed to the grant of various options on June 30, 2009 and October 9, 2009 to purchase common shares of the Company. A value of \$3,085,827 for these option grants was assigned using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%; expected volatility of 151%-158%; risk-free interest rate of 2.49%-2.63%; and an expected life of five years.

Several variables are used when determining the value of stock options using the Black-Scholes valuation model:

- The expected term: the Company used the expected term of the stock of five years, which is the maximum term ascribed to these stock options, for the purposes of calculating their value. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.
- Volatility: the Company used historical information of a similar company on the market price of its common shares to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options were granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.

- Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term as at the date of the grant of the stock options. The risk-free interest rate would vary depending on the date of the grant of the stock options and their expected term.
- Dividend yield: the Company has not paid dividends in the past because it is in the exploration stage and has not yet earned any significant income. Also, the Company does not expect to pay dividends in the foreseeable future because it does not expect to bring its mineral properties into production and earn significant revenue any time soon. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.
- The Company incurred an increase in professional fees of \$16,889 for the three months ended September 30, 2010, compared to the three months ended September 30, 2009. The increase can be attributed to the increase in assistance required from the Company's corporate lawyers and external accountant in 2010 compared to 2009;
- Office and general expenses increased by \$63,086. Office and general expenses totalled \$142,277 for the three months ended September 30, 2010 (three months ended September 30, 2009 - \$79,191 and consisted of costs such as advertising and promotion, telephone, rent, insurance, postage, and courier charges. The increase in office and general expenses can be attributed to increased support costs for the Company's projects during the first quarter of 2010 compared to 2009;
- The Company incurred a decrease in shareholder communications expense of \$3,558 for the three months ended September 30, 2010, compared to the three months ended September 30, 2009. The decrease can be attributed to decreased corporate activity requiring payments to regulatory institutions and service providers assisting the Company in meeting its regulatory requirements;
- The Company incurred an increase in travel expense of \$15,244 for the three months ended September 30, 2010, compared to the three months ended September 30, 2009. The increase can be attributed to travel charges incurred to develop Galway's investor profile and business opportunities;
- Foreign exchange loss decreased by \$17,219 during the three months ended September 30, 2010, compared with the same period in 2009. The decrease in foreign exchange loss can be attributed to the conversion of its Canadian monetary assets and liabilities;
- All other expenses related to general working capital purposes.

## **Liquidity and Financial Position**

The activities of the Company, principally the acquisition and exploration of properties that have the potential to contain gold, are financed through equity offerings and the exercise of stock options and warrants.

During the nine months ended September 30, 2010, the following equity transactions occurred:

- 322,500 stock options with an exercise price of CDN\$0.15 and expiry date of June 30, 2014, were exercised for cash proceeds of \$46,637;
- 50,000 stock options with an exercise price of CDN\$0.50 and expiry date of February 1, 2013, were exercised for cash proceeds of \$24,313; 70,000 stock options with an exercise price of CDN\$0.84 and expiry date of October 9, 2014, were exercised for cash proceeds of \$57,183;
- 50,000 stock options with an exercise price of CDN\$0.11 and expiry date of October 31, 2013, were exercised for cash proceeds of \$5,349;
- 1,413,000 warrants with an exercise price of CDN\$0.75 and expiry date of September 29, 2011, were exercised for cash proceeds of \$1,025,729;  
560,000 agent warrants with an exercise price of CDN\$0.50 and expiry date of September 29, 2011, were exercised for cash proceeds of \$268,410;

At September 30, 2010, Galway had \$6,698,666 in cash and cash equivalents (December 31, 2009 - \$11,423,604). As of September 30, 2010, and to the date of this MD&A, the cash resources of Galway are held with select Canadian, United States and Colombian financial institutions.

Accounts payable and accrued liabilities increased to \$1,052,521 at September 30, 2010, compared to \$668,886 at December 31, 2009, primarily due to more accounts payable at September 30, 2010, as compared to December 31, 2009. The Company's cash as at September 30, 2010, is sufficient to pay these liabilities. The Company has no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short term and non-interest bearing.

The Company has no operating revenues and therefore must utilize its current cash reserves and other financing transactions to maintain its capacity to meet ongoing discretionary and committed exploration and operating activities. The Company's use of cash at present occurs, and in the future is expected to occur, principally in two areas, namely, funding of its general and administrative expenditures and funding of its investment activities. Those investing activities include the cash components of the cost of acquiring and exploring its mineral claims.

Regardless of whether or not the Company develops its projects, its working capital of \$5,767,182 as of September 30, 2010, is anticipated to be adequate for it to continue operations at the current level for the next three month period ending in the fourth quarter of fiscal 2010 even if its expected plans discussed above do not materialize and new plans are developed. However, to meet long-term business plans, exploring its property interests is an important component of the Company's financial success.

### **Related Party Transactions**

The Company had the following related party transactions during the three and nine months ended September 30, 2010:

During the three and nine months ended September 30, 2010, \$nil and \$nil respectively (three and nine months ended September 30, 2009 - \$50,000 and \$150,000) was paid or accrued to a company of which the owner is the President of the Company, who is also the CEO and director of the Company.

During the three and nine months ended September 30, 2010, the Company paid \$7,842 and \$32,645 respectively to a company controlled by an officer of the Company, for accounting services. As at September 30, 2010, the company controlled by the officer was also owed \$4,536. During the three and nine months ended September 30, 2010, the Company also paid \$18,000 for consulting services rendered by the same officer. As at September 30, 2010, the company controlled by the officer was also owed \$2,260. During the three and nine months ended September 30, 2010, the Company also paid \$4,892 and \$10,161 to another company controlled by the same officer of the Company, for corporate secretarial services. As at September 30, 2010, the company controlled by the officer was also owed \$2,693.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount agreed to by both parties.

### **Off-Balance Sheet Arrangements**

As of the date of this MD&A, the Company does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be material to investors.

## **Proposed Transactions**

There are no proposed transactions of a material nature being considered by the Company other than the acquisition of the Colombia properties. However, the Company continues to evaluate properties and corporate entities that it may acquire in the future. See "Overall Objective" above.

## **Critical Accounting Estimates**

The preparation of the Company's unaudited interim consolidated financial statements requires management to make certain estimates that affect the amounts reported in the consolidated financial statements. The accounting estimates considered to be significant are the valuation of the Company's mineral property interests, warrants and stock-based compensation.

The policy of capitalizing exploration costs to date does not necessarily relate to the future economic value of the exploration properties. The valuation of mineral resource properties is dependent entirely upon the discovery of economic mineral deposits.

The Company uses the Black-Scholes model to determine the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation and warrants is the stock price volatility used. The Company uses historical price data and comparables in the estimate of the stock price volatility.

Other items requiring estimates for the nine months ended September 30, 2010, are accounts receivables, accounts payable and accrued liabilities and future income taxes. Changes in the accounting estimates in these items may have a material impact on the financial position of Galway.

## **Future Accounting Changes**

### **International Financial Reporting Standards ("IFRS")**

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual consolidated financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011. The Company's 2011 interim and annual consolidated financial statements will include comparative 2010 consolidated financial statements, adjusted to comply with IFRS.

***IFRS Transition Plan***

The Company has established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete.
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	Complete.
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress, completion expected during Q4 2010
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, completion expected during Q4 2010
Quantification of the financial statement impact of changes in accounting policies.	Throughout 2010
Management and employee education and training.	Throughout the transition process

***Impact of Adopting IFRS on the Company's Business***

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

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

The Company's staff and advisers involved in the preparation of the consolidated financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company who will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

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

### ***First-time adoption of IFRS***

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

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

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

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

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

### ***Impact of Adopting IFRS on the Company's Financial Statements***

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

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

1) *Exploration and Evaluation Expenditures*

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of mineral properties. The Company expects to establish an accounting policy to expense, as incurred, all costs relating to exploration and evaluation until such time as it has been determined that a property has economically recoverable reserves.

The application of this policy on the adoption of IFRS will have a significant impact on the Company's consolidated financial statements. On adoption of IFRS, the carrying value of the mineral resource properties will be reduced to zero (as at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and evaluation costs will be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

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

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

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

3) *Share-based Payments*

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

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

4) *Asset Retirement Obligations (Decommissioning Liabilities)*

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

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

5) *Property and Equipment*

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

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

6) *Income Taxes*

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

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

7) *Foreign Currency*

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

Galway does not expect any changes to its accounting policies related to foreign currency that would result in a significant change to line items within its consolidated financial statements at the transition date.

***Subsequent Disclosures***

Further disclosures of the IFRS transition process are expected as follows:

- The Company's MD&A for the 2010 interim periods and the year ended December 31, 2010, will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual consolidated financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim consolidated financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim consolidated financial statements for the three months ending March 31, 2011, will also include 2010 consolidated financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at January 1, 2010).

**Business Combinations, Consolidated Financial Statements and Non-Controlling Interests**

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests", which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standards under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Early adoption of this section is permitted and all three sections must be adopted concurrently.

## **Financial Instruments**

### **(a) Property risk**

The Company's significant mineral properties are the Victorio Mountain Project, the Carboluis Projects, the California Project, the Vetax Project and Galca Project. Unless the Company acquires or develops additional significant projects, it will be solely dependent upon these projects. If the Company acquires no additional mineral properties, any material adverse development affecting the Company's current mineral property portfolio could have a material adverse effect on its financial condition and results of operations.

### **(b) Financial risk**

The Company is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risks) as explained below.

The Company's management team carries out risk management with guidance from the Audit Committee and the Board of Directors.

#### *Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, restricted cash and accounts receivables. Cash and cash equivalents consist of cash on hand and guaranteed investment certificates. Restricted cash consists of certificates of deposit for the restoration costs of the resource properties. Cash and cash equivalents and certificates of deposit are invested and held with select Canadian, United States and Colombian chartered banks, for which management believes the risk of loss to be low.

Financial instruments included in accounts receivables consist of sales tax receivable from government authorities in Canada. All accounts receivables are in good standing as of September 30, 2010. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is low.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at September 30, 2010, the Company had cash and cash equivalents and restricted cash balance of \$6,792,993 (December 31, 2009 - \$11,574,667) to settle current liabilities of \$1,085,454 (December 31, 2009 - \$1,642,625). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### *Market risk*

##### Interest rate risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates at select Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with their creditworthiness.

#### Foreign currency risk

The Company's functional currency is the Canadian dollar and its reporting currency is the U.S. dollar. Major purchases are transacted in Canadian dollars, U.S. dollars and Colombian pesos. The Company funds most operations, exploration and administrative expenses in the United States and in Columbia on a cash call basis using U.S. dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

#### Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold, individual equity movements and the stock market in general to determine the appropriate course of action to be taken by the Company.

#### Sensitivity analysis

As of September 30, 2010, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the following movements are reasonable over a three-month period:

(i) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities and due to related parties that are denominated in Canadian dollars. As at September 30, 2010, had the Canadian dollar weakened/strengthened by 5% against the U.S. dollar with all other variables held constant, the Company's loss for the three and nine months ended September 30, 2010 would have been approximately \$288,000 higher/lower as a result of foreign exchange losses/gains on translation of Canadian dollar denominated financial instruments. Similarly, as at September 30, 2010, shareholders' equity would have been approximately \$288,000 lower/higher had the Canadian dollar weakened/strengthened by 5% against the U.S. dollar as a result of foreign exchange losses/gains on translation of Canadian dollar denominated financial instruments.

(ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold, coal, tungsten and molybdenum. These commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of these commodities may be produced in the future, a profitable market will exist for them. As of September 30, 2010, the Company was not a producing entity. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

The sensitivity analysis shown in the notes above may differ materially from actual results.

**(c) Fair value hierarchy and liquidity risk disclosure**

Cash and cash equivalents and Restricted cash of \$6,792,993 were considered as Level 1 within the fair value hierarchy as at September 30, 2010.

**Capital Management**

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- (ii) minimizing discretionary disbursements;
- (iii) focusing financing exploration expenditures on those properties considered to have the best potential;
- and
- (iv) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2010. The Company is not subject to externally imposed capital requirements.

**Outlook**

For 2010, the Company plans to continue its exploration and drilling programs in Colombia and determine if further work is warranted at its other projects. The Company is continually evaluating direct or indirect acquisitions of additional properties. The Company continues to monitor its spending and will amend its plans and budgets based on exploration results and expectations of being able to raise financing as and when required.

## **Environmental Contingency**

The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As of the date of this MD&A, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future.

## **Share Capital**

The Company is authorized to issue an unlimited number of common shares of which 80,787,482 common shares are issued and outstanding as at September 30, 2010. As of the date of the MD&A, being November 25, 2010 there were 81,272,482 common shares outstanding.

As of September 30, 2010, the Company had 7,565,000 options outstanding with exercise prices ranging from C\$0.10 to C\$1.12 and expiry dates ranging from October 19, 2010 to August 26, 2015. The Company had 10,867,000 warrants outstanding at an exercise price of \$0.75 and expiring on September 29, 2011. The Company also had 1,120,000 compensation options outstanding at an exercise price of \$0.50 and expiring on September 29, 2011. If exercised, each compensation option comprises one unit consisting of one common share and one-half of one warrant with each whole warrant being issued at an exercise price of \$0.75 and expiring on September 29, 2011.

## **Risks and Uncertainties**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk and Uncertainties" in the Company's management's discussion and analysis for the fiscal year ended December 31, 2009, available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no significant changes to such risk factors since the date thereof.

## **Subsequent Events**

Subsequent to the end of the third quarter, Ventana Gold published a National Instrument 43-101 inferred resource of 3.5 million ounces of gold, 19.2 million ounces of silver and 84.6 million ounces of copper with average grades of 3.9 g/t gold, 21.5 g/t silver and 0.14% copper. This resource borders, at numerous locations, concession fractions of varying widths (i.e. narrow property positions) of which Galway has the option to own 80%. Galway's management believes that there are some significant gold resource implications implicit within these fractions.

The Company also released additional drill results subsequent to the end of the third quarter, which are discussed on pages 4 through 6.

## **Disclosure of Internal Controls**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements, and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.