GALANTAS GOLD CORPORATION

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited)
Three and Six Months Ended June 30, 2017

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Galantas Gold Corporation (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Galantas Gold Corporation
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at June 30, 2017	As at December 31, 2016
ASSETS		
Current assets		
Cash	**$ 1,681,739**	$ 557,005
Accounts receivable and prepaid expenses (note 4)	**148,043**	106,732
Inventories (note 5)	**15,007**	23,852
Total current assets	**1,844,789**	687,589
Non-current assets		
Property, plant and equipment (note 6)	**7,864,314**	7,449,991
Long-term deposit (note 8)	**505,860**	496,920
Exploration and evaluation assets (note 7)	**2,640,411**	2,294,254
Total non-current assets	**11,010,585**	10,241,165
Total assets	**$ 12,855,374**	$ 10,928,754
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 9)	**$ 1,034,542**	$ 893,570
Current portion of financing facility (note 10)	**5,595**	4,956
Due to related parties (note 14)	**3,132,955**	2,884,187
Total current liabilities	**4,173,092**	3,782,713
Non-current liabilities		
Non-current portion of financing facility (note 10)	**22,784**	25,265
Decommissioning liability (note 8)	**543,135**	528,305
Derivative financial liability (note 11(c))	**18,000**	24,000
Total non-current liabilities	**583,919**	577,570
Total liabilities	**4,757,011**	4,360,283
Capital and reserves		
Share capital (note 11(a)(b))	**38,643,022**	36,331,577
Reserves	**7,440,614**	7,026,057
Deficit	**(37,985,273)**	(36,789,163)
Total equity	**8,098,363**	6,568,471
Total equity and liabilities	**$ 12,855,374**	$ 10,928,754

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Going concern (note 1)
Contingency (note 16)

Galantas Gold Corporation
Condensed Interim Consolidated Statements of Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenues				
Gold sales	**$ 16,607**	$ 1,648	**$ 19,341**	$ 29,721
Cost and expenses of operations				
Cost of sales (note 13)	**111,605**	88,572	**175,021**	210,103
Depreciation (note 6)	**50,887**	42,732	**90,942**	90,283
	162,492	131,304	**265,963**	300,386
Loss before general administrative and other (incomes) expenses	**(145,885)**	(129,656)	**(246,622)**	(270,665)
General administrative expenses				
Management and administration wages (note 14)	**158,014**	165,550	**304,742**	343,493
Other operating expenses	**98,247**	22,590	**121,261**	44,147
Accounting and corporate	**16,191**	15,768	**30,090**	31,233
Legal and audit	**47,451**	97,064	**80,737**	147,466
Stock-based compensation (note 11(d)(i))	**80,506**	-	**301,087**	-
Shareholder communication and investor relations	**61,991**	78,998	**100,172**	118,078
Transfer agent	**5,605**	7,609	**7,580**	9,232
Director fees (note 14)	**8,500**	8,250	**13,500**	13,250
General office	**1,949**	1,933	**3,910**	3,882
Accretion expenses (note 8)	**2,717**	2,916	**5,307**	6,018
Loan interest and bank charges (note 14)	**16,064**	18,828	**30,965**	38,818
	497,235	419,506	**999,351**	755,617
Other (incomes) expenses				
Gain on disposal of property, plant and equipment	**-**	(5,479)	**-**	(5,479)
Unrealized gain on fair value of derivative financial liability (note 11(c))	**(28,000)**	(1,000)	**(6,000)**	(80,000)
Foreign exchange (gain) loss	**(103,244)**	103,146	**(43,863)**	78,371
	(131,244)	96,667	**(49,863)**	(7,108)
Net loss for the period	**$ (511,876)**	$ (645,829)	**$ (1,196,110)**	$ (1,019,174)
Basic and diluted net loss per share (note 12)	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	**170,894,087**	114,263,285	**160,616,924**	110,765,807

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Galantas Gold Corporation

Condensed Interim Consolidated Statements of Other Comprehensive Income (Loss)
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net loss for the period	**$ (511,876)**	$ (645,829)	**$ (1,196,110)**	$ (1,019,174)
Other comprehensive income (loss)				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	**56,765**	(536,851)	**113,470**	(1,172,724)
Total comprehensive loss	**$ (455,111)**	$ (1,182,680)	**$ (1,082,640)**	$ (2,191,898)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Galantas Gold Corporation
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Operating activities		
Net loss for the period	**$ (1,196,110)**	$ (1,019,174)
Adjustment for:		
Depreciation (note 6)	**90,942**	90,283
Stock-based compensation (note 11(d)(i))	**301,087**	-
Interest expense	**28,968**	18,497
Foreign exchange (gain) loss	**(23,576)**	57,805
Gain on disposal of property, plant and equipment	**-**	(5,479)
Accretion expenses (note 8)	**5,307**	6,018
Unrealized loss (gain) on fair value of derivative financial liability (note 11(c))	**(6,000)**	(80,000)
Non-cash working capital items:		
Accounts receivable and prepaid expenses	**(38,856)**	40,814
Inventories	**9,110**	14,489
Accounts payable and other liabilities	**124,308**	(419,505)
Due to related parties	**174,284**	132,319
Net cash used in operating activities	**(530,536)**	(1,163,933)
Investing activities		
Purchase of property, plant and equipment	**(371,546)**	(361,780)
Proceeds from sale of property, plant and equipment	**-**	34,548
Exploration and evaluation assets	**(305,963)**	(22,045)
Net cash used in investing activities	**(677,509)**	(349,277)
Financing activities		
Proceeds of private placement	**2,446,299**	1,466,312
Share issue costs	**(134,854)**	(30,777)
Repayment of financing facility	**(1,842)**	(6,537)
Net cash provided by financing activities	**2,309,603**	1,428,998
Net change in cash	**1,101,558**	(84,212)
Effect of exchange rate changes on cash held in foreign currencies	**23,176**	(121,131)
Cash, beginning of period	**557,005**	1,518,332
Cash, end of period	**$ 1,681,739**	$ 1,312,989
Supplemental information		
Shares issued to settle due to related parties (note 11(b)(ii))	**$ -**	$ 935,852

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Galantas Gold Corporation
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital	Reserves: Equity settled share-based payments reserve	Reserves: Warrant reserve	Reserves: Foreign currency translation reserve	Deficit	Total
Balance, December 31, 2015	**$ 33,960,190**	**$ 5,809,109**	**$ 766,000**	**$ 1,903,837**	**$(35,175,865)**	**$ 7,263,271**
Shares issued in private placements (note 11(b)(i))	1,466,312	-	-	-	-	1,466,312
Share issue costs	(30,777)	-	-	-	-	(30,777)
Common shares issued for debt (note 11(b)(ii))	935,852	-	-	-	-	935,852
Net loss and other comprehensive loss for the period	-	-	-	(1,172,724)	(1,019,174)	(2,191,898)
Balance, June 30, 2016	**$ 36,331,577**	**$ 5,809,109**	**$ 766,000**	**$ 731,113**	**$(36,195,039)**	**$ 7,442,760**
Balance, December 31, 2016	**$ 36,331,577**	**$ 6,575,109**	**$ -**	**$ 450,948**	**$(36,789,163)**	**$ 6,568,471**
Shares issued in private placement (note 11(b)(iii))	2,446,299	-	-	-	-	2,446,299
Share issue costs	(134,854)	-	-	-	-	(134,854)
Stock-based compensation (note 11(d)(i))	-	301,087	-	-	-	301,087
Net loss and other comprehensive income for the period	-	-	-	113,470	(1,196,110)	(1,082,640)
Balance, June 30, 2017	**$ 38,643,022**	**$ 6,876,196**	**$ -**	**$ 564,418**	**$(37,985,273)**	**$ 8,098,363**

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

1. Going Concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates that Galantas Gold Corporation (the "Company") will be able to realize assets and discharge liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Company's future viability depends on the consolidated results of the Company's wholly-owned subsidiary Cavanacaw Corporation ("Cavanacaw"). Cavanacaw has a 100% shareholding in both Omagh Minerals Limited (“Omagh”) and Flintridge Resources Limited ("Flintridge") who are engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland. The Omagh mine has an open pit mine, which was in production and is reported as property, plant and equipment and an underground mine which is in the development stage and reported as exploration and evaluation assets. The production at the open pit mine was suspended in 2013.

The going concern assumption is dependent upon the ability of the Company to obtain the following:

a. Securing sufficient financing to fund ongoing operational activity and the development of the underground mine.
b. Obtaining consent for an underground mine which is currently subject to a judicial review process.

Should the Company be unsuccessful in securing the above, there would be significant uncertainty over the Company’s ability to continue as a going concern. The Company is currently in discussions with a number of potential financiers.

As at June 30, 2017, the Company had a deficit of $37,985,273 (December 31, 2016 - $36,789,163). Management is confident that it will be able to secure the required financing to enable the Company to continue as a going concern. However, this is subject to a number of factors including market conditions. Refer to note 11(b)(iii) for private placement completed during the six months ended June 30, 2017.

These unaudited condensed interim consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities, the reported expenses and financial position classifications used that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. Incorporation and Nature of Operations

The Company was formed on September 20, 1996 under the name Montemor Resources Inc. on the amalgamation of 1169479 Ontario Inc. and Consolidated Deer Creek Resources Limited. The name was changed to European Gold Resources Inc. by articles of amendment dated July 25, 1997. On May 5, 2004, the Company changed its name from European Gold Resources Inc. to Galantas Gold Corporation. The Company was incorporated to explore for and develop mineral resource properties, principally in Europe. In 1997, it purchased all of the shares of Omagh which owns a mineral property in Northern Ireland, including a delineated gold deposit. Omagh obtained full planning and environmental consents necessary to bring its property into production.

2. Incorporation and Nature of Operations (Continued)

The Company entered into an agreement on April 17, 2000, approved by shareholders on June 26, 2000, whereby Cavanacaw, a private Ontario corporation, acquired Omagh. Cavanacaw has established an open pit mine to extract the Company's gold deposit near Omagh. Cavanacaw also has developed a premium jewellery business founded on the gold produced under the name Galántas Irish Gold Limited ("Galántas"). As at July 1, 2007, the Company's Omagh mine began production and in 2013 production was suspended. On April 1, 2014, Galántas amalgamated its jewelry business with Omagh.

On April 8, 2014, Cavanacaw acquired Flintridge. Following a strategic review of its business by the Company during 2014 certain assets owned by Omagh were acquired by Flintridge.

The Company's operations include the consolidated results of Cavanacaw, and its wholly-owned subsidiaries Omagh, Galántas and Flintridge.

The Company’s common shares are listed on the TSX Venture Exchange and London Stock Exchange AIM under the symbol GAL. The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

3. Significant Accounting Policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 21, 2017 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2016. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

3. Significant Accounting Policies (Continued)

Recent accounting pronouncements

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses an incurred loss approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the expected loss approach in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In July 2014, the IASB issued the final version of IFRS 9. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 will be effective for accounting periods beginning January 1, 2018. The Company is currently assessing the impact of this pronouncement.

(ii) In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") to replace IAS 18 - Revenue and IAS 11 - Construction Contracts and the related interpretations on revenue recognition. The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The five steps are identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price and recognize revenue when the performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and improves the comparability of revenue from contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases.

The IASB issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16.

(Expressed in Canadian Dollars)

4. Accounts Receivable and Prepaid Expenses

	As at June 30, 2017	As at December 31, 2016
Sales tax receivable - Canada	**$ 1,814**	$ 1,480
Valued added tax receivable - Northern Ireland	**121,560**	76,536
Accounts receivable	**2,426**	13,206
Prepaid expenses	**22,243**	15,510
	$ 148,043	$ 106,732

Prepaid expenses includes advances for consumables and for construction of the passing bays in the Omagh mine.

The following is an aged analysis of receivables:

	As at June 30, 2017	As at December 31, 2016
Less than 3 months	**$ 123,374**	$ 88,838
More than 12 months	**2,426**	2,384
Total accounts receivable	**$ 125,800**	$ 91,222

5. Inventories

	As at June 30, 2017	As at December 31, 2016
Concentrate inventories	**$ 10,960**	$ 10,767
Finished goods	**4,047**	13,085
	$ 15,007	$ 23,852

Refer to note 13 for inventory movement.

(Expressed in Canadian Dollars)

6. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2015	$ 2,755,995	$ 5,833,381	$ 136,644	$ 125,679	$ 17,730,606	**$ 26,582,305**
Additions	46,407	111,298	32,762	-	634,010	**824,477**
Disposals	-	-	(34,075)	-	-	**(34,075)**
Foreign exchange adjustment	(519,002)	(1,093,260)	(25,733)	(23,668)	(3,580,988)	**(5,242,651)**
Balance, December 31, 2016	2,283,400	4,851,419	109,598	102,011	14,783,628	**22,130,056**
Additions	2,079	265,919	4,300	-	99,248	**371,546**
Foreign exchange adjustment	41,081	86,777	1,972	1,835	265,972	**397,637**
Balance, June 30, 2017	$ 2,326,560	$ 5,204,115	$ 115,870	$ 103,846	$ 15,148,848	**$ 22,899,239**

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2015	$ 2,259,312	$ 5,033,767	$ 92,354	$ 100,394	$ 10,409,576	**$ 17,895,403**
Depreciation	18,046	137,341	10,195	3,154	-	**168,736**
Disposals	-	-	(5,866)	-	-	**(5,866)**
Foreign exchange adjustment	(426,872)	(953,435)	(18,441)	(19,151)	(1,960,309)	**(3,378,208)**
Balance, December 31, 2016	1,850,486	4,217,673	78,242	84,397	8,449,267	**14,680,065**
Depreciation	7,230	78,275	4,121	1,316	-	**90,942**
Foreign exchange adjustment	33,316	75,648	1,421	1,523	152,010	**263,918**
Balance, June 30, 2017	$ 1,891,032	$ 4,371,596	$ 83,784	$ 87,236	$ 8,601,277	**$ 15,034,925**

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2016	$ 432,914	$ 633,746	$ 31,356	$ 17,614	$ 6,334,361	**$ 7,449,991**
Balance, June 30, 2017	$ 435,528	$ 832,519	$ 32,086	$ 16,610	$ 6,547,571	**$ 7,864,314**

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets

Exploration and evaluation assets are expenditures for the underground mining operations in Omagh. The proposed underground mine is dependent on the ability of the Company to obtain the necessary planning permission. On June 11, 2015, the Company announced that it had obtain planning consent for an underground gold mine at the Omagh site. In February 2017, the planning permission was subject to a judicial review and the Company is awaiting judgement. The consent includes operating and environmental conditions. On March 13, 2017, the Company announced that underground development had commenced on the Omagh mine. On April 24, 2017, the Company announced that the underground development has been put on hold and on May 15, 2017, the Company announced that the underground development would continue.

Cost		**Exploration and evaluation assets**
Balance, December 31, 2015	$	2,371,328
Additions		367,893
Foreign exchange adjustment		(444,967)
Balance, December 31, 2016		2,294,254
Additions		305,963
Foreign exchange adjustment		40,194
Balance, June 30, 2017	$	2,640,411

Carrying value		**Exploration and evaluation assets**
Balance, December 31, 2016	$	2,294,254
Balance, June 30, 2017	$	2,640,411

8. Decommissioning Liability

The Company's decommissioning liability is a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at June 30, 2017 based on a risk-free discount rate of 1% (December 31, 2016 - 1%) and an inflation rate of 1.50% (December 31, 2016 - 1.50%). The expected undiscounted future obligations allowing for inflation are GBP 330,000 and based on management's best estimate the decommissioning is expected to occur over the next 5 to 10 years. On June 30, 2017, the estimated fair value of the liability is $543,135 (December 31, 2016 - $528,305). Changes in the provision during the six months ended June 30, 2017 are as follows:

		As at June 30, 2017		**As at December 31, 2016**
Decommissioning liability, beginning of period	**$**	**528,305**	$	637,988
Accretion		**5,307**		11,345
Foreign exchange		**9,523**		(121,028)
Decommissioning liability, end of period	**$**	**543,135**	$	528,305

(Expressed in Canadian Dollars)

8. Decommissioning Liability (Continued)

As required by the Crown in Northern Ireland, the Company is required to provide a bond for reclamation related to the Omagh mine in the amount of GBP 300,000 (December 31, 2016 - GBP 300,000), of which GBP 300,000 was funded as of June 30, 2017 (GBP 300,000 was funded as of December 31, 2016) and reported as long-term deposit of $505,860 (December 31, 2016 - $496,920).

9. Accounts Payable and Other Liabilities

Accounts payable and other liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities, amounts payable for financing activities and professional fees activities.

	As at June 30, 2017	As at December 31, 2016
Accounts payable	**$ 543,314**	$ 336,121
Accrued liabilities	**491,228**	557,449
Total accounts payable and other liabilities	**$ 1,034,542**	$ 893,570

The following is an aged analysis of the accounts payable and other liabilities:

	As at June 30, 2017	As at December 31, 2016
Less than 3 months	**$ 576,902**	$ 365,448
3 to 12 months	**97,037**	154,456
12 to 24 months	**32,968**	54,992
More than 24 months	**327,635**	318,674
Total accounts payable and other liabilities	**$ 1,034,542**	$ 893,570

10. Financing Facility

Amounts payable on the long-term debt are as follow:

	As at June 30, 2017	As at December 31, 2016
Financing facility, beginning of period	**$ 25,265**	$ 38,069
Less current portion	**(5,595)**	(4,956)
Repayment of financing facility	**(1,842)**	(4,007)
Foreign exchange adjustment	**4,956**	(3,841)
Financing facility - long term portion	**$ 22,784**	$ 25,265

In June 2015, the Company obtained financing in the amount of GBP 19,900 for the purchase of a vehicle. The financing is for three years at interest of 6.79% per annum with monthly principal and interest payments of GBP 377 together with a final payment in June 2018 of GBP 9,383. The financing was secured on the vehicle.

(Expressed in Canadian Dollars)

11. Share Capital and Reserves

a) Authorized share capital

At June 30, 2017, the authorized share capital consisted of an unlimited number of common and preference shares issuable in Series.

The common shares do not have a par value. All issued shares are fully paid.

No preference shares have been issued. The preference shares do not have a par value.

b) Common shares issued

At June 30, 2017, the issued share capital amounted to $38,643,022. The change in issued share capital for the periods presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2015	**107,297,154**	**$ 33,960,190**
Shares issued in private placements (i)	18,619,841	1,466,312
Share issue costs	-	(30,777)
Common shares issued for debt (ii)	11,883,835	935,852
Balance, June 30, 2016	**137,800,830**	**$ 36,331,577**

Balance, December 31, 2016	**137,800,830**	**$ 36,331,577**
Shares issued in private placement (iii)	33,093,257	2,446,299
Share issue costs	-	(134,854)
Balance, June 30, 2017	**170,894,087**	**$ 38,643,022**

(i) On June 9, 2016, the Company closed a private placement of 18,619,841 common shares at $0.07875 per common share for gross proceeds of $1,466,312.

The majority of the placement was taken up by Mr. Ross Beaty, who acquired 12,825,397 common shares.

(ii) On June 10, 2016, the Company issued 11,883,835 common shares as settlement of due to related parties of $935,852. Due to related parties consisted of an amount owing to Roland Phelps (President and Chief Executive Officer ("CEO").

(Expressed in Canadian Dollars)

11. Share Capital and Reserves (Continued)

b) Common shares issued (continued)

(iii) On February 27, 2017, the Company completed the first part of a private placement. It consisted of 27,371,035 common shares of no par value. United Kingdom placees have subscribed at a price of GPB 0.045 per common share. Canadian placees have subscribed at a price of $0.0725 per common share. Receipts attached to the first part of the placement total $2,021,501.

On March 2, 2017, the Company completed the second part of a private placement. It consisted of 5,722,222 common shares of no par value for receipt of $424,798. United Kingdom placees have subscribed at a price of GPB 0.045 per common share. The hold period will expire for the second closing of the placing on July 3, 2017.

Melquart Ltd, ("Melquart") a UK based investment institution, subscribed for a total of 22,222,222 common shares and Melquart's staked increased to 13% of the Company's issued common shares.

Ross Beaty subscribed for 3,326,170 common shares and after closing of the private placement Ross Beaty owns 32,151,567 common shares of the Company or approximately 18.8% of the outstanding common shares.

The net proceeds to be raised by the private placement are intended to be used for working capital purposes and to commence development of an underground mine on the Omagh property.

c) Warrant reserve

The following table shows the continuity of warrants for the periods presented:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2015	**30,966,000**	**$ 0.17**
Expired	(10,330,000)	0.17
Balance, June 30, 2016	**20,636,000**	**$ 0.16**
Balance, December 31, 2016 and June 30, 2017	**636,000**	**$ 0.07**

The following table reflects the actual warrants issued and outstanding as of June 30, 2017:

Expiry date	Number of warrants	Grant date fair value ($)	Exercise price	Fair value June 30, 2017 ($)
February 16, 2018	636,000	32,000	0.045 (1)	18,000

(Expressed in Canadian Dollars)

11. Share Capital and Reserves (Continued)

c) Warrant reserve (continued)

(1) Exercise price is in GBP. As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being record in the unaudited condensed interim consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

On June 30, 2017, the fair value of the warrants, denominated in a currency other than the functional currency, was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 109%; risk free interest rate of 1.10%; and an expected life of 0.63 years. As a result, the fair value of the warrants was calculated to be $18,000 and the Company recorded an unrealized gain on fair value of derivative financial liability for the three and six months ended June 30, 2017 of $28,000 and $6,000, respectively (three and six months ended June 30, 2016 - unrealized gain of $1,000 and $80,000, respectively).

d) Stock options

The following table shows the continuity of stock options for the periods presented:

	Number of options	Weighted average exercise price
Balance, December 31, 2015	**4,440,000**	**$ 0.17**
Expired	(50,000)	0.50
Balance, June 30, 2016	**4,390,000**	**$ 0.17**
Balance, December 31, 2016	**3,700,000**	**$ 0.11**
Granted (i)	4,900,000	0.14
Balance, June 30, 2017	**8,600,000**	**$ 0.12**

(i) On March 25, 2017, 4,900,000 stock options were granted to directors, officers, consultants and key employees of the Company to purchase common shares at a price of $0.135 per share until March 25, 2022. The options will vest as to one third on March 25 2017 and one third on each of the following two anniversaries. The fair value attributed to these options was $645,820 and was expensed in the unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and six months ended June 30, 2017, included in stock-based compensation is $80,506 and $301,087, respectively (three and six months ended June 30, 2016 - $nil) related to the vested portion of these options.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 201%; risk-free interest rate - 1.12% and an expected life of 5 years.

(Expressed in Canadian Dollars)

11. Share Capital and Reserves (Continued)

d) Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2017:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
June 1, 2020	0.105	2.92	3,550,000	3,550,000	-
June 12, 2020	0.105	2.96	150,000	150,000	-
March 25, 2022	0.135	4.74	4,900,000	1,633,333	3,266,667
	0.122	3.96	8,600,000	5,333,333	3,266,667

12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2017 was based on the loss attributable to common shareholders of $511,876 and $1,196,110, respectively (three and six months ended June 30, 2016 - $645,829 and $1,019,174, respectively) and the weighted average number of common shares outstanding of 170,894,087 and 160,616,924, respectively (three and six months ended June 30, 2016 - 114,263,285 and 110,765,807, respectively) for basic and diluted loss per share. Diluted loss did not include the effect of 636,000 warrants (three and six months ended June 30, 2016 - 20,636,000) and 8,600,000 options (three and six months ended June 30, 2016 - 4,390,000) for the three and six months ended June 30, 2017, as they are anti-dilutive.

13. Cost of Sales

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Production wages	**$ 14,946**	$ 36,950	**$ 17,867**	$ 97,430
Oil and fuel	**25,307**	15,081	**45,529**	33,350
Repairs and servicing	**35,689**	10,952	**51,544**	26,350
Equipment hire	**18,016**	-	**21,231**	-
Environment monitoring	**7,711**	6,673	**14,679**	13,740
Royalties	**4,301**	4,621	**8,402**	9,529
Other costs	**(2,724)**	14,715	**5,770**	16,174
Production costs	**103,246**	88,992	**165,022**	196,573
Inventory movement	**8,359**	(420)	**9,999**	13,530
Cost of sales	**$ 111,605**	$ 88,572	**$ 175,021**	$ 210,103

(Expressed in Canadian Dollars)

14. Related Party Disclosures

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the fair value and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) The Company entered into the following transactions with related parties:

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	2017	2016	2017	2016
Interest on related party loans	(i)	**$ 14,691**	$ 17,137	**$ 28,284**	$ 35,250

(i) G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to the Company of $2,223,009 (GBP 1,318,354) (December 31, 2016 - $2,183,722 - GBP 1,318,354) included with due to related parties bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. Interest accrued on related party loans is included with due to related parties. As at June 30, 2017, the amount of interest accrued is $352,483 (GBP 209,040) (December 31, 2016 - $318,375 - GBP 192,209).

(ii) See note 11(b)(i)(ii)(iii).

(b) Remuneration of key management of the Company was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Salaries and benefits [1]	**$ 114,051**	$ 118,574	**$ 219,316**	$ 240,060
Stock-based compensation	**19,716**	-	**73,736**	-
	$ 133,767	$ 118,574	**$ 293,052**	$ 240,060

[1] Salaries and benefits include director fees. As at June 30, 2017, due to directors for fees amounted to $123,750 (December 31, 2016 - $110,250) and due to key management, mainly for salaries and benefits accrued amounted to $433,713 (GBP 257,213) (December 31, 2016 - $271,840 - GBP 164,115), and is included with due to related parties.

(c) As of June 30, 2017, Ross Beaty owns 32,151,567 common shares of the Company or approximately 18.81% of the outstanding common shares. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 33,356,750 common shares of the Company or approximately 19.52% of the outstanding common shares of the Company. Melquart owns, directly and indirectly, 22,222,222 common shares of the Company or approximately 13.00% of the outstanding common shares of the Company. The remaining 48.67% of the shares are widely held, which includes various small holdings which are owned by directors of the Company. These holdings can change at anytime at the discretion of the owner.

The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company.

(Expressed in Canadian Dollars)

15. Segment Disclosure

The Company has determined that it has one reportable segment. The Company's operations are substantially all related to its investment in Cavanacaw and its subsidiaries, Omagh and Flintridge. Substantially all of the Company's revenues, costs and assets of the business that support these operations are derived or located in Northern Ireland. Segmented information on a geographic basis is as follows:

June 30, 2017	**United Kingdom**	**Canada**	**Total**
Current assets	$ 290,967	$ 1,553,822	**$ 1,844,789**
Non-current assets	10,950,208	60,377	**11,010,585**
Revenues	$ 19,341	$ -	**$ 19,341**

December 31, 2016	**United Kingdom**	**Canada**	**Total**
Current assets	$ 283,773	$ 403,816	**$ 687,589**
Non-current assets	10,180,747	60,418	**10,241,165**

16. Contingency

During the year ended December 31, 2010, the Company’s subsidiary Omagh received a payment demand from Her Majesty’s Revenue and Customs in the amount of $513,094 (GBP 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company’s subsidiary Omagh intends to vigorously defend itself against this claim. The hearing started at the beginning of March 2017 but a further two days hearing is scheduled in January 2018. No provision has been made for the claim in the unaudited condensed interim consolidated financial statements.