GALANTAS GOLD CORPORATION

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited)
Three and Six Months Ended June 30, 2016

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, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash	**$ 1,312,989**	$ 1,518,332
Accounts receivable and prepaid expenses (note 4)	**180,579**	249,659
Inventories (note 5)	**24,804**	43,875
Total current assets	**1,518,372**	1,811,866
Non-current assets		
Property, plant and equipment (note 6)	**7,583,541**	8,686,902
Long-term deposit (note 8)	**516,750**	612,210
Exploration and evaluation assets (note 7)	**2,032,985**	2,371,328
Total non-current assets	**10,133,276**	11,670,440
Total assets	**$ 11,651,648**	$ 13,482,306
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 9)	**$ 817,473**	$ 1,388,762
Current portion of financing facility (note 10)	**7,450**	6,947
Due to related parties (note 14)	**2,761,889**	4,022,216
Total current liabilities	**3,586,812**	5,417,925
Non-current liabilities		
Non-current portion of financing facility (note 10)	**26,128**	31,122
Decommissioning liability (note 8)	**543,948**	637,988
Derivative financial liability (note 11(c))	**52,000**	132,000
Total non-current liabilities	**622,076**	801,110
Total liabilities	**4,208,888**	6,219,035
Capital and reserves		
Share capital (note 11(a)(b))	**36,331,577**	33,960,190
Reserves	**7,306,222**	8,478,946
Deficit	**(36,195,039)**	(35,175,865)
Total equity	**7,442,760**	7,263,271
Total equity and liabilities	**$ 11,651,648**	$ 13,482,306

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

Going concern (note 1)
Contingency (note 16)
Event after the reporting period (note 17)

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

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues				
Gold sales	**$ 1,648**	$ 13,774	**$ 29,721**	$ 14,897
Cost and expenses of operations				
Cost of sales (note 13)	**88,572**	114,656	**210,103**	184,653
Depreciation (note 6)	**42,732**	49,881	**90,283**	102,174
	131,304	164,537	**300,386**	286,827
Loss before general administrative and other (incomes) expenses	**(129,656)**	(150,763)	**(270,665)**	(271,930)
General administrative expenses				
Management and administration wages (note 14)	**165,550**	130,548	**343,493**	261,167
Other operating expenses	**22,590**	11,715	**44,147**	45,487
Accounting and corporate	**15,768**	15,688	**31,233**	31,084
Legal and audit	**97,064**	19,098	**147,466**	40,908
Stock-based compensation (note 11(d)(i)(ii))	**-**	338,000	**-**	338,000
Shareholder communication and investor relations	**78,998**	67,927	**118,078**	98,144
Transfer agent	**7,609**	8,653	**9,232**	10,633
Director fees (note 14)	**8,250**	10,500	**13,250**	15,500
General office	**1,933**	1,984	**3,882**	3,965
Accretion expenses (note 8)	**2,916**	2,976	**6,018**	5,942
Loan interest and bank charges (note 14)	**18,828**	17,763	**38,818**	35,554
	419,506	624,852	**755,617**	886,384
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))	**(1,000)**	(95,000)	**(80,000)**	(103,000)
Foreign exchange loss	**103,146**	28,142	**78,371**	67,542
	96,667	(66,858)	**(7,108)**	(35,458)
Net loss for the period	**$ (645,829)**	$ (708,757)	**$ (1,019,174)**	$ (1,122,856)
Basic and diluted net loss per share (note 12)	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	**114,263,285**	87,297,154	**110,765,807**	84,533,844

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

GALANTAS GOLD CORPORATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Net loss for the period	**$ (645,829)**	$ (708,757)	**$ (1,019,174)**	$ (1,122,856)
Other comprehensive (loss) income				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	**(536,851)**	254,815	**(1,172,724)**	509,214
Total comprehensive loss	**$ (1,182,680)**	$ (453,942)	**$ (2,191,898)**	$ (613,642)

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, 2016	Six Months Ended June 30, 2015
Operating activities		
Net loss for the period	**$ (1,019,174)**	$ (1,122,856)
Adjustment for:		
Depreciation	**90,283**	102,174
Stock-based compensation (note 11(d)(i)(ii))	**-**	338,000
Interest expense	**18,497**	-
Foreign exchange	**652,032**	(179,018)
Gain on disposal of property, plant and equipment	**(5,479)**	-
Accretion expenses (note 8)	**6,018**	5,942
Unrealized gain on fair value of derivative financial liability (note 11(c))	**(80,000)**	(103,000)
Non-cash working capital items:		
Accounts receivable and prepaid expenses	**69,080**	(5,478)
Inventories	**19,071**	39,546
Accounts payable and other liabilities	**(571,289)**	139,931
Due to related parties	**(342,972)**	494,047
Net cash used in operating activities	**(1,163,933)**	(290,712)
Investing activities		
Purchase of property, plant and equipment	**(361,780)**	(85,995)
Proceeds from sale of property, plant and equipment	**34,548**	-
Exploration and evaluation assets	**(22,045)**	(102,442)
Net cash used in investing activities	**(349,277)**	(188,437)
Financing activities		
Proceeds of private placement	**1,466,312**	607,062
Share issue costs	**(30,777)**	(49,197)
Advances from related parties	**-**	45,318
Proceeds from financing facility	**-**	39,032
Repayment of financing facility	**(6,537)**	-
Net cash provided by financing activities	**1,428,998**	642,215
Net change in cash	**(84,212)**	163,066
Effect of exchange rate changes on cash held in foreign currencies	**(121,131)**	15,371
Cash, beginning of period	**1,518,332**	20,259
Cash, end of period	**$ 1,312,989**	$ 198,696

Supplemental information		
Shares issued to settle due to related parties (note 11(b)(iii))	**$ 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)

		Reserves				
	Share capital	Equity settled share-based payments reserve	Warrant reserve	Foreign currency translation reserve	Deficit	Total
Balance, December 31, 2014	**$ 31,825,575**	**$ 5,471,109**	**$ -**	**$ 1,133,221**	**$ (33,382,788)**	**$ 5,047,117**
Shares issued in private placement (note 11(b)(i))	607,062	-	-	-	-	607,062
Warrants issued (note 11(b)(i))	(32,000)	-	-	-	-	(32,000)
Share issue costs	(49,197)	-	-	-	-	(49,197)
Stock-based compensation (note 11(d)(i)(ii))	-	338,000	-	-	-	338,000
Net loss and other comprehensive income for the period	-	-	-	509,214	(1,122,856)	(613,642)
Balance, June 30, 2015	**$ 32,351,440**	**$ 5,809,109**	**$ -**	**$ 1,642,435**	**$ (34,505,644)**	**$ 5,297,340**
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 placement (note 11(b)(ii))	1,466,312	-	-	-	-	1,466,312
Share issue costs	(30,777)	-	-	-	-	(30,777)
Common shares issued for debt (note 11(b)(iii))	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**

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 scheduled for September 2016.

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, 2016, the Company had a deficit of $36,195,039 (December 31, 2015 - $35,175,865). 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.

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.

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.

2. Incorporation and Nature of Operations (Continued)

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 ("TSXV") and London Stock Exchange AIM under the symbol GAL. The primary office is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5.

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 19, 2016 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, 2015, except for changes noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2016 could result in restatement of these unaudited condensed interim consolidated financial statements.

Change in accounting policies

(i) IAS 1 – Presentation of Financial Statements was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. At January 1, 2016, the Company adopted this pronouncement and there was no material impact on the Company's 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 1 January 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, 2016	As at December 31, 2015
Sales tax receivable - Canada	**$ 7,210**	$ 3,083
Valued added tax receivable - Northern Ireland	**88,926**	141,976
Accounts receivable	**37,804**	62,725
Prepaid expenses	**46,639**	41,875
	$ 180,579	$ 249,659

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, 2016	As at December 31, 2015
Less than 3 months	**$ 98,389**	$ 165,666
3 to 12 months	**-**	1,837
More than 12 months	**35,551**	40,281
Total accounts receivable	**$ 133,940**	$ 207,784

5. Inventories

	As at June 30, 2016	As at December 31, 2015
Concentrate inventories	**$ 11,196**	$ 13,265
Finished goods	**13,608**	30,610
	$ 24,804	$ 43,875

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, 2014	$ 2,440,515	$ 5,159,328	$ 81,732	$ 111,292	$ 14,943,018	**$ 22,735,885**
Additions	-	10,278	40,198	-	855,937	**906,413**
Foreign exchange adjustment	315,480	663,775	14,714	14,387	1,931,651	**2,940,007**
Balance, December 31, 2015	2,755,995	5,833,381	136,644	125,679	17,730,606	**26,582,305**
Additions	-	7,222	34,069	-	320,489	**361,780**
Disposals	-	(35,435)	-	-	-	**(35,435)**
Foreign exchange adjustment	(429,733)	(905,218)	(21,307)	(19,597)	(2,764,680)	**(4,140,535)**
Balance, June 30, 2016	$ 2,326,262	$ 4,899,950	$ 149,406	$ 106,082	$ 15,286,415	**$ 22,768,115**

Accumulated depreciation	**Freehold land and buildings**	**Plant and machinery**	**Motor vehicles**	**Office equipment**	**Mine development costs**	**Total**
Balance, December 31, 2014	$ 1,969,052	$ 4,300,385	$ 75,803	$ 85,203	$ 9,217,987	**$ 15,648,430**
Depreciation	24,105	173,340	6,466	4,000	-	**207,911**
Foreign exchange adjustment	266,155	560,042	10,085	11,191	1,191,589	**2,039,062**
Balance, December 31, 2015	2,259,312	5,033,767	92,354	100,394	10,409,576	**17,895,403**
Depreciation	10,064	73,229	5,252	1,738	-	**90,283**
Disposals	-	-	(6,366)	-	-	**(6,366)**
Foreign exchange adjustment	(353,254)	(787,633)	(14,905)	(15,821)	(1,623,133)	**(2,794,746)**
Balance, June 30, 2016	$ 1,916,122	$ 4,319,363	$ 76,335	$ 86,311	$ 8,786,443	**$ 15,184,574**

Carrying value	**Freehold land and buildings**	**Plant and machinery**	**Motor vehicles**	**Office equipment**	**Mine development costs**	**Total**
Balance, December 31, 2015	$ 496,683	$ 799,614	$ 44,290	$ 25,285	$ 7,321,030	**$ 8,686,902**
Balance, June 30, 2016	$ 410,140	$ 580,587	$ 73,071	$ 19,771	$ 6,499,972	**$ 7,583,541**

(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. However, the planning permission is subject to a judicial review which is scheduled for September 2016. The consent includes operating and environmental conditions.

Cost	**Exploration and evaluation assets**
Balance, December 31, 2014	$ 2,070,772
Additions	40,636
Foreign exchange adjustment	259,920
Balance, December 31, 2015	2,371,328
Additions	22,045
Foreign exchange adjustment	(360,388)
Balance, June 30, 2016	$ 2,032,985

Carrying value	**Exploration and evaluation assets**
Balance, December 31, 2015	$ 2,371,328
Balance, June 30, 2016	$ 2,032,985

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, 2016 based on a risk-free discount rate of 1% (December 31, 2015 - 1%) and an inflation rate of 1.50% (December 31, 2015 - 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, 2016, the estimated fair value of the liability is $543,948 (December 31, 2015 - $637,988). Changes in the provision during the six months ended June 30, 2016 are as follows:

	As at June 30, 2016	**As at December 31, 2015**
Decommissioning liability, beginning of period	**$ 637,988**	$ 553,544
Accretion	**6,018**	12,341
Foreign exchange	**(100,058)**	72,103
Decommissioning liability, end of period	**$ 543,948**	$ 637,988

(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, 2015 - GBP 300,000), of which GBP 300,000 was funded as of June 30, 2016 (GBP 300,000 was funded as of December 31, 2015) and reported as long-term deposit of $516,750 (December 31, 2015 - $612,210).

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, 2016	As at December 31, 2015
Accounts payable	**$ 285,446**	$ 756,682
Accrued liabilities	**532,027**	632,080
Total accounts payable and other liabilities	**$ 817,473**	$ 1,388,762

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

	As at June 30, 2016	As at December 31, 2015
Less than 3 months	**$ 300,787**	$ 680,077
3 to 12 months	**102,797**	220,071
12 to 24 months	**56,036**	67,029
More than 24 months	**357,853**	421,585
Total accounts payable and other liabilities	**$ 817,473**	$ 1,388,762

10. Financing Facility

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

	Interest	As at June 30, 2016	As at December 31, 2015
Financing facility, beginning of period		**$ 38,069**	$ -
Financing facility received (GBP 19,900)	6.79%	**-**	40,610
Less current portion		**(7,450)**	(6,947)
Repayment of financing facility		**(6,537)**	(2,541)
Foreign exchange adjustment		**2,046**	-
Financing facility - long term portion		**$ 26,128**	$ 31,122

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, 2016, 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, 2016, the issued share capital amounted to $36,331,577. The change in issued share capital for the periods presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2014	**76,697,155**	**$ 31,825,575**
Shares issued in private placement (i)	10,599,999	607,062
Warrants issued (i)	-	(32,000)
Share issue costs	-	(49,197)
Balance, June 30, 2015	**87,297,154**	**$ 32,351,440**

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

(i) On February 16, 2015, the Company closed a private placement of 10,599,999 common shares at GBP 0.03 ($0.05727) per common share for gross proceeds of GBP 316,667 ($607,062). Commissions of $36,424 were paid in connection with the placement and was included in the share issue costs. The agent also received 636,000 broker warrants. Each broker warrant can be exercised for one common share at an exercise price of GBP 0.045 for a period of 3 years.

The fair value of the 636,000 broker warrants was estimated at $32,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 168.98%, risk-free interest rate - 0.43% and an expected average life of 3 years. As a result of the exercise price of the broker warrants being denominated in a currency other than the functional currency, the broker warrants are considered a derivative financial liability.

(Expressed in Canadian Dollars)

11. Share Capital and Reserves (Continued)

b) Common shares issued (continued)

(ii) 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. A four month hold period applies to the shares which will expire on October 10, 2016.

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

(iii) 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").

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, 2014	**10,330,000**	**$ 0.18**
Issued (note 11(b)(i))	636,000	0.08
Balance, June 30, 2015	**10,966,000**	**$ 0.18**
Balance, December 31, 2015	**30,966,000**	**$ 0.17**
Expired	(10,330,000)	0.17
Balance, June 30, 2016	**20,636,000**	**$ 0.16**

The following table reflects the actual warrants issued and outstanding as of June 30, 2016:

Expiry date	Number of warrants	Grant date fair value ($)	Exercise price	Fair value June 30, 2016 ($)
July 24, 2016	20,000,000	766,000	0.16	766,000
February 16, 2018	636,000	32,000	0.045 (1)	52,000
	20,636,000	798,000		818,000

(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, 2016, 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 143%; risk free interest rate of 0.52%; and an expected life of 1.63 years. As a result, the fair value of the warrants was calculated to be $52,000 and the Company recorded an unrealized gain on fair value of derivative financial liability for the three and six months ended June 30, 2016 of $1,000 and $80,000, respectively (three and six months ended June 30, 2015 - unrealized gain of $95,000 and $103,000, 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, 2014	**940,000**	**$ 0.50**
Granted (i)(ii)	3,700,000	0.11
Balance, June 30, 2015	**4,640,000**	**$ 0.19**
Balance, December 31, 2015	**4,440,000**	**$ 0.17**
Expired	(50,000)	0.50
Balance, June 30, 2016	**4,390,000**	**$ 0.17**

(i) On June 1, 2015, 3,550,000 stock options were granted to directors, officers, consultants and key employees of the Company to purchase common shares at a price of $0.105 per share until June 1, 2020. The options vested immediately. The fair value attributed to these options was $324,000 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, 2016, included in stock-based compensation is $nil (three and six months ended June 30, 2015 - $324,000) 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 - 134%; risk-free interest rate - 0.90% and an expected life of 5 years.

(Expressed in Canadian Dollars)

11. Share Capital and Reserves (Continued)

d) Stock options (continued)

(ii) On June 13, 2015, 150,000 stock options were granted to a consultant of the Company to purchase common shares at a price of $0.105 per share until June 12, 2020. The options vested immediately. The fair value attributed to these options was $14,000 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, 2016, included in stock-based compensation is $nil (three and six months ended June 30, 2015 - $14,000) 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 - 133%; risk-free interest rate - 1.01% and an expected life of 5 years.

The following table reflects the actual stock options issued and outstanding as of June 30, 2016:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
September 6, 2016	0.50	0.19	690,000	690,000	-
June 1, 2020	0.105	3.92	3,550,000	3,550,000	-
June 12, 2020	0.105	3.96	150,000	150,000	-
	0.17	3.34	4,390,000	4,390,000	-

12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2016 was based on the loss attributable to common shareholders of $645,829 and $1,019,174, respectively (three and six months ended June 30, 2015 - $708,757 and $1,122,856, respectively) and the weighted average number of common shares outstanding of 114,263,285 and 110,765,807, respectively (three and six months ended June 30, 2015 - 87,297,154 and 84,533,844, respectively) for basic and diluted loss per share. Diluted loss did not include the effect of 20,636,000 warrants (three and six months ended June 30, 2015 - 10,966,000) and 4,390,000 options (three and six months ended June 30, 2015 - 4,640,000) for the three and six months ended June 30, 2016, as they are anti-dilutive.

(Expressed in Canadian Dollars)

13. Cost of Sales

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Production wages	**$ 36,950**	$ 27,676	**$ 97,430**	$ 52,208
Oil and fuel	**15,081**	8,088	**33,350**	16,887
Repairs and servicing	**10,952**	9,493	**26,350**	24,660
Equipment hire	**-**	3,061	**-**	5,174
Royalties	**-**	10,897	**-**	20,133
Other costs	**26,009**	8,401	**39,443**	18,551
Production costs	**88,992**	67,616	**196,573**	137,613
Inventory movement	**(420)**	47,040	**13,530**	47,040
Cost of sales	**$ 88,572**	$ 114,656	**$ 210,103**	$ 184,653

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:

	Note	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Interest on related party loans	(i)	**$ 17,137**	$ 17,012	**$ 35,250**	$ 33,622

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of $2,270,866 (GBP 1,318,354) (December 31, 2015 - $2,690,365 - 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, 2016, the amount of interest accrued is $302,009 (GBP 175,332) (December 31, 2015 - $320,053 - GBP 156,835).

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

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

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Salaries and benefits [(1)]	**$ 118,574**	$ 121,420	**$ 240,060**	$ 237,708
Stock-based compensation	**-**	109,521	**-**	109,521
	$ 118,574	$ 230,941	**$ 240,060**	$ 347,229

[(1)] Salaries and benefits include director fees. As at June 30, 2016, due to directors for fees amounted to $97,000 (December 31, 2015 - $83,750) and due to key management, mainly for salaries and benefits accrued amounted to $92,014 (GBP 53,419) (December 31, 2015 - $928,048 - GBP 454,769), and is included with due to related parties.

(Expressed in Canadian Dollars)

14. Related Party Disclosures (Continued)

(c) As of June 30, 2016, Ross Beaty owns 28,825,397 common shares of the Company or approximately 20.92% of the outstanding common shares. Roland Phelps, CEO and director, owns, directly and indirectly, 33,356,750 common shares of the Company or approximately 24.21% of the outstanding common shares of the Company. The remaining 54.87% 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.

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, 2016	**United Kingdom**	**Canada**	**Total**
Current assets	$ 311,137	$ 1,207,235	**$ 1,518,372**
Non-current assets	10,072,796	60,480	**10,133,276**
Revenues	$ 29,721	$ -	**$ 29,721**

December 31, 2015	**United Kingdom**	**Canada**	**Total**
Current assets	$ 447,691	$ 1,364,175	**$ 1,811,866**
Non-current assets	11,609,887	60,553	**11,670,440**

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 $524,140 (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. A hearing date for the appeal has not yet been determined. No provision has been made for the claim in the unaudited condensed interim consolidated financial statements.

17. Event After the Reporting Period

On July 24, 2016, 20,000,000 warrants with an exercise price of $0.16 expired unexercised.