



GALANTAS GOLD CORPORATION

**Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)**

(Unaudited)

Three and Six Months Ended June 30, 2015

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, 2015	As at December 31, 2014
ASSETS		
Current assets		
Cash	\$ 198,696	\$ 20,259
Accounts receivable and prepaid expenses (note 4)	107,691	102,213
Inventories (note 5)	71,591	111,137
Total current assets	377,978	233,609
Non-current assets		
Property, plant and equipment (note 6)	7,663,565	7,087,455
Long-term deposit (note 8)	588,420	542,130
Exploration and evaluation assets (note 7)	2,255,012	2,070,772
Total non-current assets	10,506,997	9,700,357
Total assets	\$ 10,884,975	\$ 9,933,966
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 9)	\$ 1,009,253	\$ 869,322
Current portion of financing facility (note 10)	6,453	-
Due to related parties (note 14)	3,635,348	3,095,983
Total current liabilities	4,651,054	3,965,305
Non-current liabilities		
Non-current portion of financing facility (note 10)	32,579	-
Decommissioning liability (note 8)	607,002	553,544
Derivative financial liability (note 11(c))	297,000	368,000
Total non-current liabilities	936,581	921,544
Total liabilities	5,587,635	4,886,849
Capital and reserves		
Share capital (note 11(a)(b))	32,351,440	31,825,575
Reserves	7,451,544	6,604,330
Deficit	(34,505,644)	(33,382,788)
Total equity	5,297,340	5,047,117
Total equity and liabilities	\$ 10,884,975	\$ 9,933,966

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

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

Approved on behalf of the Board:

"Roland Phelps" , Director

"Lionel J. Gunter" , Director



Galantas Gold Corporation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Gold sales	\$ 13,774	\$ -	\$ 14,897	\$ -
Cost and expenses of operations				
Cost of sales (note 13)	114,656	99,446	184,653	176,680
Depreciation (note 6)	49,881	62,171	102,174	127,263
	164,537	161,617	286,827	303,943
Loss before the undernoted	(150,763)	(161,617)	(271,930)	(303,943)
General administrative expenses				
Management and administration wages (note 14)	130,548	130,671	261,167	268,704
Other operating expenses	11,715	27,477	45,487	64,381
Accounting and corporate	15,688	15,869	31,084	30,496
Legal and audit	19,098	52,411	40,908	81,353
Stock-based compensation (note 11(d)(i)(ii))	338,000	-	338,000	-
Shareholder communication and investor relations	67,927	67,049	98,144	92,653
Transfer agent	8,653	24,527	10,633	27,603
Director fees (note 14)	10,500	9,250	15,500	14,250
General office	1,984	2,462	3,965	4,784
Accretion expenses (note 8)	2,976	2,898	5,942	5,781
Loan interest and bank charges (note 14)	17,763	14,914	35,554	29,704
	624,852	347,528	886,384	619,709
Other expenses				
Gain on disposal of property, plant and equipment	-	(19,312)	-	(19,860)
Unrealized gain on fair value of derivative financial liability (note 11(c))	(95,000)	(210,000)	(103,000)	(210,000)
Foreign exchange loss	28,142	16,770	67,542	104,911
	(66,858)	(212,542)	(35,458)	(124,949)
Net loss for the period	\$ (708,757)	\$ (296,603)	\$ (1,122,856)	\$ (798,703)
Basic and diluted net loss per share (note 12)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	87,297,154	62,618,186	84,533,844	56,906,564

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 Loss and Other Comprehensive Income (Loss)
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss for the period	\$ (708,757)	\$ (296,603)	\$ (1,122,856)	\$ (798,703)
Other comprehensive income (loss)				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	254,815	(89,511)	509,214	362,248
Total comprehensive loss	\$ (453,942)	\$ (386,114)	\$ (613,642)	\$ (436,455)

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,	
	2015	2014
Operating activities		
Net loss for the period	\$ (1,122,856)	\$ (798,703)
Adjustment for:		
Depreciation	102,174	127,263
Stock-based compensation (note 11(d)(i)(ii))	338,000	-
Foreign exchange	(179,018)	(74,157)
Gain on disposal of property, plant and equipment	-	(19,860)
Accretion expenses (note 8)	5,942	5,781
Unrealized gain on fair value of derivative financial liability (note 11(c))	(103,000)	(210,000)
Non-cash working capital items:		
Accounts receivable and prepaid expenses	(5,478)	166,843
Inventories	39,546	(12,188)
Accounts payable and other liabilities	139,931	(262,211)
Due to related parties	494,047	363,900
Net cash used in operating activities	(290,712)	(713,332)
Investing activities		
Purchase of property, plant and equipment	(85,995)	(68,534)
Proceeds from sale of property, plant and equipment	-	33,833
Exploration and evaluation assets	(102,442)	(42,035)
Net cash used in investing activities	(188,437)	(76,736)
Financing activities		
Proceeds of private placement	607,062	968,438
Share issue costs	(49,197)	(23,706)
Advances from related parties	45,318	127,792
Proceeds from financing facility	39,032	-
Net cash provided by financing activities	642,215	1,072,524
Net change in cash	163,066	282,456
Effect of exchange rate changes on cash held in foreign currencies	15,371	9,776
Cash, beginning of period	20,259	166,617
Cash, end of period	\$ 198,696	\$ 458,849
Supplemental information		
Shares issued to settle accounts payable and other liabilities (note 11(b)(ii))	\$ -	\$ 40,667
Shares issued to settle due to related parties (note 11(b)(ii))	\$ -	\$ 1,348,483

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		Deficit	Total
		Equity settled share-based payments reserve	Foreign currency translation reserve		
Balance, December 31, 2013	\$ 29,874,693	\$ 5,471,109	\$ 782,351	\$(28,118,061)	\$ 8,010,092
Units issued in private placement (note 11(b)(i))	968,438	-	-	-	968,438
Warrants issued (note 11(b)(i))	(383,000)	-	-	-	(383,000)
Shares issued costs (note 11(b)(i))	(23,706)	-	-	-	(23,706)
Common shares issued for debt (note 11(b)(ii))	1,389,150	-	-	-	1,389,150
Net loss and other comprehensive income for the period	-	-	362,248	(798,703)	(436,455)
Balance, June 30, 2014	\$ 31,825,575	\$ 5,471,109	\$ 1,144,599	\$(28,916,764)	\$ 9,524,519
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)(iii))	607,062	-	-	-	607,062
Warrants issued (note 11(b)(iii))	(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

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



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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.

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, 2015, the Company had a deficit of \$34,505,644 (December 31, 2014 - \$33,382,788). 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"). On April 1, 2014, Galántas amalgamated its jewelry business with Omagh.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2015

(Expressed in Canadian Dollars)

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2. Incorporation and Nature of Operations (Continued)

As at July 1, 2007, the Company's Omagh mine began production.

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. Basis of Preparation

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 24, 2015 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, 2014. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2015 could result in restatement of these unaudited condensed interim consolidated financial statements.

Recent accounting pronouncements

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 a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules 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.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

4. Accounts Receivable and Prepaid Expenses

	As at June 30, 2015	As at December 31, 2014
Sales tax receivable - Canada	\$ 4,046	\$ 1,469
Valued added tax receivable - Northern Ireland	37,977	14,894
Accounts receivable	40,481	35,999
Prepaid expenses	25,187	49,851
	<u>\$ 107,691</u>	<u>\$ 102,213</u>

The following is an aged analysis of accounts receivable:

	As at June 30, 2015	As at December 31, 2014
Less than 3 months	\$ 42,023	\$ 16,363
3 to 12 months	1,765	11,316
More than 12 months	38,716	24,683
Total accounts receivable	<u>\$ 82,504</u>	<u>\$ 52,362</u>

5. Inventories

	As at June 30, 2015	As at December 31, 2014
Concentrate inventories	\$ 12,749	\$ 11,746
Finished goods	58,842	99,391
	<u>\$ 71,591</u>	<u>\$ 111,137</u>

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

6. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2013	\$ 2,949,209	\$ 5,161,722	\$ 79,723	\$ 114,845	\$ 64,115	\$ 13,878,530	\$ 22,248,144
Additions	2,087	-	-	2,091	-	129,840	134,018
Disposals	-	(131,705)	-	(4,724)	(64,115)	-	(200,544)
Transfer	(585,067)	-	-	-	-	585,067	-
Foreign exchange adjustment	74,286	129,311	2,009	(920)	-	349,581	554,267
Balance, December 31, 2014	2,440,515	5,159,328	81,732	111,292	-	14,943,018	22,735,885
Additions	-	-	38,708	-	-	47,287	85,995
Foreign exchange adjustment	208,385	438,142	8,620	9,504	-	1,275,914	1,940,565
Balance, June 30, 2015	\$ 2,648,900	\$ 5,597,470	\$ 129,060	\$ 120,796	\$ -	\$ 16,266,219	\$ 24,762,445

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2013	\$ 1,364,975	\$ 4,029,181	\$ 57,034	\$ 59,054	\$ 64,115	\$ 6,573,466	\$ 12,147,825
Depreciation	14,465	211,554	4,520	7,274	-	-	237,813
Disposals	-	(118,069)	-	(3,663)	(64,115)	-	(185,847)
Impairment	558,982	78,812	12,926	24,213	-	2,495,269	3,170,202
Foreign exchange adjustment	30,630	98,907	1,323	(1,675)	-	149,252	278,437
Balance, December 31, 2014	1,969,052	4,300,385	75,803	85,203	-	9,217,987	15,648,430
Depreciation	12,200	87,229	747	1,998	-	-	102,174
Foreign exchange adjustment	178,786	368,545	6,504	7,360	-	787,081	1,348,276
Balance, June 30, 2015	\$ 2,160,038	\$ 4,756,159	\$ 83,054	\$ 94,561	\$ -	\$ 10,005,068	\$ 17,098,880

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2014	\$ 471,463	\$ 858,943	\$ 5,929	\$ 26,089	\$ -	\$ 5,725,031	\$ 7,087,455
Balance, June 30, 2015	\$ 488,862	\$ 841,311	\$ 46,006	\$ 26,235	\$ -	\$ 6,261,151	\$ 7,663,565



Galantas Gold Corporation

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(Expressed in Canadian Dollars)
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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. The consent includes operating and environmental conditions.

Cost	Exploration and evaluation assets
Balance, December 31, 2013	\$ 1,875,771
Additions	92,872
Foreign exchange adjustment	102,129
Balance, December 31, 2014	2,070,772
Additions	102,442
Foreign exchange adjustment	81,798
Balance, June 30, 2015	\$ 2,255,012

Carrying value	Exploration and evaluation assets
Balance, December 31, 2014	\$ 2,070,772
Balance, June 30, 2015	\$ 2,255,012

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, 2015 based on a risk-free discount rate of 1% (December 31, 2014 - 1%) and an inflation rate of 1.50% (December 31, 2014 - 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, 2015, the estimated fair value of the liability is \$607,002 (December 31, 2014 - \$553,544). Changes in the provision during the six months ended June 30, 2015 are as follows:

	As at June 30, 2015	As at December 31, 2014
Decommissioning liability, beginning of period	\$ 553,544	\$ 528,810
Accretion	5,942	11,489
Foreign exchange	47,516	13,245
Decommissioning liability, end of period	\$ 607,002	\$ 553,544

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2015

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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, 2014 - GBP 300,000), of which GBP 300,000 was funded as of June 30, 2015 (GBP 300,000 was funded as of December 31, 2014) and reported as long-term deposit of \$588,420 (December 31, 2014 - \$542,130).

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, 2015	As at December 31, 2014
Accounts payable	\$ 353,273	\$ 306,359
Accrued liabilities	655,980	562,963
Total accounts payable and other liabilities	\$ 1,009,253	\$ 869,322

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

	As at June 30, 2015	As at December 31, 2014
Less than 3 months	\$ 267,444	\$ 240,145
3 to 12 months	171,765	183,164
12 to 24 months	166,954	120,987
More than 24 months	403,090	325,026
Total accounts payable and other liabilities	\$ 1,009,253	\$ 869,322

10. Financing Facility

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

	Interest	As at June 30, 2015	As at December 31, 2014
Financing facility (GBP 19,900)	6.79%	\$ 39,032	\$ -
Less current portion		(6,453)	-
Financing facility - long term portion		\$ 32,579	\$ -

In June 2015, the Company obtained financing in the amount of GBP 19,900 for the purchase of a vehicle. The financing of three years at 6.79% 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.



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2015

(Expressed in Canadian Dollars)

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11. Share Capital and Reserves

On April 14, 2014, the Company completed the consolidation of its issued and outstanding common shares on the basis of one post-consolidated common shares for five pre-consolidated common shares. As part of the share consolidation all applicable references to the number of shares, warrants and stock options and their exercise price and per share information has been restated.

a) Authorized share capital

At June 30, 2015, 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, 2015, the issued share capital amounted to \$32,351,440. The change in issued share capital for the periods presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2013	51,242,015	\$ 29,874,693
Units issued in private placement (i)	10,330,000	968,438
Warrants issued (i)	-	(383,000)
Share issue costs (i)	-	(23,706)
Common shares issued for debt (ii)	15,125,140	1,389,150
Balance, June 30, 2014	76,697,155	\$ 31,825,575
Balance, December 31, 2014	76,697,155	\$ 31,825,575
Shares issued in private placement (iii)	10,599,999	607,062
Warrants issued (iii)	-	(32,000)
Share issue costs	-	(49,197)
Balance, June 30, 2015	87,297,154	\$ 32,351,440

(i) On May 7, 2014, the Company completed a private placement of 10,330,000 units at GBP 0.05 (\$0.09375) per unit for gross proceeds of GBP 516,500 (\$968,438). Each unit is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one further common share at GBP 0.10 per share for a period of two years. Commissions of \$8,156 were paid in connection with the placement.

The fair value of the 10,330,000 warrants was estimated at \$383,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 168.92%, risk-free interest rate - 1.07% and an expected average life of 2 years. 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.

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Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2015

(Expressed in Canadian Dollars)

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11. Share Capital and Reserves (Continued)

b) Common shares issued (continued)

(ii) On May 30, 2014, the Company issued 15,125,140 common shares as settlement of accounts payable and other liabilities of GBP 21,976 (\$40,667) and due to related parties of GBP 718,256 (\$1,319,054) and GBP 16,025 (\$29,429).

Due to related parties consisted of amounts owing to Roland Phelps (President & Chief Executive Officer) for a loan of GBP 718,256 settled for 14,365,120 common shares and Leo O'Shaughnessy (Chief Financial Officer) for a loan of GBP 16,025 settled for 320,500 common shares.

(iii) 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. 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.

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, 2013	-	\$ -
Issued (note 11(i))	10,330,000	0.18
Balance, June 30, 2014	10,330,000	\$ 0.18
Balance, December 31, 2014	10,330,000	\$ 0.18
Issued (Note 11(b)(iii))	636,000	0.08
Balance, June 30, 2015	10,966,000	\$ 0.18

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Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2015
(Expressed in Canadian Dollars)
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11. Share Capital and Reserves (Continued)

c) Warrant reserve (continued)

The following table reflects the actual warrants issued and outstanding as of June 30, 2015:

Expiry date	Number of warrants	Grant date fair value (\$)	Exercise price (GBP)	Fair value June 30, 2015 (\$)
May 7, 2016	10,330,000	383,000	0.10	245,000
February 16, 2018	636,000	32,000	0.045	52,000
	10,966,000	415,000	0.10	297,000

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 recorded 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, 2015, the fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 147% to 161%; risk free interest rate of 0.49%; and an expected life of 0.85 years to 2.64 years. As a result, the fair value of the warrants was calculated to be \$297,000 and the Company recorded an unrealized gain on fair value of derivative financial liability for the three and six months ended June 30, 2015 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, 2013 and June 30, 2014	940,000	\$ 0.50
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

(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, 2015, included in stock-based compensation is \$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.



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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, 2015, included in stock-based compensation is \$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, 2015:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
November 23, 2015	0.50	0.40	200,000	200,000	-
January 28, 2016	0.50	0.58	50,000	50,000	-
September 6, 2016	0.50	1.19	690,000	690,000	-
June 1, 2020	0.105	4.93	3,550,000	3,550,000	-
June 12, 2020	0.105	4.96	150,000	150,000	-
	0.19	4.13	4,640,000	4,640,000	-

12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2015 was based on the loss attributable to common shareholders of \$708,757 and \$1,122,856, respectively (three and six months ended June 30, 2014 - \$296,603 and \$798,703, respectively) and the weighted average number of common shares outstanding of 87,297,154 and 84,533,844, respectively (three and six months ended June 30, 2014 - 62,618,186 and 56,906,564, respectively) for basic and diluted loss per share. Diluted loss did not include the effect of warrants and options for the three and six months ended June 30, 2015 and 2014, as they are anti-dilutive.

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(Unaudited)

13. Cost of Sales

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Production wages	\$ 27,676	\$ 46,901	\$ 52,208	\$ 87,364
Oil and fuel	8,088	14,581	16,887	26,139
Repairs and servicing	9,493	3,528	24,660	9,852
Equipment hire	3,061	8,523	5,174	8,842
Consumable	-	8,055	-	8,055
Royalties	10,897	11,684	20,133	20,662
Other costs	8,401	6,174	18,551	15,766
Production costs	67,616	99,446	137,613	176,680
Inventory movement	47,040	-	47,040	-
Cost of sales	\$ 114,656	\$ 99,446	\$ 184,653	\$ 176,680

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,		Six Months Ended June 30,	
		2015	2014	2015	2014
Interest on related party loans	(i)	\$ 17,012	\$ 13,893	\$ 33,622	\$ 27,485

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of \$2,585,820 (GBP 1,318,354) (December 31, 2014 - \$2,338,872 - GBP 1,294,268) 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, 2015, the amount of interest accrued is \$271,783 (GBP 138,566) (December 31, 2014 - \$218,113 - GBP 120,698).

(ii) See Note 11(b)(ii).

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 Three and Six Months Ended June 30, 2015
 (Expressed in Canadian Dollars)
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14. Related Party Disclosures (Continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Salaries and benefits ⁽¹⁾	\$ 121,420	\$ 119,350	\$ 237,708	\$ 234,148
Stock-based compensation	109,521	-	109,521	-
	\$ 230,941	\$ 119,350	\$ 347,229	\$ 234,148

⁽¹⁾ Salaries and benefits include director fees. As at June 30, 2015, due to directors for fees amounted to \$70,500 (December 31, 2014 - \$55,000) and due to key management, mainly for salaries and benefits accrued amounted to \$707,245 (GBP 360,582) (December 31, 2014 - \$483,998 - GBP 267,831), and is included with due to related parties.

(c) As of June 30, 2015, Kenglo One Limited ("Kenglo") owns 13,222,068 common shares of the Company or approximately 15.15% of the outstanding common shares of the Company. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 21,472,915 common shares of the Company or approximately 24.60% of the outstanding common shares of the Company. The remaining 60.25% 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 Galántas. 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, 2015	United Kingdom	Canada	Total
Current assets	\$ 322,103	\$ 55,875	\$ 377,978
Non-current assets	10,446,362	60,635	10,506,997
Revenues	\$ 14,897	\$ -	\$ 14,897
December 31, 2014	United Kingdom	Canada	Total
Current assets	\$ 208,066	\$ 25,543	\$ 233,609
Non-current assets	9,639,643	60,714	9,700,357



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16. Contingent Liability

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 \$596,834 (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, 2015, the Company closed a private placement of 20,000,000 units at GBP 0.06 (\$0.12) per common share for gross proceeds of GBP 1,189,000 (\$2,400,000) (the "Placement"). Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of 12 months from closing at an exercise price of GBP 0.08 (\$0.16). The common share issued are subject to a four month hold period.

The majority of the Placement was taken up by Mr. Ross Beaty, who acquired 16,000,000 units resulting in an interest, before the exercise of warrants, of 14.9% of the Company issued and outstanding common shares. If all warrants issued under the Placement were to be exercised, Mr. Beaty would have an interest in 32,000,000 common shares, representing up to 25.1% of the outstanding common shares, which meets the definition of a "Control Person" by the TSXV.