GALANTAS GOLD CORPORATION

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited)
Three and Nine Months Ended September 30, 2014

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 September	As at December

		30, 2014		31, 2013
ASSETS				
Current assets				
Cash	**$**	**54,759**	$	166,617
Accounts receivable and prepaid expenses (note 5)		**98,250**		405,124
Inventories (note 6)		**111,795**		338,865
Total current assets		**264,804**		910,606
Non-current assets				
Property, plant and equipment (note 7)		**7,402,993**		10,100,319
Long-term deposit (note 9)		**545,340**		467,116
Exploration and evaluation assets (note 8)		**2,068,330**		1,875,771
Total non-current assets		**10,016,663**		12,443,206
Total assets	**$**	**10,281,467**	$	13,353,812
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and other liabilities (note 10)	**$**	**808,253**	$	1,217,360
Due to related parties (note 14)		**2,845,415**		3,597,550
Total current liabilities		**3,653,668**		4,814,910
Non-current liabilities				
Decommissioning liability (note 9)		**553,951**		528,810
Derivative financial liability (note 11(c))		**429,000**		-
Total liabilities		**4,636,619**		5,343,720
Capital and reserves				
Share capital (note 11(a)(b))		**31,702,575**		29,874,693
Reserves		**6,369,974**		6,253,460
Deficit		**(32,427,701)**		(28,118,061)
Total equity		**5,644,848**		8,010,092
Total equity and liabilities	**$**	**10,281,467**	$	13,353,812

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)

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 September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Revenues				
Gold sales	**$ 8,376**	$ 473,668	**$ 8,376**	$ 1,362,200
Cost and expenses of operations				
Cost of sales (note 13)	**84,277**	437,995	**260,957**	1,347,416
Depreciation	**57,654**	115,105	**184,917**	361,935
	141,931	553,100	**445,874**	1,709,351
Loss before the undernoted	**(133,555)**	(79,432)	**(437,498)**	(347,151)
General administrative expenses				
Management and administration wages (note 14)	**134,361**	130,022	**403,065**	382,193
Other operating expenses	**18,416**	37,722	**82,797**	142,727
Accounting and corporate	**15,186**	14,764	**45,682**	42,735
Legal and audit	**31,152**	27,649	**112,505**	71,202
Stock-based compensation (note 11(d))	**-**	9,781	**-**	35,960
Shareholder communication and investor relations	**26,406**	21,593	**119,059**	105,026
Transfer agent	**1,700**	2,062	**29,303**	15,721
Director fees (note 14)	**6,750**	7,750	**21,000**	21,000
General office	**2,254**	2,171	**7,038**	6,062
Accretion expenses (note 9)	**2,869**	-	**8,650**	-
Loan interest and bank charges	**14,197**	8,675	**43,901**	31,343
	253,291	262,189	**873,000**	853,969
Other expenses				
Loss (gain) on disposal of property, plant and equipment	**50**	(592)	**(19,810)**	(65,123)
Unrealized loss (gain) on fair value of derivative financial liability (note 11(c))	**133,000**	-	**(77,000)**	-
Impairment of property, plant and equipment (note 7)	**2,921,884**	-	**2,921,884**	-
Foreign exchange loss	**69,157**	22,715	**174,068**	25,964
	3,124,091	22,123	**2,999,142**	(39,159)
Net loss for the period	**$ (3,510,937)**	$ (363,744)	**$ (4,309,640)**	$ (1,161,961)
Basic and diluted net loss per share (note 12)	**$ (0.05)**	$ (0.01)	**$ (0.07)**	$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	**76,697,156**	51,242,016	**63,569,819**	51,242,016

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 Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net loss for the period	**$ (3,510,937)**	$ (363,744)	**$ (4,309,640)**	$ (1,161,961)
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	**(245,734)**	354,915	**116,514**	247,612
Total comprehensive loss	**$ (3,756,671)**	$ (8,829)	**$ (4,193,126)**	$ (914,349)

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)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Operating activities		
Net loss for the period	**$ (4,309,640)**	$ (1,161,961)
Adjustment for:		

Depreciation	**184,917**	361,935
Stock-based compensation (note 11(d))	**-**	35,960
Foreign exchange	**(319,719)**	(52,337)
Gain on disposal of property, plant and equipment	**(19,810)**	(65,123)
Accretion expenses (note 9)	**8,650**	-
Unrealized gain on fair value of derivative financial liability (note 11(c))	**(77,000)**	-
Impairment of property, plant and equipment (note 7)	**2,921,884**	-
Non-cash working capital items:		
Accounts receivable and prepaid expenses	**306,874**	135,088
Inventories	**227,070**	(24,029)
Accounts payable and other liabilities	**(368,440)**	(294,277)
Due to related parties	**468,556**	-
Net cash used in operating activities	**(976,658)**	(1,064,744)
Investing activities		
Purchase of property, plant and equipment	**(107,137)**	(173)
Proceeds from sale of property, plant and equipment	**33,720**	213,416
Exploration and evaluation assets	**(135,721)**	(493,797)
Net cash used in investing activities	**(209,138)**	(280,554)
Financing activities		
Proceeds of private placement	**968,438**	-
Share issue costs	**(23,706)**	-
Advances from related parties	**127,792**	402,864
Net cash provided by financing activities	**1,072,524**	402,864
Net change in cash	**(113,272)**	(942,434)
Effect of exchange rate changes on cash held in foreign currencies	**1,414**	(5,922)
Cash, beginning of period	**166,617**	1,164,868
Cash, end of period	**$ 54,759**	$ 216,512
Supplemental information		
Shares issued to settle accounts payable and other liabilities	**$ 40,667**	$ -
Shares issued to settle due to related parties	**$ 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)

(Expressed in Canadian Dollars)

	Share capital	Reserves: Equity settled share-based payments reserve	Reserves: Warrant reserve	Reserves: Foreign currency translation reserve	Deficit	Total
Balance, December 31, 2012	**$ 29,874,693**	**$ 4,477,699**	**$ 957,450**	**$ 5,047**	**$ (26,173,706)**	**$ 9,141,183**
Stock-based compensation (note 11(d))	-	35,960	-	-	-	35,960
Warrants expired	-	957,450	(957,450)	-	-	-
Net loss and other comprehensive income for the period	-	-	-	247,612	(1,161,961)	(914,349)
Balance, September 30, 2013	**$ 29,874,693**	**$ 5,471,109**	**$ -**	**$ 252,659**	**$ (27,335,667)**	**$ 8,262,794**
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))	(506,000)	-	-	-	-	(506,000)
Share issue 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	-	-	-	116,514	(4,309,640)	(4,193,126)
Balance, September 30, 2014	**$ 31,702,575**	**$ 5,471,109**	**$ -**	**$ 898,865**	**$ (32,427,701)**	**$ 5,644,848**

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 Omagh Minerals

Limited ("Omagh") which is engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland. Omagh has an open pit mine, which is in production and reported as property, plant and equipment and an underground mine which is in the exploration stage and reported as exploration and evaluation assets. The production at the open pit mine was suspended later in 2013 due to falling grades and gold prices.

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

a. Planning permission for the development of an underground mine in Omagh; and
b. 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.

As at September 30, 2014, the Company had a deficit of $32,427,701 (December 31, 2013 - $28,118,061). 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 with Omagh.

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

On April 8, 2014, Cavanacaw acquired Flintridge Resources Limited ("Flintridge"), a dormant UK company.

2. Incorporation and Nature of Operations (Continued)

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 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 ("IFRIC"). 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 November 24, 2014 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, 2013. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2014 could result in restatement of these unaudited condensed interim consolidated financial statements.

4. Significant Accounting Policies

Change in accounting policies

IAS 32 - Financial Instruments, Presentation ("IAS 32") was effective for annual periods beginning on or after January 1, 2014. IAS 32 was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. At January 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

Warrants with an exercise price denominated in a foreign currency are recorded at fair value and classified as a derivative financial liability. The liability is initially measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the unaudited condensed interim consolidated statements of loss. As the warrants are exercised, the value of the recorded liability will be included in share capital along with the proceeds from the exercise. If these warrants expire, the related liability is reversed through the unaudited condensed interim consolidated statements of loss.

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. 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.

(Expressed in Canadian Dollars)

5. Accounts Receivable and Prepaid Expenses

	As at September 30, 2014	As at December 31, 2013
Sales tax receivable - Canada	**$ 4,935**	$ 21,866
Valued added tax receivable - Northern Ireland	**2,576**	10,752
Accounts receivable	**48,466**	202,205
Prepaid expenses	**42,273**	170,301
	$ 98,250	$ 405,124

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

The following is an aged analysis of accounts receivable:

	As at September 30, 2014	As at December 31, 2013
Less than 3 months	**$ 9,147**	$ 138,839
3 to 12 months	**11,928**	59,177
More than 12 months	**34,902**	36,807
Total accounts receivable	**$ 55,977**	$ 234,823

6. Inventories

	As at September 30, 2014	As at December 31, 2013

Concentrate inventories	**$ 11,816**	$ 11,458
Finished goods	**99,979**	327,407
	$ 111,795	$ 338,865

7. Property, Plant and Equipment

Cost	**Freehold land**	**Buildings**	**Plant and machinery**	**Motor vehicles**	**Office equipment**	**Moulds**	**Mine development costs**	**Total**
Balance, December 31, 2012	$2,315,212	$ 391,563	$ 5,996,937	$ 84,171	$ 105,396	$ 58,844	$ 12,422,216	**$ 21,374,339**
Additions	-	-	-	-	-	-	343,588	**343,588**
Disposals	-	-	(1,369,832)	(11,986)	-	-	-	**(1,381,818)**
Foreign exchange adjustment	207,365	35,069	534,617	7,538	9,449	5,271	1,112,726	**1,912,035**
Balance, December 31, 2013	2,522,577	426,632	5,161,722	79,723	114,845	64,115	13,878,530	**22,248,144**
Additions	-	-	-	-	-	-	107,137	**107,137**
Disposals	-	-	(128,611)	-	-	-	-	**(128,611)**
Foreign exchange adjustment	78,853	13,337	160,474	2,492	3,590	2,004	433,828	**694,578**
Balance, September 30, 2014	$2,601,430	$ 439,969	$ 5,193,585	$ 82,215	$ 118,435	$ 66,119	$ 14,419,495	**$ 22,921,248**

Accumulated depreciation	**Freehold land**	**Buildings**	**Plant and machinery**	**Motor vehicles**	**Office equipment**	**Moulds**	**Mine development costs**	**Total**
Balance, December 31, 2012	$ 911,702	$ 328,444	$ 3,987,043	$ 54,149	$ 45,164	$ 58,844	$ 5,962,024	**$ 11,347,370**
Depreciation	-	12,573	400,922	7,475	8,993	-	70,793	**500,756**
Disposals	-	-	(750,631)	(10,143)	-	-	-	**(760,774)**
Foreign exchange adjustment	81,657	30,599	391,847	5,553	4,897	5,271	540,649	**1,060,473**
Balance, December 31, 2013	993,359	371,616	4,029,181	57,034	59,054	64,115	6,573,466	**12,147,825**
Depreciation	-	8,129	166,451	4,138	6,199	-	-	**184,917**
Disposals	-	-	(114,701)	-	-	-	-	**(114,701)**
Impairment	348,171	(78,603)	78,563	12,917	24,022	-	2,536,814	**2,921,884**
Foreign exchange adjustment	31,049	11,582	124,559	1,764	1,893	2,004	205,479	**378,330**
Balance, September 30,	$1,372,579	$ 312,724	$ 4,284,053	$ 75,853	$ 91,168	$ 66,119	$ 9,315,759	**$ 15,518,255**

(Expressed in Canadian Dollars)

2014

Carrying value	Freehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2013	$ 1,529,218	$ 55,016	$ 1,132,541	$ 22,689	$ 55,791	$ -	$ 7,305,064	**$ 10,100,319**
Balance, September 30, 2014	$ 1,228,851	$ 127,245	$ 909,532	$ 6,362	$ 27,267	$ -	$ 5,103,736	**$ 7,402,993**

8. 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.

Cost	Exploration and evaluation assets
Balance, December 31, 2012	$ 1,399,254
Additions	357,061
Foreign exchange adjustment	119,456
Balance, December 31, 2013	1,875,771
Additions	135,721
Foreign exchange adjustment	56,838
Balance, September 30, 2014	$ 2,068,330

Carrying value	Exploration and evaluation assets
Balance, December 31, 2013	$ 1,875,771
Balance, September 30, 2014	$ 2,068,330

9. 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 September 30, 2014 based on a risk-free discount rate of

(Expressed in Canadian Dollars)

1% (December 31, 2013 - 1%) and an inflation rate of 1.50% (December 31, 2013 - 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 September 30, 2014, the estimated fair value of the liability is $553,951 (December 31, 2013 - $528,810). Changes in the provision during the period ended September 30, 2014 are as follows:

		As at September 30, 2014		As at December 31, 2013
Decommissioning liability, beginning of period	**$**	**528,810**	$	404,450
Revision due to change in estimate		**-**		109,680
Accretion		**8,650**		14,680
Foreign exchange		**16,491**		-
Decommissioning liability, end of period	**$**	**553,951**	$	528,810

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 304,737 (December 31, 2013 - GBP 300,000), of which GBP 300,000 was funded as of September 30, 2014 and reported as long-term deposit of $545,340 (December 31, 2013 - $467,116).

10. 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 September 30, 2014		As at December 31, 2013
Accounts payable	**$**	**271,601**	$	545,557
Accrued liabilities		**536,652**		671,803
Total accounts payable and other liabilities	**$**	**808,253**	$	1,217,360

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

As at **As at**

(Expressed in Canadian Dollars)

	September 30, 2014	December 31, 2013
Less than 3 months	**$ 286,905**	$ 376,400
3 to 12 months	**113,593**	361,376
12 to 24 months	**201,942**	122,183
More than 24 months	**205,813**	357,401
Total accounts payable and other liabilities	**$ 808,253**	$ 1,217,360

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 September 30, 2014, 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.

11. Share Capital and Reserves (Continued)

b) Common shares issued

At September 30, 2014, the issued share capital amounted to $31,702,575. The change in issued share capital for the periods presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2012 and September 30, 2013	**51,242,015**	**$ 29,874,693**

(Expressed in Canadian Dollars)

Balance, December 31, 2013	**51,242,015**	**$**	**29,874,693**
Units issued in private placement (i)	10,330,000		968,438
Warrants issued (i)	-		(506,000)
Share issue costs (i)	-		(23,706)
Common shares issued for debt (ii)	15,125,140		1,389,150
Balance, September 30, 2014	**76,697,155**	**$**	**31,702,575**

(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 1 common share and 1 warrant. Each warrant entitles the holder to purchase 1 further common share at GBP 0.10 per share for a period of two years. The common share issued were subject to a four month hold period. Commissions of $8,156 were paid in connection with the placement.

The fair value of the 10,330,000 warrants was estimated at $506,000 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.

(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.

11. Share Capital and Reserves (Continued)

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, 2012	**4,910,000**	**$**	**0.50**

(Expressed in Canadian Dollars)

Expired	(4,910,000)		0.50
Balance, September 30, 2013	**-**	**$**	**-**
Balance, December 31, 2013	**-**	**$**	**-**
Issued (Note 11(b)(i))	10,330,000		0.18
Balance, September 30, 2014	**10,330,000**	**$**	**0.18**

The following table reflects the actual warrants issued and outstanding as of September 30, 2014:

Expiry date	**Number of warrants**	**Grant date fair value ($)**	**Exercise price (GBP)**	**Fair value September 30, 2014 ($)**
May 7, 2016	10,330,000	506,000	0.10	429,000

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 record in the unaudited condensed interim consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

On September 30, 2014, 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 207.78%; risk free interest rate of 1.12%; and an expected life of 1.60 years. As a result, the fair value of the warrants was calculated to be $429,000 and the Company recorded an unrealized gain (loss) on fair value of derivative financial liability for the three and nine months ended September 30, 2014 of $(133,000) and $77,000, respectively.

d) Stock options

The Company has a stock option plan (the "Plan"), the purpose of which is to attract, retain and compensate qualified persons as directors, senior officers and employees of, and consultants to the Company and its affiliates and subsidiaries by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Company. The number of shares reserved for issuance under the Plan cannot be more than a maximum of 10% of the issued and outstanding shares at the time of any grant of options. The period for exercising an option shall not extend beyond a period of five years following the date the option is granted.

11. Share Capital and Reserves (Continued)

d) Stock options (continued)

Insiders of the Company are restricted on an individual basis from holding options which when exercised would entitle them to receive more than 5% of the total issued and outstanding shares at the time the option is granted. The exercise price of options granted in accordance with the Plan must not be lower than the closing price of the shares on the Exchange immediately preceding the date on which the option is granted and in no circumstances may it be less than the permissible discounting in accordance with the Corporate Finance Policies of the Exchange.

The Company records a charge to the consolidated statements of loss using the Black-Scholes option pricing model. The valuation is dependent on a number of inputs and estimates, including the strike price, exercise price, risk-free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to the historic traded daily closing share price at the date of issue.

Option pricing models require the inputs including the expected price volatility. Changes in the inputs can materially affect the fair value estimate.

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

	Number of options	Weighted average exercise price
Balance, December 31, 2012	**1,990,000**	**$ 0.50**
Expired	(100,000)	0.50
Forfeited	(650,000)	0.50
Balance, September 30, 2013	**1,240,000**	**$ 0.50**
Balance, December 31, 2013 and September 30, 2014	**940,000**	**$ 0.50**

Stock-based compensation includes $nil (three and nine months ended September 30, 2013 - $9,781 and $35,960, respectively) relating to stock options granted in previous years that vested during the periods.

The following table reflects the actual stock options issued and outstanding as of September 30, 2014:

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	1.15	200,000	200,000	-
January 28, 2016	0.50	1.33	50,000	50,000	-
September 6, 2016	0.50	1.94	690,000	690,000	-
	0.50	1.74	940,000	940,000	-

(Expressed in Canadian Dollars)

12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2014 was based on the loss attributable to common shareholders of $3,510,937 and $4,309,640, respectively (three and nine months ended September 30, 2013 - $363,744 and $1,161,961, respectively) and the weighted average number of common shares outstanding of 76,697,156 and 63,569,819, respectively (three and nine months ended September 30, 2013 - 51,242,016) for basic and diluted loss per share. Diluted loss did not include the effect of warrants and options for the three and nine months ended September 30, 2014 and 2013, as they are anti-dilutive.

13. Cost of Sales

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Production wages	**$ 42,917**	$ 146,086	**$ 130,281**	$ 459,368
Oil and fuel	**7,587**	168,677	**33,726**	526,350
Repairs and servicing	**2,075**	47,769	**11,927**	133,147
Equipment hire	**6,966**	9,659	**15,808**	28,244
Consumable	**-**	50,909	**8,055**	131,011
Royalties	**9,129**	10,019	**29,791**	32,725
Carriage	**-**	6,120	**-**	17,474
Other costs	**15,603**	29,320	**31,369**	43,126
Production costs	**84,277**	468,559	**260,957**	1,371,445
Inventory movement	**-**	(30,564)	**-**	(24,029)
Cost of sales	**$ 84,277**	$ 437,995	**$ 260,957**	$ 1,347,416

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 (the amount established and agreed to by the related parties) 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:

	Notes	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Interest on related party loans	(i)	**$ 13,752**	$ 10,162	**$ 41,237**	$ 29,894

(Expressed in Canadian Dollars)

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of $2,207,296 (GBP 1,214,268) (December 31, 2013 - $2,017,000 - GBP 1,144,268) 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 September 30, 2014, the amount of interest accrued is $205,168 (GBP 112,866) (December 31, 2013 - $159,144 - GBP 90,284).

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

14. Related Party Disclosures (Continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Salaries and benefits [(1)]	**$ 115,621**	$ 104,964	**$ 349,769**	$ 307,869
Stock-based compensation	**-**	5,821	**-**	21,318
	$ 115,621	$ 110,785	**$ 349,769**	$ 329,187

[(1)] Salaries and benefits include director fees. As at September 30, 2014, due to directors for fees amounted to $48,750 (December 31, 2013 - $27,750) and due to key management, mainly for salaries and benefits accrued amounted to $384,201 (GBP 211,355) (December 31, 2013 - $1,393,656 - GBP 790,637), and is included with due to related parties.

(c) As of September 30, 2014, Kenglo One Limited ("Kenglo") owns 13,222,068 common shares of the Company or approximately 17.2% 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 28.0% of the outstanding common shares of the Company. The remaining 54.8% 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

(Expressed in Canadian Dollars)

The Company has determined that it has two reportable segments. 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 follow:

September 30, 2014	**United Kingdom**	**Canada**	**Total**
Current assets	$ 212,630	$ 52,174	**$ 264,804**
Non-current assets	9,955,887	60,776	**10,016,663**
Revenues	$ 8,376	$ -	**$ 8,376**

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 $553,138 (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. No provision has been made for the claim in the unaudited condensed interim consolidated financial statements.

17. Comparative Figures

Certain of the prior period's numbers have been reclassified and item descriptions changed to conform to the current period's presentation.