



GALANTAS GOLD CORPORATION

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

Years Ended December 31, 2013 and 2012



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Galantas Gold Corporation

We have audited the accompanying consolidated financial statements of Galantas Gold Corporation., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012 and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for each of the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Galantas Gold Corporation as at December 31, 2013 and December 31, 2012, its financial performance and its cash flows for each of the years then ended in accordance with International Financial Reporting Standards.



Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes that the Company will require additional financing in order to fund its planned activities. This condition, along with other matters set out in note 1, indicates the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

“McCarney Greenwood LLP”

Toronto, Canada
April 16, 2014

McCarney Greenwood LLP
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Licensed Public Accountants



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

As at December 31,	2013	2012
ASSETS		
Current assets		
Cash	\$ 166,617	\$ 1,164,868
Accounts receivable and prepaid expenses (note 8)	405,124	673,054
Inventories (note 9)	338,865	326,249
Total current assets	910,606	2,164,171
Non-current assets		
Property, plant and equipment (note 10)	10,100,319	10,026,969
Long-term deposit (note 12)	467,116	428,717
Exploration and evaluation assets (note 11)	1,875,771	1,399,254
Total non-current assets	12,443,206	11,854,940
Total assets	\$ 13,353,812	\$ 14,019,111
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 13)	\$ 1,217,360	\$ 1,670,729
Due to related parties (note 19)	3,597,550	2,802,749
Total current liabilities	4,814,910	4,473,478
Non-current liabilities		
Decommissioning liability (note 12)	528,810	404,450
Total liabilities	5,343,720	4,877,928
Capital and reserves		
Share capital (note 15)	29,874,693	29,874,693
Reserves	6,253,460	5,440,196
Deficit	(28,118,061)	(26,173,706)
Total equity	8,010,092	9,141,183
Total equity and liabilities	\$ 13,353,812	\$ 14,019,111

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

Going concern (note 1)
Contingent liability (note 21)
Events after the reporting period (note 23)

Approved on behalf of the Board:

"Roland Phelps" , Director

"Lionel J. Gunter" , Director



Galantas Gold Corporation

Consolidated Statements of Loss

(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2013	2012
Revenues		
Gold sales	\$ 1,531,473	\$ 4,659,330
Cost and expenses of operations		
Cost of sales (note 17)	1,591,069	3,167,126
Depreciation	500,756	748,711
	2,091,825	3,915,837
(Loss) gain before the undernoted	(560,352)	743,493
General administrative expenses		
Management and administration wages (note 19)	518,195	608,307
Other operating expenses	234,605	265,338
Accounting and corporate	62,783	65,018
Legal and audit	93,585	139,650
Stock-based compensation (note 15(d))	35,960	148,831
Shareholder communication and investor relations	125,373	201,156
Transfer agent	22,889	16,992
Director fees (note 19)	27,750	29,600
General office	8,141	8,577
Accretion expenses (notes 12 and 14)	14,680	45,529
Loan interest and bank charges	44,436	75,164
	1,188,397	1,604,162
Other expenses		
Loss (gain) on disposal of property, plant and equipment	105,811	(86,816)
Gain on debt extinguishment (note 14)	-	(190,624)
Foreign exchange loss	89,795	10,637
	195,606	(266,803)
Loss before income tax	(1,944,355)	(593,866)
Income tax (note 18)	-	-
Net loss for the year	\$ (1,944,355)	\$ (593,866)
Basic and diluted net loss per share (note 16)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	256,210,395	247,246,030

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



Galantas Gold Corporation
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2013	2012
Net loss for the year	\$ (1,944,355)	\$ (593,866)
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Foreign currency translation differences	777,304	211,760
Total comprehensive loss	\$ (1,167,051)	\$ (382,106)

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

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

	Year Ended December 31,	
	2013	2012
Operating activities		
Net loss for the year	\$ (1,944,355)	\$ (593,866)
Adjustment for:		
Depreciation	500,756	748,711
Stock-based compensation (note 15(d))	35,960	148,831
Foreign exchange	(108,871)	105,972
Loss (gain) on disposal of property, plant and equipment	105,811	(86,816)
Accretion expenses (notes 12 and 14)	14,680	45,529
Gain on debt extinguishment (note 14)	-	(190,624)
Non-cash working capital items:		
Accounts receivable and prepaid expenses	267,930	383,519
Inventories	(12,616)	20,767
Accounts payable and other liabilities	(453,369)	(12,413)
Due to related parties	724,293	-
Net cash (used in) provided by operating activities	(869,781)	569,610
Investing activities		
Purchase of property, plant and equipment	(343,588)	(3,287,567)
Proceeds from sale of property, plant and equipment	515,233	155,864
Exploration and evaluation assets	(357,061)	(723,640)
Long-term deposit	-	(48,534)
Net cash used in investing activities	(185,416)	(3,903,877)
Financing activities		
Warrants exercised	-	2,056,034
Repayment of related party loan	-	(95,040)
Advances from related parties	70,508	380,722
Repayment of convertible debenture	-	(2,056,034)
Net cash provided by financing activities	70,508	285,682
Net change in cash	(984,689)	(3,048,585)
Effect of exchange rate changes on cash held in foreign currencies	(13,562)	(26,628)
Cash, beginning of year	1,164,868	4,240,081
Cash, end of year	\$ 166,617	\$ 1,164,868

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

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

	Reserves						
	Share capital	Equity settled share-based payments reserve	Warrant reserve	Foreign currency translation reserve	Equity portion of convertible debenture	Deficit	Total
Balance, December 31, 2011	\$ 27,808,316	\$ 4,320,247	\$ 976,414	\$ (206,713)	\$ 168,082	\$ (25,571,040)	\$ 7,495,306
Stock-based compensation (note 15(d))	-	148,831	-	-	-	-	148,831
Shares issued for exercise of warrants	2,056,034	-	-	-	-	-	2,056,034
Fair value of warrants exercised	403,143	-	(403,143)	-	-	-	-
Warrants expired	-	8,621	(8,621)	-	-	-	-
Fair value of extension of warrants' expiry date (note 15(b)(i))	(392,800)	-	392,800	-	-	-	-
Loss on debt extinguishment (note 14)	-	-	-	-	(168,082)	(8,800)	(176,882)
Net loss and other comprehensive income for the year	-	-	-	211,760	-	(593,866)	(382,106)
Balance, December 31, 2012	29,874,693	4,477,699	957,450	5,047	-	(26,173,706)	9,141,183
Stock-based compensation (note 15(d))	-	35,960	-	-	-	-	35,960
Warrants expired	-	957,450	(957,450)	-	-	-	-
Net loss and other comprehensive income for the year	-	-	-	777,304	-	(1,944,355)	(1,167,051)
Balance, December 31, 2013	\$ 29,874,693	\$ 5,471,109	\$ -	\$ 782,351	\$ -	\$ (28,118,061)	\$ 8,010,092

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



Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

1. Going Concern

These 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 December 31, 2013, the Company had a deficit of \$28,118,061 (December 31, 2012 - \$26,173,706). 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 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.

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.

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

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.



Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

3. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as of April 16, 2014, the date the Board of Directors approved the statements.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the year. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 3(e).

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The following wholly owned companies have been consolidated within the consolidated financial statements:

Company	Registered	Principal activity
Galantas Gold Corporation	Ontario, Canada	Parent company
Cavanacaw Corporation ⁽¹⁾	Ontario, Canada	Holding company
Omagh Minerals Limited ⁽²⁾⁽³⁾	Northern Ireland, United Kingdom	Operating company
Galántas Irish Gold Limited ⁽²⁾⁽⁴⁾	Northern Ireland, United Kingdom	Operating company

(1) 100% owned by Galantas Gold Corporation;

(2) 100% owned by Cavanacaw Corporation;

(3) Referred to as Omagh (as defined herein); and

(4) Referred to as Galántas (as defined herein).

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

3. Basis of Preparation (Continued)

(d) Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars ("CAD"), which is the parent Company's presentation and functional currency.

Items included in the financial statements of each of the Company's operating subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the operating subsidiaries is the U.K. Pound Sterling ("GBP"). The functional currency of the subsidiary Cavanacaw Corporation, the holding company, is the CAD.

Assets and liabilities of entities with functional currencies other than CAD are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the results of their operations are translated at the rate prevailing on the dates of the transactions. The resulting translation adjustments are recognized as a separate component of equity.

	Year ended December 31,	
	2013	2012
Closing rate (GBP to CAD)	1.7627	1.6178
Average for the year	1.6113	1.5840

(e) Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are applied prospectively. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of exploration and evaluation assets incurred on the Omagh underground mine is dependent upon the ability to obtain planning permission and secure sufficient funding for the development of the underground mine. Drilling has now been suspended, pending the availability of cash for future exploration. The Omagh underground mine and the open pit mine are considered as one Cash generating unit ("CGU") and were tested for impairment. No impairment was noted and management is exploring opportunities to secure financing in anticipation of approval of planning permission;

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

3. Basis of Preparation (Continued)

(e) *Use of estimates and judgments (continued)*

Critical accounting estimates (continued)

- the estimated life of the ore body based on the estimated recoverable ounces or pounds mined from proven and probable reserves of the mine development costs which impacts the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statements of loss;
- share-based payments – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments;
- functional currency – the functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined primary economic environment; and
- decommissioning liabilities has been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual decommissioning costs will ultimately depend on actual future settlement amount for the decommissioning costs which will reflect the market condition at the time the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning provisions may be higher or lower than currently provided for.

Critical accounting judgments

- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements; and
- Going concern assumption – Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

4. Significant Accounting Policies

(a) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the operations at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognized in the consolidated statement of loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

(b) *Financial instruments*

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	Fair value through profit or loss
Accounts receivable	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

Fair value through profit or loss ("FVTPL"):

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of loss.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(b) Financial assets (continued)

Impairment of financial assets:

Financial assets are assessed for objective evidence of impairment on an incurred loss basis at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statements of loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less disposal cost or its value in use. In addition, non-current assets that are not amortized are subject to an annual impairment assessment.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(d) *Property, plant and equipment*

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property, plant and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Buildings	4%	Straight-line
Plant and machinery	20%	Declining balance
Motor vehicles	25%	Declining balance
Office equipment	15%	Declining balance
Moulds	25%	Straight-line
Mine development costs		Unit-of-production

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

(e) *Exploration and evaluation assets*

These assets relate to the exploration and evaluation expenditures incurred in respect to resource projects that are in the exploration and evaluation stage.

Exploration and evaluation expenditures include costs which are directly attributable to acquisition and evaluation activities, assessing technical feasibility and commercial viability. These expenditures are capitalized until the technical feasibility and commercial viability of extracting the mineral resource of a project are demonstrable. During the exploration period, exploration and evaluation assets are not amortized.

Exploration and evaluation assets are allocated to CGU for the purpose of assessing such assets for impairment and each project is identified as a separate CGU. At the end of each reporting period, each project is reviewed for impairment indicators as per IFRS 6.20:

- (i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- (iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If such indicators exist, the project is tested for impairment and the recoverable amount of the project is estimated. If the recoverable amount of the project is estimated to be less than its carrying amount, the carrying amount of the project is reduced to its recoverable amount. An impairment loss is recognized immediately in statement of loss.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(e) Exploration and evaluation assets (continued)

Once the technical feasibility and commercial viability of extracting a mineral resource of a project are demonstrable, the relevant exploration and evaluation asset is assessed for impairment, and any impairment loss recognized, prior to the balance being reclassified as a development asset in property, plant and equipment.

The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors. In general, technical feasibility may be demonstrable once a positive feasibility study is completed. When determining the commercial viability of a project, in addition to the receipt of a feasibility study, the Company also considers factors such as the availability of project financing, the existence of markets and/or long term contracts for the product, and the ability of obtaining the relevant operating permits.

All subsequent expenditures to ready the property for production are capitalized within development assets, other than those costs related to the construction of property, plant and equipment.

Once production has commenced, all costs included in development assets are reclassified to mine development costs.

Exploration and evaluation expenditures incurred prior to the Company obtaining mineral rights related to the property being explored are recorded as expense in the period in which they are incurred.

(f) Stripping costs

Till stripping costs involving the removal of overburden are capitalized where the underlying ore will be extracted in future periods. The Company defers these till stripping costs and amortizes them on a unit-of-production basis as the underlying ore is extracted.

(g) Inventories

Inventories are comprised of finished goods, concentrate inventory and work-in-process amounts.

All inventories are recorded at the lower of production costs on a first-in, first-out basis, and net realizable value. Production costs include costs related to mining, crushing, mill processing, as well as depreciation on production assets and certain allocations of mine-site overhead expenses attributable to the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Revenue recognition

Revenue from sales of finished goods is recognized at the time of shipment when significant risks and rewards of ownership are considered to be transferred, the terms are fixed or determinable, collection is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

Revenue from sales of gold concentrate is recognized at the time of shipment when title passes and significant risks and benefits of ownership are considered to be transferred and the amount of revenue to be receivable by the Company is known or could be accurately estimated. The final revenue figure at the end of any given period is subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes.

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4. Significant Accounting Policies (Continued)

(i) *Provisions*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(j) *Share-based payment transactions*

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, such as share-based payments to employees, they are measured at fair value of the share-based payment.

Share-based payments to employees of the subsidiaries are recognized as cash settled share-based payment transactions.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

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4. Significant Accounting Policies (Continued)

(j) Share-based payment transactions (continued)

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using an option model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

(k) Income taxes

Income tax on the consolidated statements of loss for the periods presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, when there is a present obligation, as a result of a past event, it is probable to be settled by a future outflow of resources and a reliable estimate can be made of the obligation. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against the consolidated statements of loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits and/or inventories as extraction progresses.

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4. Significant Accounting Policies (Continued)

(m) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years. Options and warrants are anti-dilutive and, therefore, have not been taken into account in the per share calculation.

(n) Change in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning January 1, 2013. The following new standards have been adopted.

(i) IFRS 10 – Consolidated Financial Statements (“IFRS 10”) was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity’s returns. At January 1, 2013, the Company adopted this pronouncement and there was no impact on the Company’s consolidated financial statements.

(ii) IFRS 11 – Joint Arrangements (“IFRS 11”) was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. At January 1, 2013, the Company adopted this pronouncement and there was no impact on the Company’s consolidated financial statements.

(iii) IFRS 12 – Disclosure of Interests in Other Entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structure entities. At January 1, 2013, the Company adopted this pronouncement and provided the required disclosures.

(iv) IFRS 13 - Fair Value Measurement is effective for annual period beginning on January 1, 2013, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. At January 1, 2013, the Company adopted this pronouncement on the Company’s consolidated financial statements given the existing asset and liability mix of the Company to which fair value accounting applies.

(v) IAS 1 – Presentation of Financial Statements was amended by the IASB in June 2011. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. At January 1, 2013, the Company adopted this pronouncement and provided the required disclosure.

Galantas Gold Corporation

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(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(n) *Change in accounting policies (continued)*

(vi) IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20"). On 19 October 2011, the IASB issued IFRIC 20. The interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. At January 1, 2013, the Company adopted this pronouncement and there was no impact on the Company's consolidated financial statements.

(o) *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 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.

(ii) 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. Earlier adoption is permitted. The Company is presently assessing the impact of this pronouncement.

5. Capital Risk Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserves and deficit which at December 31, 2013 totaled \$8,010,092 (December 31, 2012 - \$9,141,183). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its gold production activities. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2013. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

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6. Financial and Property Risk Management

Property risk

The Company's significant project is the Omagh mine. Unless the Company acquires or develops additional significant projects, the Company will be solely dependent upon the Omagh mine. If no additional projects are acquired by the Company, any adverse development affecting the Omagh mine would have a material effect on the Company's consolidated financial condition and results of operations.

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk and sales concentration

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, accounts receivable and long-term deposit. Cash and long-term deposit are held with financial institutions and the United Kingdom Crown, respectively, from which management believes the risk of loss to be minimal. All the revenue from sales are from one customer and the accounts receivable consist mainly of a trade account receivable from one customer, value added tax receivable and sales tax receivable. The Company is exposed to concentration of credit and sales risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. Valued added tax receivable is collectable from the Government of Northern Ireland. Sales tax receivable is collectable from government authorities in Canada. The Company does not have derivative financial instruments.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company manages liquidity risk by monitoring maturities of financial commitments and maintaining adequate cash reserves and available borrowing facilities to meet these commitments as they come due. As at December 31, 2013, the Company had negative working capital. All of the Company's financial liabilities have contractual maturities of less than 30 days other than certain related party loans which are due on demand. The Company is using operating cash flows to manage and seeking additional capital to increase liquidity. As at December 31, 2013, the Company was cash flow negative.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

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6. Financial Risk Management (Continued)

(iii) Market risk (continued)

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and significant interest-bearing debt due to related parties. The Company is exposed to interest rate risk on certain related party loans which bear interest at variable rates.

(b) Foreign currency risk

Certain of the Company's expenses are incurred in GBP which is the currencies of Northern Ireland and the United Kingdom while the Company's revenues are received in the currency of United States and are therefore subject to gains and losses due to fluctuations in these currencies against the functional currency.

(c) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to gold to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(i) Certain related party loans are subject to interest rate risk. As at December 31, 2013, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the year ended December 31, 2013, would have been approximately \$20,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans. Similarly, as at December 31, 2013, shareholders' equity would have been approximately \$20,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and prepaid expenses, long-term deposit, accounts payable and other liabilities and due to related parties that are denominated in GBP. As at December 31, 2013, had the GBP weakened/strengthened by 5% against the CAD with all other variables held constant, the Company's consolidated other comprehensive income for the year ended December 31, 2013 would have been approximately \$124,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2013, shareholders' equity would have been approximately \$124,000 lower/higher had the GBP weakened/strengthened by 5% against the CAD as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments.

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce production of its mineral resources, which could have a material and adverse effect on the Company's value. Net income would be impacted by changes in average realized gold prices. Sensitivity to a plus or a minus 10% change in average realized gold prices on the inventories would affect net loss/income and shareholders' equity by approximately \$30,000.

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7. Categories of Financial Instruments

As at December 31,	2013	2012
Financial assets:		
FVTPL		
Cash	\$ 166,617	\$ 1,164,868
Loans and receivables		
Accounts receivable	234,823	428,196
Financial liabilities:		
Other financial liabilities		
Accounts payable and other liabilities	1,217,360	1,670,729
Due to related parties	3,597,550	2,802,749

As of December 31, 2013 and 2012, the fair value of all the Company's financial instruments approximates the carrying value.

8. Accounts Receivable and Prepaid Expenses

As at December 31,	2013	2012
Sales tax receivable - Canada	\$ 21,866	\$ 21,705
Valued added tax receivable - Northern Ireland	10,752	147,987
Accounts receivable	202,205	258,504
Prepaid expenses	170,301	244,858
	\$ 405,124	\$ 673,054

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 December 31,	2013	2012
Less than 3 months	\$ 138,839	\$ 288,192
3 to 12 months	59,177	130,404
More than 12 months	36,807	9,600
Total accounts receivable	\$ 234,823	\$ 428,196

9. Inventories

As at December 31,	2013	2012
Concentrate inventories	\$ 11,458	\$ 10,246
Finished goods	327,407	316,003
	\$ 338,865	\$ 326,249

Refer to note 17 for inventory movement.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

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10. Property, Plant and Equipment

Cost	Freehold Land	Buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2011	\$ 1,864,378	\$ 382,390	\$ 5,968,298	\$ 63,338	\$ 94,788	\$ 57,466	\$ 9,503,475	\$ 17,934,133
Additions	406,108	-	159,080	23,277	8,341	-	2,690,761	3,287,567
Disposals	-	-	(225,905)	(3,964)	-	-	-	(229,869)
Foreign exchange adjustment	44,726	9,173	95,464	1,520	2,267	1,378	227,980	382,508
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

Accumulated depreciation	Freehold Land	Buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2011	\$ 890,343	\$ 305,341	\$ 3,549,698	\$ 45,928	\$ 34,489	\$ 57,466	\$ 5,657,327	\$ 10,540,592
Depreciation	-	15,449	506,699	7,757	9,648	-	209,158	748,711
Disposals	-	-	(160,037)	(784)	-	-	-	(160,821)
Foreign exchange adjustment	21,359	7,654	90,683	1,248	1,027	1,378	95,539	218,888
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

Carrying value	Freehold Land	Buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2012	\$ 1,403,510	\$ 63,119	\$ 2,009,894	\$ 30,022	\$ 60,232	\$ -	\$ 6,460,192	\$ 10,026,969
Balance, December 31, 2013	\$ 1,529,218	\$ 55,016	\$ 1,132,541	\$ 22,689	\$ 55,791	\$ -	\$ 7,305,064	\$ 10,100,319



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11. 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, 2011	\$ 665,332
Additions	723,640
Foreign exchange adjustment	10,282
Balance, December 31, 2012	1,399,254
Additions	357,061
Foreign exchange adjustment	119,456
Balance, December 31, 2013	\$ 1,875,771

Carrying value	Exploration and evaluation assets
Balance, December 31, 2012	\$ 1,399,254
Balance, December 31, 2013	\$ 1,875,771

12. Decommissioning Liability

The Company's decommissioning liability is as a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at December 31, 2013 based on a risk-free discount rate of 1% (2012 - 1%) and an inflation rate of 1.50% (2012 - 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 December 31, 2013, the estimated fair value of the liability is \$528,810 (2012 - \$404,450). Changes in the provision during the year ended December 31, 2013 are as follows:

As at December 31,	2013	2012
Decommissioning liability, beginning of year	\$ 404,450	\$ 394,975
Revision due to change in estimate	109,680	9,475
Accretion	14,680	-
Decommissioning liability, end of year	\$ 528,810	\$ 404,450

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 (2012- GBP 250,000), of which GBP 265,000 was funded as of December 31, 2013 and reported as long-term deposit of \$467,116 (2012 - \$428,717).

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13. 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 December 31,	2013	2012
Accounts payable	\$ 545,557	\$ 814,408
Accrued liabilities	671,803	856,321
Total accounts payable and other liabilities	\$ 1,217,360	\$ 1,670,729

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

As at December 31,	2013	2012
Less than 3 months	\$ 376,400	\$ 869,097
3 to 12 months	361,376	351,318
12 to 24 months	122,183	201,486
More than 24 months	357,401	248,828
Total accounts payable and other liabilities	\$ 1,217,360	\$ 1,670,729

14. Convertible Debenture

On March 10, 2011, the Company entered into a convertible unsecured loan agreement (the "Loan Agreement") with Kenglo One Limited of Jersey, Channel Islands ("Kenglo"). The loan amount agreed to be advanced under the Loan Agreement is GBP 1,250,000 (the "Loan").

The Loan carries interest of 2% per annum above the base rate of Barclays Bank. The Loan shall become repayable upon exercise by Kenglo of the previously issued warrants of the Company held by Kenglo (the "Warrants"), subject to the terms of the Warrants and the Loan Agreement. If the Warrants are not exercised by Kenglo by the applicable expiry dates of the Warrants (being June 8, 2012 and July 22, 2012, as applicable), the Company shall issue shares ("Loan Shares") to Kenglo, in lieu of a cash repayment of the Loan, in accordance with the terms of the Loan Agreement. The number of Loan Shares to be issued upon the Loan conversion shall be determined in accordance with the terms of the Loan Agreement, subject to the minimum conversion price of \$0.10 per share. The Loan Shares will be subject to a four month resale restriction period imposed under the policies of the Exchange and applicable securities legislation. There are no finder's fees or any bonus (whether in the form of cash or securities) payable in connection with the Loan Agreement.

The Loan is classified as a liability, with the exception of the portion relating to the conversion features, resulting in the carrying value of the Loan being less than its face value. The fair value of the conversion option associated with the convertible note on the date of issuance was estimated at \$169,347. The discount is being accreted over the term of the Loan Agreement, utilizing the effective interest rate method at a 10% discount rate. For the year ended December 31, 2013 accretion of the discount totalled \$nil (year ended December 31, 2012 - \$45,529).

Financing charges associated with the Loan were prorated between the debt and equity component of the Loan. Those allocated to the debt portion of the Loan were deferred and are being accreted over the term of the Loan Agreement. For the year ended December 31, 2013 \$nil (year ended December 31, 2012- \$1,924) in deferred financing charges were accreted to operations.

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14. Convertible Debenture (Continued)

On June 8, 2012, the Company extinguished, in its entirety, the principal and interest obligations outstanding under the Loan Agreement using the proceeds from the warrants exercised (see note 15 (b)(i)). As a result of this extinguishment, a gain on debt extinguishment of \$190,624 on the convertible debenture was recorded in the consolidated statements of loss and a loss on debt extinguishment of \$8,800 on the equity portion of convertible debenture was recorded in equity.

	Convertible debenture	Equity portion of convertible debenture
Balance, December 31, 2011	\$ 1,979,603	\$ 168,082
Accretion charges - effective interest rate	45,529	-
Accretion charges - financing charges	1,924	-
Interest expenses	6,075	-
Foreign exchange	36,645	-
(Gain) loss on debt extinguishment	(190,624)	8,800
Debt extinguishment	(1,879,152)	(176,882)
Balance, December 31, 2012 and December 31, 2013	\$ -	\$ -

15. Share Capital and Reserves

a) Authorized share capital

At December 31, 2013, 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 December 31, 2013, the issued share capital amounted to \$29,874,693. The change in issued share capital for the years presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2011	235,650,055	\$ 27,808,316
Shares issued for exercise of warrants	20,560,340	2,056,034
Fair value of warrants exercised	-	403,143
Fair value of extension of warrants' expiry date (i)	-	(392,800)
Balance, December 31, 2012 and December 31, 2013	256,210,395	\$ 29,874,693

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15. Share Capital and Reserves (Continued)

b) Common shares issued (Continued)

- (i) On July 9, 2012, the expiry date of the 24,550,000 common share purchase warrants outstanding was extended for one year from July 22, 2012 to July 22, 2013. As a result of this modification, an incremental fair value of these warrants of \$392,800 was recognized.

The fair value of the extension of the warrants' expiry date was estimated using the Black-Scholes option pricing model with the following inputs: dividend yield - 0%; volatility - 133.52%; risk-free interest rate - 0.97%; share price - \$0.05; exercise/strike price - \$0.10; and an expected life of 1 year. Volatility was determined using the historical volatility of the Company's daily closing share price for a period of 1 year.

c) Warrant reserve

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2011	45,550,000	\$ 0.10
Exercised	(20,560,340)	0.10
Expired	(439,660)	0.10
Balance, December 31, 2012	24,550,000	0.10
Expired	(24,550,000)	0.10
Balance, December 31, 2013	-	\$ -

As at December 31, 2013, there were no warrants outstanding.

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.

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.

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15. Share Capital and Reserves (Continued)

d) Stock options (continued)

The Company records a charge to the consolidated statements of comprehensive 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 years ended December 31, 2013 and 2012:

	Number of options	Weighted average exercise price
Balance, December 31, 2011	15,750,000	\$ 0.12
Forfeited	(1,000,000)	(0.19)
Expired	(4,800,000)	(0.14)
Balance, December 31, 2012	9,950,000	0.10
Expired	(2,000,000)	0.10
Forfeited	(3,250,000)	0.10
Balance, December 31, 2013	4,700,000	\$ 0.10

Stock-based compensation includes \$35,960 (2012 - \$148,831) relating to stock options granted in previous years that vested during the year ended December 31, 2013.

The following table reflects the actual stock options issued and outstanding as of December 31, 2013:

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	0.10	1.90	1,000,000	1,000,000	-
January 28, 2016	0.10	2.08	250,000	250,000	-
September 6, 2016	0.10	2.68	3,450,000	3,450,000	-
	0.10	2.48	4,700,000	4,700,000	-

16. Net Loss per Common Share

The calculation of basic and diluted loss per share for the year ended December 31, 2013 was based on the loss attributable to common shareholders of \$1,944,355 (2012 - \$593,866) and the weighted average number of common shares outstanding of 256,210,395 (2012 - 247,246,030) for basic and diluted loss per share. Diluted loss did not include the effect of warrants and options for the year ended December 31, 2013 and 2012, as they are anti-dilutive.



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17. Cost of Sales

	Year Ended December 31,	
	2013	2012
Production wages	\$ 591,101	\$ 1,009,074
Oil and fuel	559,047	1,060,611
Repairs and servicing	123,387	467,926
Equipment hire	37,756	193,069
Consumable	161,586	202,797
Royalties	34,747	90,557
Carriage	29,783	44,236
Other costs	66,278	78,089
Production costs	1,603,685	3,146,359
Inventory movement	(12,616)	20,767
Cost of sales	\$ 1,591,069	\$ 3,167,126

18. Taxation

(a) Provision for income taxes

A reconciliation of the expected tax recovery to actual is provided as follows:

Year Ended December 31,	2013	2012
Income before income taxes	\$ (1,944,355)	\$ (593,866)
Expected tax recovery at statutory rate of 26.5% (2012 - 26.5%)	(515,300)	(157,400)
Difference resulting from:		
Foreign tax rate differential	(16,600)	6,900
Stock-based compensation	9,500	39,400
Expiry of warrants	126,900	1,300
Non-capital losses not recognized	395,500	109,800
	\$ -	\$ -

(b) Deferred tax balances

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities that have not been recognized for financial statement purposes are as follows:

	2013	2012
Deferred income tax assets (liabilities)		
Non-capital losses	\$ 5,268,300	\$ 4,653,882
Share issue costs	1,200	2,500
Property, plant and equipment and exploration and evaluation assets	(1,524,800)	(1,018,199)
Impairment valuation allowance	(3,744,700)	(3,638,183)
	\$ -	\$ -

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18. Taxation (Continued)

(c) Losses carried forward

As at December 31, 2013, the Company had non-capital losses carried forward of \$18,435,879 (2012 - \$15,110,239) for income tax purposes as follows:

Expires	2014	\$	426,803
	2015		568,540
	2026		1,064,484
	2027		598,595
	2029		373,962
	2030		440,512
	2031		325,366
	2032		600,689
	2033		325,366
Indefinite			<u>13,711,562</u>
			<u>\$ 18,435,879</u>

The loss carry-forward amounts have not been recognized for accounting purposes.

19. 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	Year Ended December 31,	
		2013	2012
Interest on related party loans	(i)	\$ 44,122	\$ 41,029

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of \$2,017,000 (GBP 1,144,268) (2012 - \$1,660,756 - GBP 1,026,552) 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 December 31, 2013, the amount of interest accrued is \$159,144 (GBP 90,284) (2012 - \$86,023 - GBP 53,173).

(ii) During the year ended December 31, 2013, G&F Phelps acquired a container from the Company for \$2,095 (GBP 1,300) (2012 - \$nil) which has been offset against the G&F Phelps loan included with due to related parties.

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19. Related Party Disclosures (Continued)

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

	Year Ended December 31,	
	2013	2012
Salaries and benefits ⁽¹⁾	\$ 419,485	\$ 393,300
Stock-based compensation	21,318	84,027
	\$ 440,803	\$ 477,327

⁽¹⁾ Salaries and benefits include director fees. As at December 31, 2013, due to directors for fees amounted to \$27,750 (2012 - \$nil) and due to key management, mainly for salaries and benefits accrued amounted to \$1,393,656 (GBP 790,637) (2012 - \$1,055,970 - GBP 652,720), and is included with due to related parties.

(c) As of December 31, 2013, Kenglo owns 66,110,340 common shares of the Company or approximately 25.8% of the outstanding common shares of the Company. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 35,538,980 common shares of the Company or approximately 13.9% of the outstanding common shares of the Company. The remaining 60.3% 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.

20. Segment Disclosure

The Company has determined that it has two 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 follow:

December 31, 2013	United Kingdom	Canada	Total
Current assets	\$ 800,604	\$ 110,002	\$ 910,606
Non-current assets	12,382,249	60,957	12,443,206
Revenues	\$ 1,531,473	\$ -	\$ 1,531,473
Expenses	\$ 2,640,137	\$ 835,691	\$ 3,475,828

December 31, 2012	United Kingdom	Canada	Total
Current assets	\$ 1,258,821	\$ 905,350	\$ 2,164,171
Non-current assets	11,792,853	62,087	11,854,940
Revenues	\$ 4,659,330	\$ -	\$ 4,659,330
Expenses	\$ 4,461,762	\$ 791,434	\$ 5,253,196



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21. 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 \$536,372 (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 consolidated financial statements.

22. Comparative Figures

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

23. Events After the Reporting Period

(i) On January 16, 2014, a Special Meeting of Shareholders was held. All resolutions were carried and therefore the directors now have the authority to consolidate the common shares on such terms as may be approved by the directors of the Company and regulatory authorities on the basis of one (1) post-consolidated common shares for up to ten (10) pre-consolidated common shares. The consolidation resolution authorizes the Company to complete the share consolidation. The directors are now considering the timetable for potential implementation. Until Articles of Amendment are filed in connection with the share consolidation there is no change to the capital structure of the Company nor to the shares that are listed for trading. Upon any action to be taken by the Company in connection with the resolutions passed at the Special meeting of Shareholders, the directors will inform shareholders in due course.

It is expected that following an enactment of the share consolidation by the directors, directors and officers of the Company may convert liabilities of approximating \$1,500,000 relating to outstanding remuneration into common shares, subject to the approval of the TSX Venture Exchange.

(ii) On April 8, 2014, the Company announced that the Board is seeking regulatory approval of documents relating to the consolidation of the Company's issued and outstanding share capital, exchange of shares for debt and the private placement of shares.

The TSX Venture Exchange has approved the consolidation and effective at opening on the TSX Venture Exchange and AIM on April 14, 2014, the existing issued share capital will be cancelled and replaced by the new common shares in consolidated form.

A private placement of new shares is expected to complete following consolidation. A minimum of 10 million units will be subscribed at \$0.09375 (GBP 0.05) per unit. Each unit will comprise 1 new ordinary share and 1 warrant (the "Placement"). Each warrant will entitle the holder to purchase 1 further new ordinary share at GBP 0.10 per share for a period of two years from the date on which the subscription is closed. The Placement will raise a minimum of GBP 500,000. The new ordinary shares issued pursuant to the Placement are subject to a four month hold period. The new ordinary shares and warrants to be issued pursuant to the placement represent approximately 23.2% of the enlarged issued share capital (at the minimum placing amount).

Coincident with the placement (and following the Consolidation), the Company will also undertake an exchange of existing debt for new ordinary shares, as approved by Shareholders at the Special Meeting of Shareholders January 16, 2014. Roland Phelps (President & Chief Executive) will exchange a loan of \$1,346,730 (GBP 716,256) for 14,365,120 new ordinary shares representing 16.6% of the enlarged issued share capital.

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23. Events After the Reporting Period (Continued)

(ii) (continued) Leo O'Shaughnessy (Chief Financial Officer) will exchange a loan of \$30,046 for 320,491 new ordinary shares, representing 0.4% of the enlarged issued share capital. Following the exchange of debt for equity Mr Phelps and Mr O'Shaughnessy will hold 24.9% and 0.4% of the Company enlarged issued share capital respectively (at the minimum placing amount). Loans due to certain other third party creditors have also agreed to settlement of amounts owed totalling GBP 21,976, through the issue of 439,520 new ordinary shares, representing 0.5% of the enlarged issued share capital. No warrants will be attached to the new ordinary shares issued in relation to any of the equity for debt exchange.