



GALANTAS GOLD CORPORATION

Management's Discussion and Analysis

Three and Nine Months Ended

September 30, 2019

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Introduction

This Management Discussion and Analysis ("MD&A"), dated November 20, 2019 provides a review of the financial position and the results of operations of Galantas Gold Corporation ("Galantas" or the "Company") and constitutes management review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2019. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the three and nine months ended September 30, 2019. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2019 together with the notes thereto and the audited annual consolidated financial statements of the Company for the year ended December 31, 2018 together with the notes thereto. The Company's consolidated financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). All amounts presented are stated in Canadian dollars, unless otherwise indicated. Information contained herein is presented as of November 20, 2019 unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Galantas's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. Additional information about the Company is available on SEDAR at www.sedar.com or at the Company's website www.galantas.com.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements

Forward-looking information	Assumptions	Risk factors
<p>Potential of the Company's properties to contain economic deposits of base metals and other metals.</p>	<p>Financing will be available for future exploration and development and operation of the Company's properties; the actual results of the Company's exploration activities will be favourable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties</p>	<p>Metal price volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for future exploration and development of the Company's properties; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.</p>
<p>The Company's ability to obtain planning consent from the Planning Services, Northern Ireland to allow it to develop the underground mine at its Omagh property.</p>	<p>The Company has now received planning consent. The planning consent which is considered acceptable to the Company will allow it to bring the underground mine into production; financing will be available for development of the underground mine; development and operating costs will not exceed the Company's expectations; the Company will be able to attract skilled staff; all requisite regulatory and governmental</p>	<p>Delays in receiving operating permits (following construction) for the development of the underground mine; onerous planning conditions (currently not recognised) that will negatively impact on the development of the underground mine; availability of financing; metal price, interest rate, exchange rate volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that</p>

	<p>approvals for the underground project will be received on a timely basis upon terms acceptable to the Company; applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.</p>	<p>future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; changes in economic and political conditions; the Company's ability to attract skilled staff.</p>
<p>The Company's ability to meet its working capital needs at the current level for the year ending September 30, 2020.</p>	<p>The operating and exploration activities of the Company for the year ending September 30, 2020 and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company.</p>	<p>Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.</p>
<p>Management's outlook regarding future trends.</p>	<p>Financing will be available for the Company's exploration, development and operating activities; the price of applicable metals, interest rates and exchange rates will be favourable to the Company.</p>	<p>Metal price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>
<p>Asset values for the three and nine months ended September 30, 2019.</p>	<p>Management's belief that no write-down is required for its property and equipment resulting from continuing efforts to raise capital (debt or equity, or a</p>	<p>If the Company does not obtain equity or debt financing on terms favorable to the Company or at all, a decline in asset values that could be deemed to be other than</p>

	combination of both) to implement planned work programs on the Company's projects.	temporary, may result in impairment losses.
Sensitivity analysis of financial instruments.	The Company has an interest rate risk on its G&F Phelps Ltd. and Ocean Partners UK Ltd. loans. The Company has no significant deposit interest rate risk due to low interest rates on its cash balances.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.
Prices and price volatility for metals.	The price of metals will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of metals will be favourable to the Company.	Changes in debt and equity markets and the spot prices of metals; interest rate and exchange rate fluctuations; changes in economic and political conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Galantas's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Galantas' actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Date of MD&A

This MD&A was prepared on November 20, 2019.

Overview – Strategy - Description of Business

Company Overview

Galantas Gold Corporation has been a producing mineral resource issuer and the first to acquire planning consent to mine gold in Northern Ireland. Cavanacaw Corporation, a wholly owned subsidiary of Galantas, owns all of the shares of the Northern Ireland companies – Flintridge Resources Limited, Omagh Minerals Limited and Galantas Irish Gold Limited. During 2014 Cavanacaw acquired Flintridge Resources Limited, a dormant company, and following a strategic review of its business, certain assets owned by Omagh Minerals were acquired by Flintridge.

Mining at the Omagh mine had been conducted by open pit methods up to the suspension of production in 2013. The mine produced a flotation concentrate and was shipped to a smelter under an off-take agreement. The Company's strategy to increase shareholder value has been to:

- Following the receipt of the planning permit obtain additional funding to allow it to continue the expanded exploration programme and the further development of its underground mine;
- Recommence production at the mine and processing plant;
- Continue to explore and develop extensions to the Kearney, Kerr, Joshua and nearby known deposits so as to expand minable reserves and increase gold production in stages;
- Explore the Company's prospecting licences, focusing on the more than 60 gold targets identified to date;

Underground development of a decline tunnel, located at the base of the existing open pit, commenced in 2017. The underground gold mine at Omagh has commenced limited production of gold concentrate, from feed produced in development of the Kearney vein. The processing plant uses a non-toxic flotation process to produce concentrates, without the use of cyanide or mercury. It satisfies strict environmental monitoring criteria set by the Northern Ireland regulatory authorities. The decline tunnel is planned to be extended in depth to provide access to lower levels of in vein development which will form the development necessary to demarcate production panels.

Subsequent to September 30, 2019 Galantas announced a temporary suspension of blasting operations at its Omagh gold mine (see press release dated October 29, 2019).

Reserves and Resources

During 2008, ACA Howe International Ltd prepared an updated estimate of mineral resources for the Omagh mine. The report, entitled Technical Report on the Omagh Gold Project was dated 28th May 2008 and published on www.sedar.com and www.galantas.com. In June 2012 ACA Howe International Ltd (Howe UK) completed an updated NI 43-101 compliant Mineral Resource Estimate together with a Preliminary Economic Assessment. This report, which was based on drilling results and analyses received to June 2012, identified all resources discovered at that date. The Company subsequently filed the complete Technical Report and Preliminary Economic Assessment on SEDAR in August 2012. An updated resource estimate was prepared by the Company during the second quarter of 2013 based on drilling results received to May 2013. There was a 50% increase in resources classified as measured and indicated and a 28% increase in resources classified as inferred, when compared to the resource estimate prepared in 2012. The Company subsequently updated the 2013 resource estimate to incorporate results from later drill holes not previously included and also finalised a revised NI 43-101 report.

Galantas reported the revised updated estimate of gold resources together with a Preliminary Economic Assessment (PEA) update during the third quarter of 2014 (see press release dated July 28, 2014). The revised estimate of resources is in compliance with the Pan European Reporting Code (PERC),

Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and Canadian National Instrument (NI) 43-101. Overall there has been a 19% increase in resources since the Galantas June 2013 Resource Report and a 60% increase in resources since the July 2012 Resource Report by ACA Howe International Ltd. The increases since 2012 largely relate to the Kearney and Joshua veins, since this is where the drilling program has been concentrated. The drilling program was mainly designed to focus on increasing the quantity of Measured and Indicated resources on these two veins, to support potential funding opportunities for the financing of production. The Company also filed the complete updated Technical Report on SEDAR as required by NI 43-101 in September 2014.

The drilling programme, which was suspended in 2013 pending the availability of cash for future exploration, recommenced in September 2015 to target the Joshua vein at depth. In total, 3,602 metres were drilled by March 2016.

On July 22, 2019 Galantas announced that underground development northwards on the 1072 level had discovered mineralisation outside of the resource model and was continuing to explore an extension to the resource model.

Mining Project

The project embraced an open pit mine which supplied ore to a crushing-grinding-froth flotation plant. The plant was commissioned in 2007 and designed to produce a gold and silver rich sulphide flotation concentrate for sale to a commercial smelter. In early 2013 there was a shift in operations from mining and processing ore from open pits to operating from lower grade stock already mined which impacted negatively on production levels. Later in 2013 the processing of low-grade ore was suspended awaiting planning consent for an underground operation. The underground mine utilizes the same processing methods and is the first underground gold mine, of any scale, in Ireland. The strategy is to establish the underground mine and look for further expansion of gold resources on the property, which has many undrilled targets.

The granting of planning consent during the second quarter of 2015 for an underground operation at the Omagh site permits the continuation and expansion of gold mining. This planning consent was appealed by a third party in a judicial review hearing which commenced in September 2016 and was then adjourned to and completed in February 2017. Judgement was received in September 2017 whereby the third party's request for the quashing of the planning consent was denied. However, in November 2017, Galantas reported that it had received notice of an application by the third party to the Court of Appeal in relation to the positive judicial review judgment. This appeal was completed in February 2018. During the fourth quarter of 2018 the Company announced that the Court of Appeal has delivered its judgement in regard to the appeal against the positive judicial review judgment in favour of the Company. The Court has determined that the appeal has failed and thus the planning consent is confirmed. Galantas had earlier been advised that its consents continue to remain valid, at least until judgement and thereafter subject to the judgement.

Galantas had announced in December 2016 that it would commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. Underground development of a decline tunnel, located at the base of the existing open pit, commenced in the first quarter 2017. After over-coming initial difficulties, tunnelling continued through 2017 and 2018 with the north / south Kearney vein being intersected in June 2018 as planned. During the third quarter of 2018 limited feed was provided to the mill resulting in the commencement of limited production of gold concentrate from feed produced in the development of the Kearney vein. The decline tunnel is planned to be extended in depth to provide access to lower levels of in vein development which will form the development necessary to demarcate production panels. As additional lower levels are developed on-vein, there is expected to be an enhanced supply of mill feed. Further increases in mill supply are expected when stoping

commences. The phased development arrangement, in terms of mine access dimensions, is expected to allow for rapid expansion of production as additional capital becomes available.

Subsequent to September 30, 2019 Galantas announced a temporary suspension of blasting operations at its Omagh gold mine (see press release dated October 29, 2019).

Gold Jewellery Business

During 2014 Galantas restructured its jewellery operations which involved the transfer to Flintridge Resources Limited of the trade formerly carried out by Galantas Irish Gold. Later in 2014 Galantas entered into an agreement with TJH Ltd of Dublin, Ireland for the production, marketing and sale of a range of jewellery products, using Irish gold from the Omagh mine. The agreement has resulted in Irish gold from the Omagh Mine, being sold to TJH Ltd. The Irish gold is sold at a premium and with a reserved percentage of wholesale sales. The Irish gold so far supplied was drawn from available stocks.

Management and Staff

Overall management is exercised by one Executive Director along with a General Manager in charge of operations in Omagh where the mine, plant, exploration and administration employ 27 personnel as of November 20, 2019.

Key Performance Driver

The key performance driver is the achievement of production and cash flow from profitably mining the deposits at Omagh.

Overview of Third Quarter 2019

Galantas incurred a net loss for the three and nine months ended September 30, 2019 of \$ 718,046 and \$ 2,389,426 respectively compared to a net loss of \$ 706,717 and \$ 1,931,725 respectively for the three and nine months ended September 30, 2018.

During the third quarter Galantas reported the completion of a private placement of common shares. The placement included funds raised in both UK and Canadian currency for 23,529,412 shares, at an issue price of UK£0.0425 (\$0.068) per share for gross proceeds of UK£1,000,000 (\$ 1,600,000).

The Company had cash balances at September 30, 2019 of \$ 1,356,147 compared to \$ 6,188,554 at December 31, 2018. The working capital deficit at September 30, 2019 amounted to \$ 5,108,181 which compared with a working capital deficit of \$ 272,783 at December 31, 2018.

Property, plant and equipment expenditures for the three and nine months ended September 30, 2019 amounted to \$ 1,373,860 and \$ 4,766,426 respectively. Expenditure incurred in both periods was mainly in connection with Development asset expenditure.

Whilst the Omagh gold mine continued to progress in the third quarter of 2019 progress was limited due to the blasting arrangements, which must be supervised by the Police Service of Northern Ireland (PSNI), not being sufficient for the desired level of operations. The Company has been working with the PSNI to increase blasting availability to normal levels for an underground mine. During the third quarter the mine continued limited production of gold concentrate from feed produced in the development of the Kearney vein. Underground development of the decline tunnel continued to be progressed with further crosscuts allowing access to lower levels of vein development which forms the development necessary to demarcate production panels. Some two kilometres of underground drivages have now been developed, with exposure of the main Kearney vein on four levels. A fifth level is near the point of intersection. The mine is serviced by a decline tunnel of 1 in 6 gradients, of dimensions approximately 4.5m by 4.5m.

Recent vein intersections on the 1060 (fourth) level have proven to be strongly mineralized with vein sections some 3 metres wide and of grade mapped at over 10g/t gold.

The processing plant, which uses non-toxic flotation processing to provide a concentrate, is expected to continue to operate in the near term and is being fed from underground stock. The mine operates within regulated environmental constraints and has a zero lost time incident record.

Milling operations progressed during the third quarter of 2019 on a two-shift basis. The processing plant, which was used formerly for open-pit operations, has had the benefit of a recent upgrade and further upgrades are planned. Shipments of concentrate under the off-take arrangements commenced during the second quarter. Concentrate sales provisional revenues during the three and nine months ended September 30, 2019 totalled approximately US\$ 519,000 and US\$ 978,000 respectively. However, until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

Subsequent to September 30, 2019 Galantas announced a temporary suspension of blasting operations at its Omagh gold mine (see press release dated October 29, 2019). Blasting operations are currently limited, since all blasting must be supervised by the Police Service of Northern Ireland (PSNI). Presently the blasting arrangements are not sufficient for the desired level of operations. The Company has been working with the authorities to increase blasting availability to normal levels for an underground mine. Progress has been made and substantive investment made in accordance with recommendations, however, the Company is still awaiting final approvals from the authorities in order to be able to implement its increased blasting protocols. The Company has been waiting for some time for these approvals and although the Company expects to receive the approvals based on previous discussions with the relevant authorities, a date for receipt of the required approvals and therefore the date on which implementation of the increased blasting schedule is not yet known. The current arrangements are not sufficient to allow for the expansion of mine operations as envisaged by the Company's existing mine plan and until changes are agreed, the present inefficiencies caused by those arrangements form an increasing financial burden, which has proved a significant drain on the financial resources of the Company. Accordingly, in order to reduce costs, while some mine operations will continue at the Omagh gold mine, consultation with the workforce is underway regarding a reduction in the numbers employed.

The processing plant, which uses non-toxic flotation processing to provide a concentrate, is expected to continue to operate in the near term and is being fed from underground stock. The mine operates within regulated environmental constraints and has a zero lost time incident record.

In light of the economic impingement on the Company's operations, the Company is beginning to seek strategic alternatives including reviewing its licenses and operations; and considering the possibility of engaging in a joint venture or other options with third parties and alternative financing structures. The Company expects it will have to raise funds within the next six months and will update the market in due course.

Review of Financial Results

Three Months Ended September 30, 2018

The net loss for the three months ended September 30, 2019 amounted to \$ 718,046 compared to a net loss of \$ 706,717 for the three months ended September 2018 as summarized below:

	Quarter Ended September 30, 2019 \$	Quarter Ended September 30, 2018 \$
Revenues	5,788	14,203
Production related costs	(37,098)	(42,365)
Inventory movement	0	0
Cost and expenses of operations	(37,098)	(42,365)
Loss before the undernoted	(31,310)	(28,162)
Depreciation	(93,865)	(77,394)
General administrative expenses	(606,535)	(576,256)
Foreign exchange gain/(loss)	13,664	(24,905)
Net Loss for the Quarter	\$ (718,046)	\$ (706,717)

Sales revenues, which consisted of jewellery sales, for the three months ended September 30, 2019 amounted to \$ 5,788 compared to revenues of \$ 14,203 for three months ended September 30, 2018.

Shipments of concentrate had commenced during the second quarter. Concentrate sales provisional revenues totalled US\$ 519,000 approximately for the third quarter. However, until the mine commences commercial production, the net proceeds from concentrate sales will be offset against Development assets.

Cost and expenses of operations include production related costs at the mine and inventory movements and totalled \$ 37,098 for the three months ended September 30, 2019 compared to \$ 42,365 for corresponding period of 2018. Production related costs for the three months ended September 30, 2019 amounted to \$ 37,098 compared to \$ 42,365 for the three months ended September 30, 2018. Production related costs at the mine were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site. The inventory movement of \$ Nil for the third quarter of 2019 compared to an inventory movement of \$ Nil for the third quarter of 2018.

This has resulted in a net operating loss of \$ 31,310 before depreciation, general administrative expenses and foreign exchange gain for three months ended September 30, 2019 compared to a net operating loss of \$ 28,162 for the three months ended September 30, 2018.

Depreciation of property, plant and equipment excluding mine development costs during the three months ended September 30, 2019 totalled \$ 93,865 which compared with \$ 77,394 for the corresponding period of 2018. Following the suspension of production there was no depreciation of mine development costs during both periods. Depreciation of mine development assets will commence when the mine reaches commercial production.

General administrative expenses for the three months ended September 30, 2019 amounted to \$ 606,535 compared to \$ 576,256 for 2018. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 25 to 27 of the MD&A.

There was a foreign exchange gain of \$ 13,664 for three months ended September 30, 2019 which compared with a foreign exchange loss of \$ 24,905 for 2018.

This has resulted in a net loss of \$ 718,046 for the three months ended September 30, 2019 compared to a net loss of \$ 706,717 for three months ended September 30, 2018. When the net loss is adjusted for

non-cash items before changes in non-cash working capital items, the cash outflow from operating activities amounted to \$ 514,132 for the three months ended September 30, 2019 compared to a cash outflow of \$ 429,393 for the corresponding period of 2018. The cash outflow from operating activities after changes in non-cash working capital items amounted to \$ 34,736 for the three months ended September 30, 2019 compared to a cash outflow of \$ 289,407 for the corresponding period of 2018.

Foreign currency translation loss, which is included in Condensed Interim Consolidated Statements of Comprehensive Loss amounted to \$ 257,290 for the three months ended September 30, 2019 which compared to a foreign currency translation loss of \$ 242,921 for 2018. This resulted in a Total comprehensive loss of \$ 975,336 for the three months ended September 30, 2019 compared to a Total comprehensive loss of \$ 949,638 for the three months ended September 30, 2018. The foreign currency translation loss during the third quarters of 2019 and 2018 arose as a result of the net assets of the Company's UK subsidiaries, all of which are denominated in UK£, being translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate strengthened against UK£ at September 30, 2019 and 2018 when compared to June 30, 2019 and 2018 which has resulted in an decrease in the Canadian dollar value of these net assets at September 30, 2019 and 2018 when compared to June 30, 2019 and 2018 resulting in the foreign currency translation loss in both quarters.

Total assets at September 30, 2019 amounted to \$ 22,932,489 compared to \$ 24,257,856 at December 31, 2018. Cash at September 30, 2019 was \$ 1,356,147 compared to \$ 6,188,554 at December 31, 2018. Accounts receivable consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to \$ 464,561 at September 30, 2019 compared to \$ 287,273 at December 31, 2018. Inventories at September 30, 2019 amounted to \$ Nil compared with \$ 11,335 at December 31, 2018.

Property, plant and equipment totalled \$ 19,886,574 compared to \$ 16,487,501 at December 31, 2018. Exploration and evaluation assets totalled \$ 736,507 at September 30, 2019 compared to \$ 760,023 at the end of 2018. During the year ended December 31, 2018 and following the achievement of technical feasibility and commercial viability at the Omagh mine, the Company transferred the cost of all its Exploration and evaluation assets relating to the Omagh mine to Property, plant and equipment under the caption of Development assets. Long term deposit at September 30, 2019, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to \$ 488,700 compared to \$ 523,170 at December 31, 2018.

Current liabilities at September 30, 2019 amounted to \$ 6,928,889 compared to \$ 6,759,945 at the end of 2018. The working capital deficit at September 30, 2019 amounted to \$ 5,108,181 compared to a working capital deficit of \$ 272,783 at December 31, 2018. Accounts payable and other liabilities totalled \$ 2,263,359 compared to \$ 2,257,329 at December 31, 2018. The current portion of financing facilities totaled \$ 374,670 at September 30, 2019 compared to \$ 382,974 at December 31, 2018. Amounts due to related parties at September 30, 2019 amounted to \$ 4,290,860 compared to \$ 4,119,642 at the end of 2018.

The non-current portion of the financing facilities which mainly consists of the Ocean Partners UK Ltd loan totaled \$ 1,083,499 at September 30, 2019 compared to \$ 1,081,190 at December 31, 2018 as set out on Note 10 of the Consolidated Financial Statements. The decommissioning liability at September 30, 2019 amounted to \$ 547,860 compared to \$ 578,242 at December 31, 2018.

Capital and Reserves totalled \$ 14,372,241 compared to \$ 15,838,479 at December 31, 2018.

Nine Months Ended September 30, 2018

The net loss for the nine months ended September 30, 2019 amounted to \$ 2,389,426 compared to a net loss of \$ 1,931,725 for the nine months ended September 30, 2018 as summarized below:

	Nine Months Ended September 30, 2019 \$	Nine Months Ended September 30, 2018 \$
Revenues	5,788	71,243
Production related costs	(192,606)	(96,405)
Inventory movement	0	(4,176)
Cost and expenses of operations	(192,606)	(100,581)
Loss before the undernoted	(186,818)	(29,338)
Depreciation	(280,355)	(219,623)
General administrative expenses	(1,855,345)	(1,601,299)
Unrealized gain on fair value of derivative financial liability	0	10,000
Foreign exchange loss	(66,908)	(91,465)
Net Loss for the Period	\$ (2,389,426)	\$ (1,931,725)

Revenues, which consisted of jewellery sales, for the nine months ended September 30, 2019 amounted to \$ 5,788 compared to revenues of \$ 71,243 for the nine months ended September 30, 2018.

Shipments of concentrate commenced during the second quarter of 2019. Concentrate sales provisional revenues totalled US\$ 978,000 approximately for the nine months ended September 30, 2019. However, until the mine reaches commercial production, the net proceeds from concentrate sales will be offset against Development assets.

Cost and expenses of operations include production related costs at the mine and inventory movements and totalled \$ 192,606 for the nine months ended September 30, 2019 compared to \$ 100,581 for corresponding period of 2018.

Production related costs for the nine months ended September 30, 2019 amounted to \$ 192,606 compared to \$ 96,405 for the nine months ended September 30, 2018. Production related costs at the mine were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site and the increased level of production related costs reflect the increased level of activity at the mine. The inventory movement of \$ Nil for the first nine months of 2019 compared to \$ 4,176 for the first nine months of 2018.

This has resulted in a net operating loss of \$ 186,818 before depreciation, general administrative expenses, unrealized gain on fair value of derivative financial liability and foreign exchange loss for nine months ended September 30, 2019 compared to a net operating loss of \$ 29,338 for the nine months ended September 30, 2018.

Depreciation of property, plant and equipment excluding mine development costs during the nine months ended September 30, 2019 totalled \$ 280,355 which compared with \$ 219,623 for the corresponding period of 2018. Following the suspension of production there has been no depreciation of mine development costs during both periods. Depreciation of mine development assets will commence when the mine reaches commercial production.

General administrative expenses for the nine months ended September 30, 2019 amounted to \$ 1,855,345 compared to \$ 1,601,299 for 2018. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 27 and 28 of the MD&A.

The unrealized gain on fair value of derivative financial liability for the nine months ended September 30, 2019 amounted to \$ Nil compared to \$ 10,000 for 2018. The unrealized gain arose as a result of the exercise price of the warrants issued in 2014 and 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being recorded in the consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

There was a foreign exchange loss of \$ 66,908 for nine months ended September 30, 2019 which compared with a foreign exchange loss of \$ 91,465 for 2018.

This has resulted in a net loss of \$ 2,389,426 for the nine months ended September 30, 2019 compared to a net loss of \$ 1,931,725 for nine months ended September 30, 2018. When the net loss is adjusted for non-cash items before changes in non-cash working capital items the cash loss from operating activities amounted \$ 1,578,613 for the nine months ended September 30, 2019 compared to a cash loss from operating activities of \$ 1,191,733 for the corresponding period of 2018 as per the Consolidated Statements of Cash Flows. The cash loss from operating activities after changes in non-cash working capital items amounted to \$ 1,433,814 for the nine months ended September 30, 2019 compared to a cash loss of \$ 219,588 for the corresponding period of 2018.

Foreign currency translation loss, which is included in Condensed Interim Consolidated Statements of Comprehensive Loss amounted to \$ 852,666 for the nine months ended September 30, 2019 and compared to a foreign currency translation loss of \$ 39,967 for 2018. This resulted in a Total comprehensive loss of \$ 3,242,092 for the nine months ended September 30, 2019 compared to a Total comprehensive loss of \$ 1,971,692 for the nine months ended September 30, 2018. The foreign currency translation loss during the nine months ended September 30, 2019 and 2018 arose as a result of the net assets of the Company's UK subsidiaries, all of which are denominated in UK£, being translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate strengthened against UK£ at September 30, 2019 and 2018 when compared to December 31, 2018 and 2017 which has resulted in an decrease in the Canadian dollar value of these net assets at September 30, 2019 and 2018 when compared to December 31, 2018 and 2017 resulting in the foreign currency translation loss in both periods.

Review of Operations

2019 Financing Activities

During the third quarter of 2019 Galantas completed a part brokered private placement of 23,529,412 common shares, at an issue price of UK£0.0425 (\$0.068) per share for gross proceeds of UK£1,000,000 (\$ 1,600,000). A four month plus one day hold period will apply to the shares and the shares will rank pari passu with the existing shares in issue of the Company. The net proceeds raised by the placement are intended to be used to implement recently identified optimisation initiatives at the Omagh gold mine, including increased mechanisation and improved underground infrastructure, as well as for general working capital of the Company. Commission payable in relation to the private placement totalled UK £49,500 (CAD\$ 79,000).

Subsequent to September 30, 2019 Galantas announced a temporary suspension of blasting operations at its Omagh gold mine (see press release dated October 29, 2019). The processing plant is expected to continue to operate in the near term and is being fed from underground stock. In light of the economic impingement on the Company's operations, the Company is beginning to seek strategic alternatives

including reviewing its licenses and operations; and considering the possibility of engaging in a joint venture or other options with third parties and alternative financing structures. The Company expects it will have to raise funds within the next six months and will update the market in due course.

Production/Mine Development

During the third quarter of 2019 the Omagh gold mine continued limited production of gold concentrate from feed produced in the development of the Kearney vein. The plant, which produces a gold & silver concentrate using a non-toxic, froth-flotation process, is running on a batch basis from a stockpile of underground vein material plus additional feed produced from on-vein development operations.

Underground development of the decline tunnel continued to be progressed during the third quarter of 2019 with further crosscuts allowing access to lower levels of vein development which forms the development necessary to demarcate production panels. On-vein development continued on the 1084 (second) level and the 1072 (third) level continued. The vein on the 1072 (third) was reached early in the second quarter and on vein development has commenced. Development has continued southwards on the third (1072) level with gold grades within the expected range.

During the quarter the Company reported that the access drive on the fourth (1060) level has intersected the Kearney vein ahead of schedule. The intersection shows strongly developed mineralization. The north and south faces of the vein were channel sampled. The average of the two channels was 8.35 g/t gold over an average true width of 2.65 metres. The vein intersection is expected to allow in-vein development both north and south on the fourth (1060) level. Development on the fourth level is anticipated to produce increased feed tonnage to the processing plant, which produces a concentrate sold under an off-take contract. The Company also reported that drivage from the 1072 access has been taken northwards, in-vein, for approximately 40 metres. Mineralisation beyond the first 20 metres is currently excluded from the geological model, due to paucity of data. The mineralization was shown to be persistent and has been followed in an in-vein development. Two channel samples, taken across the face as the drivage was developed at 24.1m and 27.6m into the third level (1072) north development, showed a grade of 6.2g/t gold and 16.3 g/t gold respectively, each with a true width of 3 metres. The vein will continue to be followed northwards on the third (1072) level and elevates potential for additional mineralisation to be added to the resource model if discovered on the adjacent first (1096), second (1084) and fourth (1060) levels, which have not yet accessed this area. To date some two kilometres of underground drivages have been developed, with exposure of the main Kearney vein on four levels. A fifth level is near the point of intersection. The mine is serviced by a decline tunnel of 1 in 6 gradients, of dimensions approximately 4.5m by 4.5m. Recent vein intersections on the 1060 (fourth) level have proven to be strongly mineralized with vein sections some 3 metres wide and of grade mapped at over 10g/t gold.

Milling operations progressed during the third quarter of 2019 on an extended dayshift basis, as feed became available. Additional milling shifts which were expected to be added in the fourth quarter, will not be added until increased underground blasting arrangements are implemented. The processing plant, which was used formerly for open-pit operations, has had the benefit of a recent upgrade and further upgrades are planned. Recent analyses suggest that the product from the plant meets quality criteria and operates at a high efficiency. Shipments of concentrate under off-take arrangements commenced early in the second quarter. Concentrate sales provisional revenues during the three and nine months ended September 30, 2019 totalled approximately US\$ 519,000 and US\$ 978,000 respectively. However, until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

Safety is a high priority and the company continued to invest in safety-related training and infra-structure. The zero lost time accident rate since the start of underground operations, continues. Environmental monitoring demonstrates a high level of regulatory compliance. Phased site restoration works continue with thousands of tree saplings recently planted.

Subsequent to September 30, 2019 Galantas announced a temporary suspension of blasting operations at its Omagh gold mine (see press release dated October 29, 2019). Blasting operations are currently limited, since all blasting must be supervised by the Police Service of Northern Ireland (PSNI). Presently the blasting arrangements are not sufficient for the desired level of operations. The Company has been working with the authorities to increase blasting availability to normal levels for an underground mine. Progress has been made and substantive investment made in accordance with recommendations, however, the Company is still awaiting final approvals from the authorities in order to be able to implement its increased blasting protocols. The Company has been waiting for some time for these approvals and although the Company expects to receive the approvals based on previous discussions with the relevant authorities, a date for receipt of the required approvals and therefore the date on which implementation of the increased blasting schedule is not yet known. The current arrangements are not sufficient to allow for the expansion of mine operations as envisaged by the Company's existing mine plan and until changes are agreed, the present inefficiencies caused by those arrangements form an increasing financial burden, which has proved a significant drain on the financial resources of the Company. Accordingly, in order to reduce costs, while some mine operations will continue at the Omagh gold mine, consultation with the workforce is underway regarding a reduction in the numbers employed.

The processing plant, which uses non-toxic flotation processing to provide a concentrate, is expected to continue to operate in the near term and is being fed from underground stock. The mine operates within regulated environmental constraints and has a zero lost time incident record.

Reserves and Resources

During 2014 Galantas reported a revised updated estimate of gold resources together with a Preliminary Economic Assessment (PEA) update (see press release dated July 28, 2014). The revised estimate of resources is in compliance with the Pan European Reporting Code (PERC), Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and Canadian National Instrument (NI) 43-101 and is summarised below.

	RESOURCE ESTIMATE: GALANTAS 2014			Increase over GAL 2013 report
	CUT-OFF 2 g/t Au			
RESOURCE CATEGORY	TONNES	GRADE (Au g/t)	Au Ozs	
MEASURED	138,241	7.24	32,202	55%
INDICATED	679,992	6.78	147,784	21.4%
INFERRED	1,373,879	7.71	341,123	15.4%

Minerals Resources that are not Mineral Reserves do not have demonstrated economic viability.

Overall there has been a 19% increase in resources since the Galantas June 2013 Resource Report and a 60% increase in resources since the July 2012 Resource Report by ACA Howe International Ltd. The increases since 2012 largely relate to the Kearney and Joshua veins, since this is where the drilling

program has been concentrated. The drilling program was mainly designed to focus on increasing the quantity of Measured and Indicated resources on these two veins, to support potential bank funding opportunities for the financing of production. The resource estimate for each vein is tabulated below.

RESOURCE ESTIMATE BY VEIN: GALANTAS 2014									
	MEASURED			INDICATED			INFERRED		
	TONNES	GRADE Au (g/t)	Contained Au (oz)	Tonnes	GRADE Au (g/t)	Contained Au (oz)	Tonnes	GRADE Au (g/t)	Contained Au (oz)
KEARNEY	76,936	7.48	18,490	383,220	6.66	82,055	909,277	6.61	193,330
JOSHUA	54,457	7.25	12,693	216,211	7.92	55,046	291,204	10.74	100,588
KERR	6,848	4.63	1,019	12,061	4.34	1,683	23,398	3.2	2,405
ELKINS				68,500	4.24	9,000	20,000	5.84	3,800
GORMLEYS							75,000	8.78	21,000
PRINCES							10,000	38.11	13,000
SAMMY'S							27,000	6.07	5,000
KEARNEY NORTH							18,000	3.47	2,000
TOTAL	138,241	7.25	32,202	679,992	6.78	147,784	1,373,879	7.71	341,123

The resources are calculated at a cut-off grade of 2 g/t gold (Au), numbers are rounded, gold grades are capped at 75 g/t gold and a minimum mining width of 0.9m has been applied.

Measured and Indicated resources on Kearney vein have increased to 100,545 ounces of gold from 69,000 ounces in 2012. Measured and Indicated resources on Joshua vein have increased to 67,739 ounces of gold from 15,800 ounces in 2012. The Kearney and Joshua veins are the early targets of underground mining. Combined Measured and Indicated resource category on these two veins are estimated at 168,284 ounces of gold, with 293,918 ounces of gold in the Inferred resource category. Both vein systems are open at depth.

Exploration

Exploration in the third quarter focused on collecting and interpreting underground geological data. Underground mapping and ground control (Q) assessments were completed between each blast cycle. The resource model is continuously being updated with recent face maps as development progresses.

During the third quarter, a sample of country rock (NAG SAMPLE 3) was taken from the main decline tunnel for the assessment of acid generating potential, in accordance with regulatory requirements. The results showed an NP of 32 tCaCO₃/1Kt, a Maximum Potential Acidity (MPA) of 0.9 tCaCO₃/1Kt and a safety factor (NPR) of 35.5. The sample additionally recorded a pH of 10.9 and a NAG of <0.01 kg H₂SO₄/t. The sample point was Easting 240074, Northing 371008, and Elevation 51 RL. The results were supplied by ALS Global, OMAC Laboratories Ltd, Galway, Ireland, an INAB accredited testing laboratory, through ALS Vancouver, Canada, using LECO and IC-AES methods. It is noted that the

open-pit and mine environments continue to demonstrate no likelihood of acid drainage generation, these results being confirmed by monthly water testing.

Plan maps of mineralisation were compiled and digitised for all the ore drives. The plan maps have been assessed and appear to demonstrate geological trends on gold mineralisation in terms of vein width and grade (gold content). The trends are planned to be further tested through a probing and sediment sampling programme in the fourth quarter. Further confirmation of the apparent trends may lead to enhanced targeting of future exploration and potentially economic improvements to the underground mine plan.

Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the third quarter of 2019 and for the seven preceding quarters are summarized below.

Quarter Ended	Accounting Policies	Total Revenue	Net Income (Loss)	Net Income (Loss) per share & per share diluted
September 30, 2019	IFRS	\$ 5,788	\$ (718,046)	\$ (0.00)
June 30, 2019	IFRS	\$ 0	\$ (891,863)	\$ (0.00)
March 31, 2019	IFRS	\$ 0	\$ (779,517)	\$ (0.00)
December 31, 2018	IFRS	\$ 0	\$ (953,712)	\$ (0.00)
September 30, 2018	IFRS	\$ 14,203	\$ (706,717)	\$ (0.01)
June 30, 2018	IFRS	\$ 57,040	\$ (700,510)	\$ (0.00)
March 31, 2018	IFRS	\$ 0	\$ (524,498)	\$ (0.00)
December 31, 2017	IFRS	\$ 106	\$ (429,273)	\$ (0.00)

The results for the quarter ended September 30, 2019 are discussed under Review of Financial Results on pages 8 to 10 of the MD&A. The net loss for the quarter ended September 30, 2019 totaling \$ 718,046 consisted of sales revenues \$ 5,788, cost and expenses of operations \$ 37,098 depreciation \$ 93,865, general administrative expenses \$ 606,535, and foreign exchange gain \$ 13,664.

For the quarter ended June 30, 2019 the loss totaling \$ 891,863 consisted of sales revenues \$ Nil, cost and expenses of operations \$ 85,482, depreciation \$ 99,085, general administrative expenses \$ 646,381, and foreign exchange loss \$ 60,915.

For the quarter ended March 31, 2019 the loss totaling \$ 779,517 consisted of sales revenues \$ Nil, cost and expenses of operations \$ 70,026, depreciation \$ 87,405, general administrative expenses \$ 602,429, and foreign exchange loss \$ 19,657.

For the quarter ended December 31, 2018 the loss totaling \$ 953,712 consisted of sales revenues \$ Nil, cost and expenses of operations \$ 84,477, aggregates levy \$ 352,168, depreciation \$ 131,376, general administrative expenses \$ 530,573, and foreign exchange gain \$ 144,882.

For the quarter ended September 30, 2018 the net loss totaling \$ 706,717 consisted of sales revenues \$ 14,203, cost and expenses of operations \$ 42,365, depreciation \$ 77,394, general administrative expenses \$ 576,256 and foreign exchange loss \$ 24,905.

For the quarter ended June 30, 2018 the net loss totaling \$ 700,510 consisted of sales revenues \$ 57,040, cost and expenses of operations \$ 34,150, depreciation \$ 77,980, general administrative expenses \$ 616,153 and foreign exchange loss \$ 29,267.

For the quarter ended March 31, 2018 the net loss totaling \$ 524,498 consisted of sales revenues \$ Nil, cost and expenses of operations \$ 24,066, depreciation \$ 64,249, general administrative expenses \$ 408,890, unrealized gain on fair value of derivative financial liability \$ 10,000 and foreign exchange loss \$ 37,293.

For the quarter ended December 31, 2017 the net loss totaling \$ 429,273 consisted of sales revenues \$ 106, cost and expenses of operations \$ 11,515, depreciation \$ 60,074, general administrative expenses \$ 347,656, unrealized gain on fair value of derivative financial liability \$ 2,000 and foreign exchange loss \$ 12,134.

Liquidity and Financial Position

The Company, which is involved in mining and exploration activities, has had a limited source of operating revenue in the recent past, as a result of the suspension of mining activities. However, the Company anticipates receiving substantial additional revenues as the planned underground mine advances. Presently the activities of the Company are mainly financed through equity offerings and loans.

Galantas reported a working capital deficit of \$ 5,108,181 at September 30, 2019 which compared with a working capital deficit of \$ 272,783 at December 31, 2018. The Company had cash balances of \$ 1,356,147 at September 30, 2019 compared with cash balances of \$ 6,188,554 at December 31, 2018. Accounts receivable consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to \$ 464,561 at September 30, 2019 compared to \$ 287,273 at December 31, 2018. Inventories at September 30, 2019 amounted to \$ Nil compared with an inventory of \$ 11,335 at December 31, 2018.

Accounts payable and other liabilities amounted to \$ 2,263,359 at September 30, 2019 compared with \$ 2,257,329 at December 31, 2018. The current portion of a financing facilities totaled \$ 374,670 at September 30, 2019 compared to \$ 382,974 at December 31, 2018. Amounts due to related parties at September 30, 2019 amounted to \$ 4,290,860 compared to \$ 4,119,642 at the end of 2018. In addition a subsidiary of Galantas, Omagh Minerals Limited, previously had a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of \$ 495,688 (UK£ 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. Omagh Minerals Limited believed this claim was without merit and had appealed the assessment. This appeal hearing commenced in March 2017 and following a number of adjournments was completed in August 2018. During the first quarter of 2019, the Tax Tribunals Service issued their judgement dismissing the appeal by Omagh in respect of the assessments. A provision has now been included in the unaudited condensed interim consolidated financial statements in respect of the aggregates levy plus interest and penalty. There is a contingent liability in respect of potential additional interest which may be applied in respect the aggregates levy dispute. Omagh Minerals Limited is unable to make a reliable estimate of the amount of the potential additional penalty that may be applied by HMRC.

During the third quarter of 2019 Galantas completed a part brokered private placement of 23,529,412 common shares, at an issue price of UK£0.0425 (\$0.068) per share for gross proceeds of UK£1,000,000 (\$ 1,600,000). A four month plus one day hold period will apply to the shares and the shares will rank pari passu with the existing shares in issue of the Company. The net proceeds raised by the placement are intended to be used to implement recently identified optimisation initiatives at the Omagh gold mine, including increased mechanisation and improved underground infrastructure, as well as for general working capital of the Company.

Subsequent to September 30, 2019 Galantas announced a temporary suspension of blasting operations at its Omagh gold mine. The processing is expected to continue to operate in the near term and is being fed from underground stock. In light of the economic impingement on the Company's operations, the

Company is beginning to seek strategic alternatives including reviewing its licenses and operations; and considering the possibility of engaging in a joint venture or other options with third parties and alternative financing structures. The Company expects it will have to raise funds within the next six months and will update the market in due course (see press release dated October 29, 2019).

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the September 30, 2019 consolidated financial statements. The Company's ongoing viability had been dependent on obtaining planning consent for the development of an underground mine at Omagh and in securing sufficient financing to fund ongoing operational activity and the development of the underground mine both of which it has now been achieved. The going concern assumption is dependent upon forecast cash flows at the Omagh mine being met together with the continued support of both Cavanacaw Corporation and Galantas Gold Corporation. The directors' assumptions in relation to future levels of production, gold prices and mine operating costs are crucial to forecast cash flows being achieved. Should production be significantly delayed, revenues fall short of expectations or operating costs and capital costs increase significantly, there may be insufficient cash flows to sustain day to day operations without seeking further finance.

Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated statements of financial position.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its financial performance or financial condition, including without limitation, such considerations as liquidity, capital expenditures and capital resources that would be considered material to investors.

Related Party Transactions

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 by the related parties) and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

The Company entered into the following transactions with related parties during the three and nine months ended September 30, 2019.

Director fees of \$ 8,500 and \$ 26,000 were accrued for the three and nine months ended September 30, 2019 (\$ 6,000 and \$ 19,250 for the three and nine months ended September 30, 2018). Stock-based compensation for these directors totalled \$ 4,637 and \$ 42,736 for the three and nine months ended September 30, 2019 (\$ 2,768 and \$ 13,271 for the three and nine months ended September 30, 2018).

Remuneration accrued for the President/CEO totalled \$ 81,375 (UK£ 50,000) and \$ 253,935 (UK£ 150,000) for the three and nine months ended September 30, 2019 (\$ 85,195 (UK£ 50,000) and \$ 261,015 (UK£150,000) for the three and nine months ended September 30, 2018). Stock-based compensation for the President/CEO totalled \$ 1,828 and \$ 12,228 for the three and nine months ended September 30, 2019 (\$ 2,768 and \$ 13,270 for the three and nine months ended September 30, 2018).

Remuneration of the CFO totalled \$ 21,034 and \$ 58,849 for the three and nine months ended September 30, 2019 (\$ 18,638 and \$ 57,674 for the three and nine months ended September 30, 2018).

Stock based compensation for the CFO totalled \$ 1,827 and \$ 10,711 for the three and nine months ended September 30, 2019 (\$ 1,108 and \$ 5,308 for the three and nine months ended September 30, 2018).

At September 30, 2019 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of \$ 2,972,541 (UK£ 1,824,764) (December 31, 2018 \$ 3,182,205 (UK£1,824,764)), repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the three and nine months ended September 30, 2019 amounted to \$ 84,009 (UK£ 51,647) and \$ 264,726 (UK£ 156,374) respectively (three and nine months ended September 30, 2018 \$ 77,140 (UK£ 44,888) and \$ 171,409 (UK£ 98,505) respectively. Interest accrued on related party loans is included under due to related parties. As at September 30, 2019 the interest accrued amounted to \$ 869,695 (UK£ 533,883) (December 31, 2018 - \$ 658,338 (UK£ 377,509). There were no additional loan advances from G&F Phelps Ltd during the three and nine months ended September 30, 2019. During 2018 additional loan advances from G&F Phelps Ltd totalled \$ 883,128 (UK£ 506,410). Following the increase of £600,000 to the on-demand loan facility with G&F Phelps Ltd the interest rate on the loan G&F Phelps facility was increased to USD 12-month LIBOR + 6.75% with effect from April 2018.

As at September 30, 2019 due to directors for fees totalled \$ 109,000 (December 31, 2018 - \$ 166,000) and due to key management, primarily for salaries and benefits accrued at September 30, 2019, amounted to \$ 339,624 (UK£ 208,486) (December 31, 2018 - \$ 113,099 (UK£ 64,854)) and are included under due to related parties.

During the third quarter of 2018 Galantas completed a private placement of shares for aggregate gross proceeds of \$ 1,571,771 (approximately UK£ 929,780). The placement comprised of the issue of 22,137,619 common shares of no-par value. Melquart Ltd subscribed for 11,904,762 common shares, which increased their holding to 40,224,545 common shares. Mr. Ross Beatty subscribed for 2,380,952 common shares which increased his holding to 37,447,478 common shares resulting in Mr. Beatty currently holding 11.59% of the Company's issued common shares. Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, subscribed for 4,761,905 common shares in the placing which increased his holding to 39,338,167 common shares.

In the fourth quarter of 2018 Galantas completed a further private placement of shares in two parts for aggregate gross proceeds of \$ 6,900,000 (approximately UK£ 4,000,000). The placement comprised of the issue of 80,000,000 common shares of no-par value. Melquart Ltd., a related party subscribed for 22,000,000 common shares which increased their holding to 62,224,545 common shares. Miton Asset Management Limited subscribed for 50,000,000 common shares which resulted in Miton becoming a related party of the Company. In addition under a Shares for Debt Arrangement and following TSXV and shareholder approvals, Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, exchanged 10,000,000 common shares for debt owed to him for past management fees, in the amount of £500,000 (CAD \$ 862,500) at £0.05 (CAD \$0.08625) per share which increased his holding to 49,338,167 common shares resulting in Mr. Phelps currently holding 15.26% of the Company's issued common shares. In addition, Ms. Roisin Magee, a Director of Galantas Gold Corporation, participated in the private placement with a subscription for 500,000 common shares. Ms. Magee now owns approximately 0.15% of the Company's issued and outstanding common shares.

During the third quarter of 2019 Galantas completed a part brokered private placement of 23,529,412 common shares, at an issue price of UK£0.0425 (\$0.068) per share for gross proceeds of UK£1,000,000 (\$ 1,600,000). Miton Asset Management Limited subscribed for 3,764,706 common shares in the private placement which increased their holding to 53,764,706 common shares representing 16.63% of the Company's issued and outstanding shares. Melquart Ltd. subscribed for 15,341,174 common shares which increased their holding to 77,565,719 common shares representing 24.00% of the Company's issued and outstanding shares.

Following the private placements noted above Melquart Ltd, Miton Asset Management Limited, Mr. Beaty and Mr. Phelps are deemed to be related parties of Galantas by virtue of being substantial shareholders of the Company.

Excluding the Melquart Ltd, Miton Asset Management Limited, Mr. Beaty and Mr. Phelps shareholdings discussed above, the remaining 32.52% of the shares are widely held, which include various small holdings which are owned by the other directors of the Company. These holdings can change at any time 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.

Proposed Transactions

There are no proposed transactions of a material nature that have been finalized by the Company.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reported 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.

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 property, plant and equipment incurred on the Omagh underground mine in the consolidated statements of financial position. The Omagh underground mine and the open pit mine are considered as one cash generating unit (“CGU”) and were tested for impairment at December 31, 2018. The calculations of the recoverable amount of CGU require the use of methods such as the discounted cash flow method, which uses assumptions to estimate future cash flows. No additional impairment was noted.
- 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 statements of financial position and the related depreciation included in the consolidated statements of loss;
- stock-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including volatility, which is an estimate based on historical price of the Company’s share, the forfeiture rate and expected life of the instruments;
- warrants – management is required to make a number of estimates when determining the fair value of the warrants, including volatility, the forfeiture rate and expected life of the instruments;

- Derivative financial liability – management is required to make a number of estimates when determining the fair value of the derivative financial liability, including volatility, the forfeiture rate and expected life of the instruments 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

- 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. The parent entity has determined its functional currency is the Canadian dollar and each subsidiary to be the UK £ Sterling. Determination of functional currency may involve certain judgements 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;
- Exploration and evaluation assets – the determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgement and assessment of all relevant factors;
- 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 and
- Whether there are any indicators that the Company's property, plant and equipment assets and exploration and evaluation assets are impaired. Where an indicator of impairment exists for its non-current assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above.

Accounting Policies including Initial Adoption

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"). The September 30, 2019 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 20, 2019 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 set out in Note 4 of the annual consolidated financial statements as at and for the year ended December 31, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

New accounting standards adopted

(I) On June 7, 2017, the IASB issued IFRIC 23 - Uncertainty over Income Tax Treatments. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

(ii) On January 13, 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 - Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company adopted IFRS 16 in its unaudited condensed interim consolidated financial statements for the period beginning on January 1, 2019. As the Company has no material lease contracts that fall under IFRS 16, the adoption of this standard has not resulted in any material changes in the Company's unaudited condensed interim consolidated financial statements.

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 revenues 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.

(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 September 30, 2019 the Company had a working capital deficit of \$ 5,108,181 (December 31, 2018 - working capital deficit of \$ 272,783). 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. As at September 30, 2019, the Company was cash flow negative. The Company expects it will have to raise funds within the next 6 months and will update the market in due course (see press release dated October 29, 2019).

(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 price risk.

(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, significant interest-bearing debt due to related parties and financing facility. The Company is exposed to interest rate risk on both certain related party loans and third-party loans which bear interest at variable rates.

(b) Foreign currency risk

Certain of the Company's assets, liabilities are designated in UK£ and expenses are incurred in UK£ which is the currency of Northern Ireland and the United Kingdom while the Company's primary 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. The loan from third party is designated in US dollars.

(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 and a loan facility with a third party are subject to interest rate risk. As at September 30, 2019, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the three and nine months ended September 30, 2019 would have been approximately \$ 60,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans and a loan facility with a third party. Similarly, as at September 30, 2019 shareholders' equity would have been approximately \$ 60,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans and a loan facility with a third party.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, long-term deposit, accounts payable and other liabilities, financing liability and due to related parties, that are denominated mainly in UK£ and third-party loans denominated in US Dollars. As at September 30, 2019, had the UK£ weakened/strengthened by 5% against the CAD with all other variables held constant the Company's consolidated comprehensive loss for the three and nine months ended September 30, 2019 would have been approximately \$ 65,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at September 30, 2019, shareholders' equity would have been approximately \$ 65,000 higher/lower had the UK£ 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. Management believes that the impact would be immaterial for the three and six months ended September 30, 2019.

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.

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, which is comprised of share capital, reserves and accumulated deficit which at September 30, 2019 totalled \$ 14,372,241 (December 31, 2018 - \$ 15,838,479). 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 updated based on its exploration activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and nine months ended September 30, 2019. The company is not subject to any capital requirements imposed by a lending institution or regulatory body.

Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate do not make any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Disclosure of Other MD&A Requirements

Additional Disclosure for Venture Issuers without Significant Revenue or Exploration, Disclosure of Outstanding Share Data

General Administrative Expenses for the Quarters ended September 30, 2019 and September 30, 2018.

General administrative expenses for the quarter ended September 30, 2019 totalled \$ 606,535 compared to \$ 576,256 for the quarter ended September 30, 2018 and are detailed below:

Expense Account	Quarter Ended September 30, 2019 \$	Quarter Ended September 30, 2018 \$
Management & administrative wages	228,339	222,724
Other operating expenses	79,617	47,742
Accounting & corporate	13,034	16,370
Legal & audit	18,018	12,747
Stock-based compensation	57,631	39,657
Shareholder communication and investor relations	47,917	43,210
Transfer agent	1,415	1,939
Directors fees	8,500	6,000
General office	2,653	2,077
Accretion expenses	67,288	105,044
Loan interest and bank charges	82,123	78,746
Total	\$ 606,535	\$ 576,256

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and at the Omagh mine which totalled \$ 228,339 for the quarter ended September 30, 2019 compared to \$ 222,724 for the third quarter of 2018. Other operating expenses, the majority of which are also incurred in UK£ and include amongst others professional fees, insurance costs and travel amounted to \$ 79,617 for the quarter ended September 30, 2019 compared to \$ 47,742 for the corresponding period of 2018. The increase in the current quarter was mainly due to increased insurance costs. Accounting and corporate costs for the quarter amounted to \$ 13,034 compared to \$ 16,370 for the corresponding quarter of 2018. The decrease in the current quarter was mainly due to lower corporate costs.

Legal and audit costs totalled \$ 18,018 for the quarter compared to \$ 12,747 for the third quarter of 2018. Legal costs for the third quarter amounted to \$ 3,816 and compared with \$ 1,555 for the third quarter of 2018. Audit fees for the third quarter amounted to \$ 14,202 compared to \$ 11,192 for the third quarter of 2018. The lower audit fees in 2018 was primarily due to an overprovision in the second quarter of 2018 which was corrected in the third quarter.

Stock-based compensation costs for the third quarter of 2019 amounted to \$ 57,631 compared to \$ 39,657 for the corresponding quarter of 2018. The increased stock-based compensation costs in third quarter was mainly due to the stock options granted during the earlier in 2019. These options vested as to one third on the date granted and one third on each of the following two anniversaries.

Shareholder communication and investor relations costs amounted to \$ 47,917 for the third quarter of 2019 compared to \$ 43,210 for the corresponding quarter of 2018. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees. The increase in shareholder communication costs and investor relations costs in the third quarter of 2019 was mainly due to higher investor relations costs.

Transfer agents' fees for the third quarter of 2019 amounted to \$ 1,415 compared to \$ 1,939 incurred in the corresponding quarter of 2018. Directors' fees for the third quarter of 2019 totalled \$ 8,500 compared to \$ 6,000 for 2018. General office expenses for the third quarter of 2019 amounted to \$ 2,653 compared to \$ 2,077 for 2018. Accretion expenses for the third quarter of 2019 amounted to \$ 67,288 which compared to \$ 105,044 for the third quarter of 2018. Accretion expenses include accretion of the

fair value of the 15,000,000 bonus warrants issued during the second quarter of 2018 in connection with the Ocean Partners US\$ 1.6 million loan as set out in Note 10 of the September 30, 2019 consolidated financial statements. Loan interest, mainly in connection with interest on the G&F Phelps UK£ loan, and bank charges net of deposit interest amounted to \$ 82,123 for the third quarter of 2019 compared to \$ 78,746 for the quarter ended September 30, 2018.

General Administrative Expenses for the Nine Months ended September 30, 2019 and September 30, 2018 are detailed below.

General administrative expenses for the nine months ended September 30, 2019 totalled \$ 1,855,345 compared to \$ 1,601,299 for the nine months ended September 30, 2018 and are detailed below:

Expense Account	Nine Months Ended September 30, 2019 \$	Nine Months Ended September 30, 2018 \$
Management & administrative wages	675,645	596,141
Other operating expenses	161,897	151,919
Accounting & corporate	41,647	46,730
Legal & audit	59,464	76,950
Stock-based compensation	269,694	185,512
Shareholder communication and investor relations	158,886	148,840
Transfer agent	9,068	8,066
Directors fees	26,000	19,250
General office	8,915	6,499
Accretion expenses	186,317	185,441
Loan interest and bank charges	257,812	175,951
Total	\$ 1,855,345	\$ 1,601,299

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and the Omagh mine which totalled \$ 675,645 for the nine months ended September 30, 2019 compared to \$ 596,141 for the first nine months of 2018. The higher costs in 2019 are mainly due to the employment of additional administrative personnel during 2019 reflecting the increased level of activity at the Omagh mine. Other operating expenses, the majority of which are also incurred in UK£ at the Omagh mine, and include amongst others professional fees, insurance costs, and travel, amounted to \$ 161,897 for the nine months ended September 30, 2019 compared to \$ 151,919 for the corresponding period of 2018. Accounting and corporate costs for the first nine months of 2019 amounted to \$ 41,647 compared to \$ 46,730 for the corresponding period of 2018. The decrease in the current period was mainly due to lower corporate costs. Legal and audit costs totalled \$ 59,464 for the nine months compared to \$ 76,950 for the first nine months of 2018. Legal costs amounted to \$ 14,223 which compared with \$ 35,009 for the first nine months of 2017 which were mainly legal fees incurred in connection with the 2018 aggregates appeal hearing referred to in Note 15 of the financials. Audit fees for the nine months amounted to \$ 45,241 compared to \$ 41,941 for the corresponding period of 2018. The lower audit fees in 2018 were primarily due to an overprovision in the second quarter of 2018 which was corrected in the third quarter.

Stock-based compensation costs for the first nine months of 2019 amounted to \$ 269,694 compared to \$ 185,512 for the corresponding period of 2018. The increase in the 2019 stock-based compensation costs was mainly due to stock options granted earlier in 2019. These options vested as to one third on the date granted and one third on each of the following two anniversaries.

Shareholder communication and investor relations costs amounted to \$ 158,886 for the first nine months of 2019 compared to \$ 148,840 for 2018. Shareholder communication and investor relations costs include investor relations, shareholders information, filing fees, listing fees and certain costs in connection with the holding of the Company's AGM. Shareholder communication costs and investor relations costs were higher in the first nine months of 2019 due mainly to increased investor relations costs. Transfer agents' fees amounted to \$ 9,068 compared to \$ 8,066 incurred in the first nine months of 2018. Directors' fees totalled \$ 26,000 compared to \$ 19,250 for the first nine months of 2018. General office expenses for the nine months of 2019 amounted to \$ 8,915 compared to \$ 6,499 for 2018.

Accretion expenses for the first nine months of 2019 amounted to \$ 186,317 which compared to \$ 185,441 for the corresponding period of 2018. Accretion expenses are mainly in connection with the accretion of the fair value of the 15,000,000 bonus warrants being issued in the second quarter of 2018 in connection with the Ocean Partners US\$ 1.6 million loan as set out in Note 10 of the September 30, 2019 consolidated financial statements. Loan interest, which was mainly in connection with interest on the G&F Phelps UK£ loan, and bank charges net of deposit interest for the first nine months of 2019 amounted to \$ 257,812 compared to \$ 175,951 for the corresponding period of 2018. The increase in the first nine months of 2019 was mainly due to the increased interest rate charged on the G&F Phelps loan effective April 2018.

Disclosure of Outstanding Share Data

At November 20, 2019 there were a total of 323,216,217 shares issued, 15,000,000 warrants with an expiry date of April 2020 and 13,950,000 stock options with expiry dates from June 2020 to June 2024.

Events after Reporting Period

On October 29, 2019, Galantas announced a temporary suspension of blasting operations as its Omagh gold mine, Northern Ireland. Blasting operations are currently limited, since all blasting must be supervised by the Police Service of Northern Ireland. Presently the arrangements are not sufficient for the desired level of operations. The Company has been working with the authorities to increase blasting availability to normal levels for an underground mine. Progress has been made and substantive investment made in accordance with recommendations, however, the Company is still awaiting final approvals from the authorities in order to be able to implement its increased blasting protocols. The Company has been waiting for some time for these approvals and although the Company expects to receive the approvals based on previous discussions with the relevant authorities, a date for receipt of the required approvals and therefore the date on which implementation of the increased blasting schedule is not yet known.

The current arrangements are not sufficient to allow for the expansion of mine operations as envisaged by the Company's existing mine plan and until changes are agreed, the present inefficiencies caused by those Arrangements form an increasing financial burden, which has proved a significant drain on the financial resources of the Company.

Accordingly, in order to reduce costs, while some mine operations will continue at the Omagh gold mine, consultation with the workforce is underway regarding a reduction in the numbers employed. In light of the economic impingement on the Company's operations, the Company is beginning to seek strategic alternatives including reviewing its licenses and operations; and considering the possibility of engaging in a joint venture or other options with third parties and alternative financing structures.

The Company expects it will have to raise funds within the next 6 months and will update the market in due course.

Trends Affecting the Company's Business

Gold Price in US Dollars and UK Sterling

The Gold concentrate output from the Omagh Mine is sold in US dollars. Most of the value is accrued from the gold content. The following graphs are published by LBMA.org.uk. The first graph shows the gold price expressed in US dollars (USD) from 1st January 2018 to mid November 2019. The graph shows USD gold price in a generally upward trend since June 2019, with a price above US\$ 1500 during August and September 2019. Subsequent to end October the gold price has eased back below \$ 1,500.

The second graph shows the gold price expressed in UK£ sterling terms. The Sterling gold price has also been in an upward trend since June 2019. Part of the increase is attributable to an increase in the US Dollar price but has been further enhanced by a fall in Sterling compared to the US Dollar. The increases seen in early September has created all time highs in Sterling terms but the Sterling gold price has subsequently eased back in line with the US Dollar gold price. The increase in Sterling terms is significantly positive to cash flow.

The gold price for the three months ended September 30, 2019 averaged US\$ 1,475 and UK£ 1,197 compared to US\$ 1,212 and UK£ 930 for the three months ended September 30, 2018. The gold price for the nine months ended September 30, 2019 averaged US\$ 1,363 and UK£ 1,072 compared to US\$ 1,282 and UK£ 948 for the nine months ended September 30, 2018.



Graph of USD Gold Price for the period Jan 2018 to November 2019: source LBMA



Graph of GBP Gold price for the period Jan 2018 to November 2019: source LBMA

Galantas has a policy of being un-hedged in regard to gold production.

The US Dollar / UK£ Sterling Currency Exchange Rate

The following graphs are sourced from the Bank of England database for the spot exchange rate of US \$ and Canadian \$ to UK£ Sterling (GBP or UK£). Sales revenues at the Omagh mine are designated in US Dollars and are converted to UK£, as operating, exploration and capital costs are designated in UK£ Sterling. Thus, a stronger US\$ / weaker UK£ is to the Company’s financial benefit.

The US Dollar had been on an upward trend against a weakening UK£ Sterling since March 2019 with UK£ Sterling showing continuing weakness. The exchange rate had been driven by Brexit considerations but subsequent to September 30th and following a more positive Brexit prognosis the UK£ Sterling has regained some ground.

The US dollar averaged \$ 1.23 and \$ 1.27 against UK£ sterling for the third quarter and first nine months of 2019 compared to \$1.30 and \$ 1.35 for the third quarter and first nine months of 2018.

A currency policy has been adopted of converting incoming payments into the currency required within a short period of receipt, thus avoiding the taking of a large currency position on either side of the market.



Graph of GBP -v- USD for the period Jan 2018 – November 2019: Source Bank of England



Graph of CDN -v- GBP for the period Jan 2018 – November 2019: Source Bank of England

The Canadian Dollar / UK£ Sterling Currency Exchange Rate.

The accounts of the Company are expressed in Canadian Dollars. The majority of costs at the mine are incurred in UK£ Sterling and are converted to Canadian Dollars at the average rate for the relevant accounting period. When costs are expressed in Canadian Dollars terms within the Company's financials, there is an increase in costs when there is a fall in value or weakening of the Canadian Dollar against Sterling. A weakening of the Canadian dollar also increases the value of UK£ based net assets, which are converted at period end rates, when expressed in Canadian dollars.

Although on a generally strengthening trend against UK£ Sterling, considered to be related to Brexit, the Canadian Dollar has not shown the same strength against Sterling as the US Dollar, with recent

retrenchment considered by some to be related to weaknesses in the world economy and relationships with oil prices together with a more positive Brexit prognosis subsequent to quarter end.

The Canadian Dollar averaged \$ 1.63 against UK£ Sterling during the three months ended September 30, 2019 compared to \$1.70 for the third quarter of 2018. For the first nine months of 2019 the Canadian dollar averaged \$ 1.69 against UK£ Sterling compared to \$ 1.74 for the first nine months of 2018.

The Financing Trends & Political Trends

Difficulties in the Western credit markets have impacted on all companies entering into banking credit arrangements. The Canadian and UK equity markets for junior mining companies appears to have weakened during 2018 and remains weak. Whilst the remaining malaise in this market sector has restricted financing opportunities, Galantas has been able to secure funding arrangements during 2018, and 2019 based upon early cash flow expectations.

In Northern Ireland, the widely acknowledged previous political agreement consolidated the positive financial effects of peace and stability in the province, but there continues a low level of activity by those not allied to the peace process. There remains continued uncertainty about a return to the power sharing agreement, which had been further complicated by arrangements made with one of the political parties in Northern Ireland lending its support to the UK governing party. There has been an increase in political antipathy against gold mining companies, based upon opinions regarding the use of cyanide reagents. Galantas does not utilise cyanide reagents and has therefore not suffered the same level of opprobrium. Potential delays related to Brexit issues may cause some interruption to supplies. These have been minimised in advance as much as possible. No tariff issues on the company's products is anticipated.

Risks and Uncertainties

Galantas operates in a sector – mineral production and exploration – which carries inherent risks only some of which are within management's ability to reduce or remove. The main sector risk is always metal price. An investment in the securities of the Company is highly speculative and involves numerous and significant risks. It should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's MD&A for the fiscal year ended December 31, 2018, available on SEDAR at www.sedar.com. There have been no significant changes to such risk factors since the date thereof.

Qualified Person Statement

The financial components of this disclosure have been reviewed by Leo O' Shaughnessy (Chief Financial Officer) and the production, exploration and permitting components by Roland Phelps C.Eng. MIMMM (President & CEO), both Qualified Persons under the meaning of NI. 43-101 and AIM rules. The information in this disclosure is based upon local production and financial data prepared under their supervision. The statement of mineral resource estimates is based upon a report announced 28th July 2014 and prepared by the Galantas Geological and Mining Team under Mr. Phelps' supervision.