



**GALANTAS GOLD CORPORATION**

**Management's Discussion and Analysis**

**Three Months Ended**

**March 31, 2019**

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**Introduction**

This Management Discussion and Analysis ("MD&A"), dated May 17, 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 months ended March 31, 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 months ended March 31, 2019. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 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 May 17, 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](http://www.sedar.com) or at the Company's website [www.galantas.com](http://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 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 March 31, 2020.</p>	<p>The operating and exploration activities of the Company for the year ending March 31, 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 quarter ended March 31, 2019.</p>	<p>Management's belief that no write-down is required for its property and equipment resulting</p>	<p>If the Company does not obtain equity or debt financing on terms favorable to the Company or at</p>

	from continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programs on the Company's projects.	all, a decline in asset values that could be deemed to be other than 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 May 17, 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 in Canada under an off-take agreement. The Company's strategy to increase shareholder value is 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;

### 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 28<sup>th</sup> May 2008 and published on [www.sedar.com](http://www.sedar.com) and [www.galantas.com](http://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.

### 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 will utilize the same processing methods and will be 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.

### 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 employed 38 personnel as of March 31, 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 First Quarter 2019**

Galantas incurred a net loss of \$ 779,517 for the three months ended March 31, 2019 compared with a net loss of \$ 524,498 for the three months ended March 31, 2018.

The Company had cash balances at March 31, 2019 of \$ 3,767,187 compared to \$ 6,188,554 at December 31, 2018. The working capital deficit at March 31, 2019 amounted to \$ 2,702,004 which compared with a working capital deficit of \$ 272,783 at December 31, 2018.

The Omagh gold mine, which commenced limited production of gold concentrate from feed produced in the development of the Kearney vein during the second half of 2018, continued to progress in the first quarter of 2019 when Galantas reported the expansion of gold milling operations at the Omagh processing plant. At quarter end the company reported that the main decline development tunnel has reached the 1072 (third) level and a 58 metre cross-cut to intersect the Kearney vein was in progress. Post first quarter end, the vein has been intersected on the third level. When a safety refuge chamber on the 1072 level has been completed, on-vein development is expected to commence.

Milling operations progressed during the first quarter of 2019 on an extended dayshift basis. As planned, a second shift was added in the second quarter to process the increasing quantities of feed expected to be available. Additional milling shifts are planned to be added in the third quarter. The plant is currently running on a batch basis from a stockpile of underground vein material plus additional feed produced from on-vein development operations.

### **Review of Financial Results**

#### **Three Months Ended March 31, 2019**

The net loss for the three months ended March 31, 2019 amounted to \$ 779,517 compared to a net loss of \$ 524,498 for the three months ended March 31, 2018 as summarized below.

	<b>Quarter Ended March 31, 2019</b>	<b>Quarter Ended March 31, 2018</b>
<b>Revenues</b>	<b>\$ 0</b>	<b>\$ 0</b>
Production related costs	(70,026)	(24,066)
Inventory movement	(0)	0
<b>Costs and expenses of operations</b>	<b>(70,026)</b>	<b>(24,066)</b>
<b>Loss before the undernoted</b>	<b>(70,026)</b>	<b>(24,066)</b>
Depreciation	(87,405)	(64,249)
General administrative expenses	(602,429)	(408,890)
Unrealized gain on fair value of derivative financial liability	0	10,000
Foreign exchange (loss)	(19,657)	(37,293)
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<b>Net Loss for the Quarter</b>	<b>\$ (779,517)</b>	<b>\$ (524,498)</b>

Sales revenues for the three months ended March 31, 2019 amounted to \$ Nil compared to revenues of \$ Nil for three months ended March 31, 2018. Until the mine reaches the commencement of commercial production, which is expected to be later in 2019, the net proceeds from sales will be deducted from development cost.

Cost and expenses of operations include production related costs at the mine and inventory movements and totalled \$ 70,026 for the three months ended March 31, 2019 compared to \$ 24,066 for corresponding quarter of 2018.

Production related costs for the three months ended March 31, 2019 amounted to \$ 70,026 compared to \$ 24,066 for the three months ended March 31, 2018. Production related costs at the mine, the majority of which are incurred in UK£, include wages, oil and fuel, equipment hire, repairs and servicing, environmental monitoring and royalties. Costs 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 quarter of 2019 compared to \$ Nil for the first quarter of 2018.

This has resulted in a net operating loss of \$ 70,026 before depreciation, general administrative expenses, unrealized gain/loss on fair value of derivative financial liability and foreign exchange loss for three months ended March 31, 2019 compared to a net operating loss of \$ 24,066 for the three months ended March 31, 2018.

Depreciation of property, plant and equipment excluding mine development costs during the three months ended March 31, 2019 totalled \$ 87,405 which compared with \$ 64,249 for the corresponding period of 2018. Following the suspension of production there has been no depreciation of mine development costs.

General administrative expenses for the three months ended March 31, 2019 amounted to \$ 602,429 compared to \$ 408,890 for 2018. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 22 to 24 of the MD&A.

The unrealized gain on fair value of derivative financial liability for the three months ended March 31, 2019 amounted to \$ Nil compared to an unrealized gain of \$ 10,000 for 2018. The unrealized gain/ loss arose as a result of the exercise price of 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. There was a foreign exchange loss of \$ 19,657 for three months ended March 31, 2019 which compared with a foreign exchange loss of \$ 37,293 for 2018.

This has resulted in a net loss of \$ 779,517 for the three months ended March 31, 2019 compared to a net loss of \$ 524,498 for three months ended March 31, 2018. The cash outflow from operating activities amounted to \$ 391,037 for the three months ended March 31, 2019 compared to a cash outflow of \$ 332,420 for the corresponding period of 2018. The cash outflow from operating activities after changes in non-cash working capital items amounted to \$ 464,310 for the three months ended March 31, 2019 compared to a cash flow of \$ 15,494 for the corresponding period of 2018.

Exchange differences on translating foreign operations, which is included in Consolidated Statements of Comprehensive (Loss) Income resulted in a loss of \$ 4,982 for the three months ended March 31, 2019 which compared to a gain of \$ 594,642 for the corresponding quarter of 2018. This resulted in a Total comprehensive loss of \$ 784,499 for the three months ended March 31, 2019 compared to a Total comprehensive gain of \$ 70,144 for the three months ended March 31, 2018. The foreign currency translation loss during the first quarter of 2019 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 marginally strengthened against UK£ at March 31, 2019 when compared to December 31, 2018 and this has resulted in a slight decrease in the Canadian dollar value of these net assets at March 31, 2019 when compared to December 31, 2018 resulting in the foreign currency translation loss. Conversely the Canadian dollar exchange rate weakened against UK£ at March 31, 2018 when compared to December 31, 2017 resulting in the foreign currency translation gain for the first quarter on 2018.

Total assets at March 31, 2019 amounted to \$ 23,678,983 compared to \$ 24,257,856 at December 31, 2018. Cash at March 31, 2019 was \$ 3,767,187 compared to \$ 6,188,554 at December 31, 2018. Accounts receivable consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to \$ 287,920 at March 31, 2019 compared to \$ 287,273 at December 31, 2018. Inventories at March 31, 2019 amounted to \$ 11,322 compared with \$ 11,335 at December 31, 2018.

Property, plant and equipment totalled \$ 18,330,906 compared to \$ 16,487,501 at December 31, 2018. Exploration and evaluation assets totalled \$ 759,108 at March 31, 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 March 31, 2019, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to \$ 522,540 compared to \$ 523,170 at December 31, 2018.

Current liabilities at March 31, 2019 amounted to \$ 6,768,433 compared to \$ 6,759,945 at the end of 2018. The working capital deficit at March 31, 2019 amounted to \$ 2,702,004 compared to a working capital deficit of \$ 272,783 at December 31, 2018. Accounts payable and other liabilities totalled \$ 2,108,258 compared to \$ 2,257,329 at December 31, 2018. The current portion of financing facilities totaled \$ 380,747 at March 31, 2019 compared to \$ 382,974 at December 31, 2018. Amounts due to related parties at March 31, 2019 amounted to \$ 4,279,428 compared to \$ 4,119,642 at the end of 2018.

The non-current portion of the financing facilities totaled \$ 1,140,934 at March 31, 2019 compared to \$ 1,081,190 at December 31, 2018. The decommissioning liability at March 31, 2019 amounted to \$ 580,296 compared to \$ 578,242 at December 31, 2018. Capital and Reserves totalled \$ 15,189,320 compared to \$ 15,838,479 at December 31, 2018.

## **Review of Operations**

### **2019 Financing Activities**

There were no financing arrangements during the first quarter of 2019.

### **Production/Mine Development**

In the first 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 a decline tunnel continued to be progressed during the first quarter of 2019 with further cross-cuts allowing access to lower levels of vein development which forms the development necessary to demarcate production panels. The increased number of development headings is expected to provide an enhanced supply of mill feed. During the quarter, on-vein development on the 1084 (second) level continued with 32 metres of vein drive being completed. Later in the quarter the company reported that the main decline development tunnel has reached the 1072 (third) level and a 58 metre cross-cut to intersect the Kearney vein was in progress. The vein on the 1072 (third) was reached early in the second quarter and on vein development has commenced. At quarter end the main decline tunnel was 423 metres in length and the total of all underground drivages exceeded 1136 metres. For most of the rest of 2019, the increased quantities of processing feed will be sourced from multiple on-vein development headings. Mining between levels (stoping) is expected by or before early 2020. Ground conditions have notably improved as the mine continues towards deeper levels, a feature ascribed to changes in rock stress conditions influenced, at higher levels, by the open pit excavation. The mine employs a robust ground control procedure using rockbolts, mesh and / or shotcrete to engineered designs.

On March 26, 2019, Galantas reported the expansion of gold milling operations at the Omagh processing plant. Milling operations progressed during the first quarter of 2019 on an extended dayshift basis, as feed became available. As expected, a second shift was subsequently added early in the second quarter. Additional milling shifts are planned to be added in the third quarter, when additional quantities of feed are confirmed. 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 into a concentrate pre-payment / loan facility with Ocean Partners UK Ltd (announced 12<sup>th</sup> April 2018) commenced early in the second quarter. Three shipments of approximately seventy five tonnes of concentrate have been shipped, with a further 25 tonnes expected to ship shortly. The value of the shipments await assay agreement as per usual procedures.

Environmental monitoring continues to demonstrate a high level of regulatory compliance. Safety is a high priority and the zero lost time accident rate, since the start of underground operations, continues.

### **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 CATEGORY	RESOURCE ESTIMATE : GALANTAS 2014			Increase over GAL 2013 report
	CUT-OFF 2 g/t Au			
	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
<b>TOTAL</b>	<b>138,241</b>	<b>7.25</b>	<b>32,202</b>	<b>679,992</b>	<b>6.78</b>	<b>147,784</b>	<b>1,373,879</b>	<b>7.71</b>	<b>341,123</b>

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.

With regards to the Preliminary Economic Assessment a restricted portion of Inferred resources for two veins - Joshua and Kearney have been included in the mining plan with the Measured and Indicated resources. The Inferred resources (which have lower statistical support than Measured or Indicated Resources) are contiguous with Measured or Indicated resources and / or lie within scheduled mining areas. The use of Inferred resources, in a restricted qualifying manner, is permitted by the PERC code in regard to economic studies but is excluded within NI 43-101, except within a Preliminary Economic Assessment. PERC is an approved code in respect of NI 43-101. As part of PERC requirements, a comparative Feasibility study is included in the detailed technical report which will not include Inferred resources and will also include studies on sensitivity to gold price.

The total of scheduled Measured and Indicated ounces utilised within the mining study is 104,627 ounces. The Inferred resources scheduled in the economic study are estimated at 60,635 ounces. Total Inferred resource estimated on the Joshua and Kearney orebodies is 293,918 ounces of gold. The amount of Inferred resources included in the PEA amounts to 20.6% of the total Inferred resources estimated on these veins. Were Inferred resources excluded from the mining plan, approximately 1 year would be removed from the estimate of mine life and annual output would be reduced.

At a gold price of UK£750 / US\$ 1,260 oz., the pre-tax operating surplus after capital expenditure estimates an Internal Rate of Return of 72% and, at an 8% discount rate, a net present value of approximately UK£ 14.5m (CDN\$ 26.6m) and a cash cost of production of UK£ 394 per ounce (USD\$ 662 at \$1.68/UK£). At a gold price of UK£700 per oz. the study estimated an Internal Rate of Return of 50%. The study scheduled approximately 36% of the combined resources identified on the Kearney and Joshua veins. The Company also filed the complete Technical Report on SEDAR in September 2014, as required by NI 43-101. It is noted that, subsequent to the report, UK£ sterling has weakened materially with a UK£ gold price in excess of £ 900 per ounce.

## **Exploration**

Detailed face, wall and back maps were compiled alongside ground control (Q) assessments between each blast cycle. Ground conditions are generally improving with depth as the development advances.

Structural observations and the resource model are used to direct drilling along the main vein. The grade across each face is estimated every blast. Chip samples (taken perpendicular to the vein at a constant height of 1.5 metres) are collected every second blast on-vein development, and analysed through fire assay at the on-site lab. These results provide grade control, and when combined with other data, will be used for mining panel resource assessments pre-stopping.

During the first quarter, a further sample of country rock was taken from the main decline tunnel at a lower elevation, for assessment of acid generating potential, in accordance with regulatory requirements. The results demonstrated a Neutralisation Potential (NP) of 10 tCaCO<sub>3</sub>/1Kt, an acid potential (AP) of <0.3 tCaCO<sub>3</sub>/1Kt, and a safety factor (Neutralisation Potential Ratio or NPR) of 320. The results were supplied by ALS Global, OMAC Laboratories Ltd, Galway, Ireland, an INAB accredited testing laboratory, through ALS Vancouver, Canada, using LECO and ICP-AES methods. It is noted that the open-pit and mine environs continue to demonstrate no likelihood of generation of acid drainage and that result is confirmed by monthly water testing.

The OM4 minerals prospecting licence was renewed by the Northern Ireland Department for the Economy and an exploration work programme approved. The Company has informed the Republic of Ireland Exploration and Mining Division of its intention to relinquish prospecting licences: 3135, 3234 and 4034 following the end of their first 6-year term.

The on-site lab recently received a portable X-Ray Fluorescence (XRF) machine which is predominantly being used to determine initial guidance on gold and sulphur grades for underground grab and channel samples in addition to feed, tails and concentrate samples from the mill. XRF results are not as accurate as other methodologies but does provide almost instant evaluation which assists grade and process control.

## Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the first 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
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)
September 30, 2017	IFRS	\$ 15,861	\$ (452,756)	\$ (0.00)
June 30, 2017	IFRS	\$ 16,607	\$ (511,876)	\$ (0.00)

The results for the quarter ended March 31, 2019 are discussed under Review of Financial Results on pages 7 to 9 of the MD&A. The net loss for the quarter ended March 31, 2019 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.

For the quarter ended September 30, 2017 the net loss totaling \$ 452,756 consisted of sales revenues \$ 15,861, cost and expenses of operations \$ 38,915, depreciation \$ 52,415, general administrative expenses \$ 367,257, unrealized gain on fair value of derivative financial liability \$ 6,000 and foreign exchange loss \$ 16,030.

For the quarter ended June 30, 2017 the net loss of \$ 511,876 consisted of sales revenues \$ 16,607, cost and expenses of operations \$ 111,605, depreciation \$ 50,887, general administrative expenses \$ 497,235, unrealized gain on fair value of derivative financial liability \$ 28,000 and foreign exchange gain \$ 103,244.

## 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 anticipate 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 \$ 2,702,004 at March 31, 2019 which compared with a working capital deficit of \$ 272,783 at December 31, 2018. The Company had cash balances of \$ 3,767,187 at March 31, 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 \$ 287,920 at March 31, 2019 compared to \$ 287,273 at December 31, 2018. Inventories at March 31, 2019 amounted to \$ 11,322 compared with an inventory of \$ 11,335 at December 31, 2018.

Accounts payable and other liabilities amounted to \$ 2,108,258 at March 31, 2019 compared with \$ 2,257,329 at December 31, 2018. The current portion of a financing facilities totaled \$ 380,747 at March 31, 2019 compared to \$ 382,974 at December 31, 2018. Amounts due to related parties at March 31, 2019 amounted to \$ 4,279,428 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 \$ 530,651 (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 current quarter, 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 2018 Galantas completed a private placement of shares on a part-brokered basis for aggregate gross proceeds of \$ 1,571,771 (approximately UK£ 929,780). In the fourth quarter Galantas completed an additional private placement of shares on a part-brokered basis in two parts for aggregate gross proceeds of \$ 6,900,000 (approximately UK£ 4,000,000). The net proceeds raised from both placements are for both working capital purposes and the continued underground development at the Omagh gold mine. Also during the fourth quarter 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.

Earlier in 2018 Galantas announced that its operating subsidiary, Flintridge Resources Ltd. has signed a concentrate pre-payment agreement and a loan facility agreement for US\$ 1.6 million (CAD \$ 2.012 million) with Ocean Partners UK Ltd., a United Kingdom based company, together with an increased, on-demand loan facility of £600,000 with G&F Phelps Ltd. The loans are to be used for further development of the Omagh mine and working capital. As consideration for the US\$ 1.6 million loan facility Ocean Partners received 15,000,000 bonus warrants of Galantas each of which will be exercisable into one common share of Galantas at an exercise price of \$ 0.1575 per bonus share, being 150% of the TSXV closing price the day before this announcement. The bonus warrants have a maximum life of two years and the bonus shares will be subject to an initial four month plus one day hold period from the date of issuance of the bonus warrants. No bonus warrants were issued in respect of the G&F Phelps loan facility (See press release dated April 12, 2018). There were no additional loan advances from G&F Phelps Ltd, a related party, during the three months ended March 31, 2019. During 2018 additional loan advances from G&F Phelps Ltd totalled \$ 883,128 (UK£ 506,410).

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the March 31, 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 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 first quarter of 2019:

Director fees totalled \$ 6,250 for the three months ended March 31, 2019 (\$ 5,000 for the three months ended March 31, 2018). Stock-based compensation for these directors totalled \$ 23,974 for the three months ended March 31, 2019 (\$ 7,764 for the three months ended March 31, 2018).

Remuneration accrued for the President/CEO totalled \$ 86,580 (UK£ 50,000) for the three months ended March 31, 2019 (\$ 88,005 (UK£ 50,000) for the three months ended March 31, 2018). Stock-based compensation for the President/CEO totalled \$ 8,655 for the three months ended March 31, 2019 (\$ 7,764 for the three months ended March 31, 2018).

Remuneration of the CFO totalled \$ 18,869 for the three months ended March 31, 2019 (\$ 19,105 for the three months ended March 31, 2018). Stock-based compensation for the CFO totalled \$ 7,138 for the three months ended March 31, 2019 (\$ 3,105 for the three months ended March 31, 2018).

At March 31, 2019 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of \$ 3,178,374 (UK£ 1,824,764) (December 31, 2018 \$ 3,182,205 (UK£ 1,824,764)) bearing interest at USD 12 month LIBOR + 6.75% with effect from April 2018, repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the three months ended March 31, 2019 amounted to \$ 90,164 (UK£ 52,070) (three months ended March 31, 2018 \$ 17,335 (UK£ 9,849)). Interest accrued on related party loans is included under due to related parties. As at March 31, 2019 the interest accrued amounted to \$ 748,241 (UK£ 429,579) (December 31, 2018 - \$ 658,338 (UK£ 377,509)). There were no additional loan advances from G&F Phelps Ltd during the three months ended March 31, 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 March 31, 2019 due to directors for fees totalled \$ 172,250 (December 31, 2018 - \$ 166,000) and due to key management, primarily for salaries and benefits accrued at March 31, 2019, amounted to \$ 180,563 (UK£ 103,665) (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 Beaty subscribed for 2,380,952 common shares which increased his holding to 37,447,478 common shares resulting in Mr. Beatty currently holding 12.50% 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. subscribed for 22,000,000 common shares which increased their holding to 62,224,545 common shares representing 20.76% of the Company's issued and outstanding shares. Miton Asset Management Limited subscribed for 50,000,000 common shares which results in their holding common shares representing 16.68% of the Company's issued and outstanding shares resulting 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 representing 16.46% of the Company's issued and outstanding shares. Following the private placements 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. In addition 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 0.17% of the Company's issued and outstanding common shares

Excluding the Melquart Ltd, Miton Asset Management Limited, Ross Beaty and Roland Phelps shareholdings discussed above, the remaining 33.60% 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 March 31, 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 May 17, 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. Value 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 March 31, 2019 the Company had a working capital deficit of 2,702,004 (December 31, 2018 - working capital of 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 March 31, 2019, the Company was cash flow negative. Sufficient funding has been secured to fund ongoing operational activity and the development of the underground mine subject to forecast cash flows at the Omagh mine being met together with the continued support of both Cavanacaw Corporation and Galantas Gold Corporation'.

(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 March 31, 2019, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the three months ended March 31, 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 March 31, 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 in UK£ and third party loans denominated in US Dollars. As at March 31, 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 months ended March 31, 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 March 31, 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 months ended March 31, 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 March 31, 2019 totalled \$ 15,189,320 (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 months ended March 31, 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 March 31, 2019 and March 31, 2018 are detailed below:**

<b>Expense Account</b>	<b>Quarter Ended March 31, 2019 \$</b>	<b>Quarter Ended March 31, 2018 \$</b>
Management & administrative wages	191,688	156,852
Other operating expenses	45,226	47,096
Accounting & corporate	13,895	13,253
Legal & audit	15,574	46,751
Stock-based compensation	135,340	76,083
Shareholder communication and investor relations	48,133	39,318
Transfer agent	1,901	650
Directors fees	6,250	5,000
General office	2,599	2,381
Accretion expenses	57,046	2,779
Loan interest and bank charges less deposit interest	84,777	18,727
<b>Total</b>	<b>\$ 602,429</b>	<b>\$ 408,890</b>

General administrative expenses for the quarter ended March 31, 2019 totalled \$ 602,429 compared to \$ 408,890 for the quarter ended March 31, 2018.

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 \$ 191,688 for the quarter ended March 31, 2019 compared to \$ 156,852 for the first quarter of 2018. The increased costs in the first quarter of 2019 are due to the higher number of administrative personnel employed reflecting the increased level of activity at the Omagh mine. Other operating expenses include, amongst others professional fees, insurance costs and travel and amounted to \$ 45,226 for the quarter ended March 31, 2019 compared to \$ 47,096 for the corresponding period of 2018. Accounting and corporate costs for the quarter amounted to \$ 13,895 compared to \$ 13,253 for the corresponding quarter of 2018. Legal and audit costs totalled \$ 15,574 for the quarter compared to \$ 46,751 for the first quarter of 2018. Legal costs for the first quarter amounted to \$ Nil which compared with \$ 32,000 for the first quarter of 2018. The higher level of legal fees in the first quarter of 2018 was mainly due to legal costs incurred in connection with the Omagh Minerals aggregates levy appeal in Northern Ireland. Audit fees for the first quarter amounted to \$ 15,574 compared to \$ 14,751 for the first quarter of 2018.

Stock-based compensation costs for the quarter amounted to \$ 135,340 compared to \$ 76,083 for the first quarter of 2018. The increase in first quarter 2019 stock based compensation costs was due to stock options granted during the first quarter of 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 \$ 48,133 for the first quarter of 2019 compared to \$ 39,318 for the corresponding quarter of 2018. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees. The increase in costs in the first quarter was due mainly to increased investor relations costs. Transfer agents fees for the first quarter of 2019 amounted to \$ 1,901 compared to \$ 650 in the corresponding period of 2018. The lower level of fees in the first quarter of 2018 was due to the correction of an overprovision of transfer agent's fees at the end of 2017. Directors' fees for the first quarter of 2019 totalled \$ 6,250 compared to \$ 5,000 for 2018. General office expenses amounted to \$ 2,599 compared to \$ 2,381 for the first quarter of 2018.

Accretion expenses for the first quarter of 2019 amounted to \$ 57,046 which compared to \$ 2,779 for the first quarter of 2018. The increased accretion charge in 2019 is due to the inclusion of the accretion of the fair value of the 15,000,000 bonus warrants granted 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 March 31, 2019 consolidated financial statements. Loan interest and bank charges less deposit interest incurred in the first quarter of 2019 were mainly in connection with interest on the G&F Phelps UK£ loan and amounted to \$ 84,777 compared to \$ 18,727 for the first quarter of 2018. The higher interest charge in the first quarter of 2019 is due to an increase in the interest rate charged on the G&F Phelps loan effective April 2018.

### Disclosure of Outstanding Share Data

At May 17, 2019 there were a total of 299,686,805 shares issued, 15,000,000 warrants with an expiry date of April 2020 and 12,050,000 stock options with expiry dates from June 2020 to February 2024.

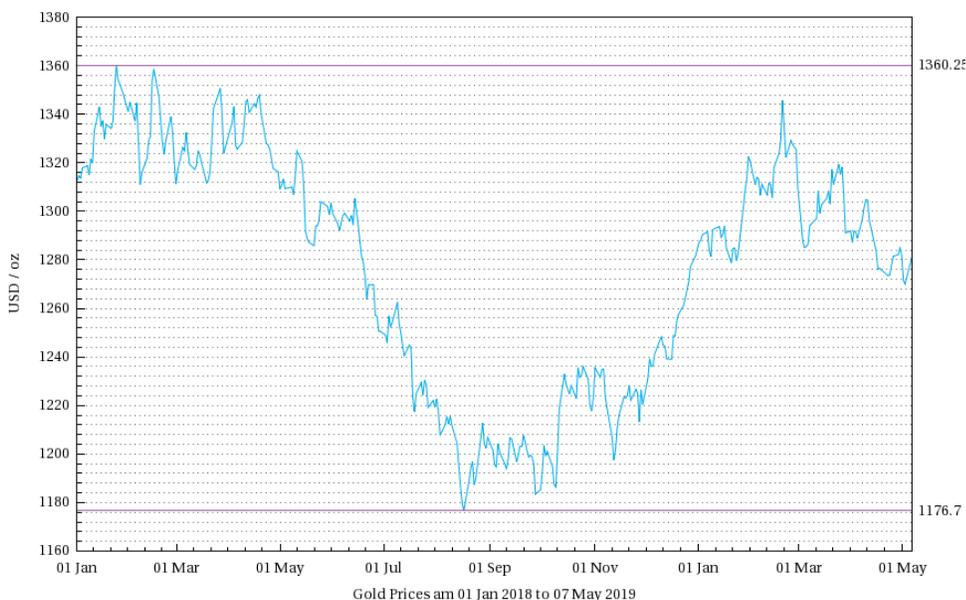
### Trends Affecting the Company’s Business

#### Gold Price in US Dollars and UK Sterling

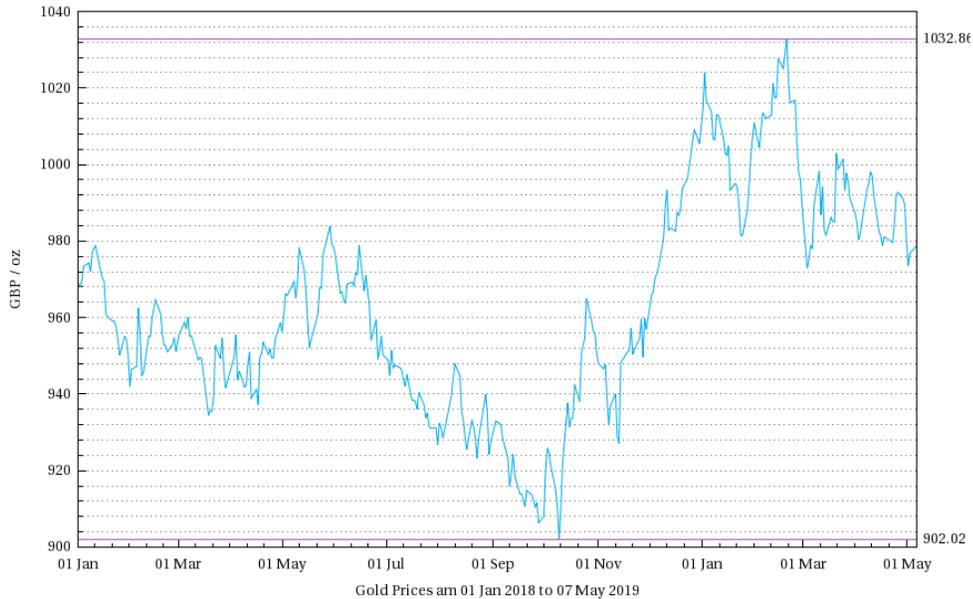
The Gold concentrate output from the Omagh Mine, when operational, is sold in US dollars. Most of the value is accrued from the gold content. The following graphs are published by LBMA.org.uk. The first graph shows the gold price expressed in US dollars (USD) from 1<sup>st</sup> January 2018 to 7<sup>th</sup> May 2019. The graph shows gold in USD oscillating in a price channel between USD 1360 and USD 1176, with a May 2019 price mid-channel.

The second graph shows the gold price expressed in UK£ sterling terms. The gold price in sterling terms has oscillated in a range between UK£ 902 per ounce(October 2018) and UK£ 1,032 (February 2019). The oscillations in part reflect the influence of US / UK£ exchange rate.

The gold price expressed in US dollars during the first quarter of 2019 increased from the lower levels of the second half of 2018 and averaged US\$ 1,304 per ounce compared to an average of US\$ 1,329 per ounce for the first quarter of 2018. The gold price expressed in UK£ sterling terms benefited from the stronger US dollar/weaker UK£ sterling exchange rate during the first quarter of 2019 and averaged UK£ 1,002 per ounce compared to an average of UK£ 955 per ounce for the first quarter of 2018.



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



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

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

The US Dollar / UK£ Sterling Currency Exchange Rate

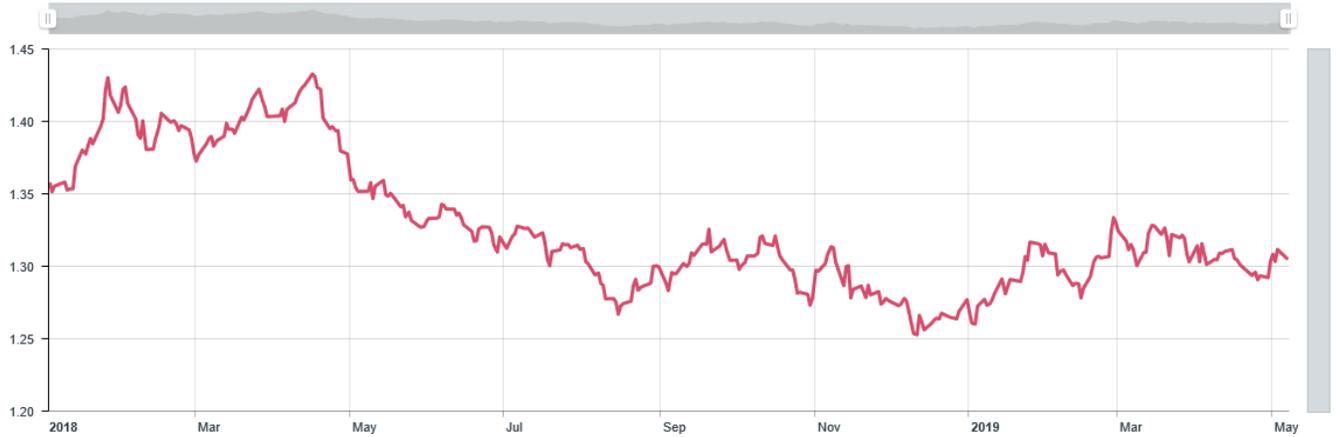
The following graphs are sourced from the Bank of England database for the spot exchange rate of US \$ and Canadian \$ to UK£ Sterling (GBP or UK£). Sales revenues at the Omagh mine are designated in US Dollars and are converted to UK£, as operating, exploration and capital costs are designated in UK£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

Since January 2017 sterling regained back some of the ground it lost to the US dollar during 2016 and continued to strengthen into the first quarter of 2018. However sterling lost some ground to the US dollar during the second quarter of 2018 as the US dollar strengthened against most major currencies. That trend reversed late in the fourth quarter 2018. It has been in an overall strengthening trend since, though this may be interpreted as falling in a channel between USD\$ 1.32 and USD\$ 1.25 to UK£.

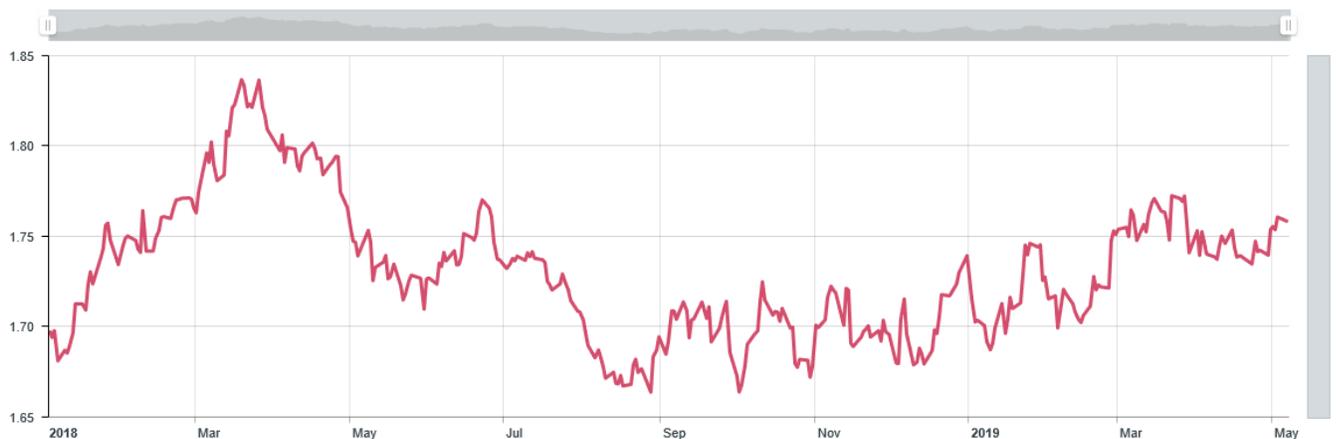
The US dollar averaged USD\$ 1.30 against UK£ sterling for the first quarter of 2019 compared to an average USD\$ 1.39 against UK£ sterling for the first quarter of 2018.

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.

The exchange rate has been driven of late by Brexit considerations, a situation which is still in a state of flux.



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



Graph of CDN -v- GBP for the period Jan 2018 – May 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.

The Canadian Dollar had been on a strengthening trend since 2016 as a result of sterling weakness following the Brexit referendum in the UK which continued into mid-2017. However the strengthening trend against sterling then reversed and the Canadian Dollar was on a weakening trend until March 2018. The Canadian Dollar trended upwards against UK sterling until the start of the third quarter, from when the trend reversed into a weakening trend, which generally continues.

The Canadian Dollar averaged CAD\$ 1.73 against UK£ sterling for the first quarter of 2019 compared to an average CAD\$ 1.76 against UK£ sterling for the first quarter 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, 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 some uncertainty about a return to the power sharing agreement, which is 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.

## **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](http://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 has 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 28<sup>th</sup> July 2014 and prepared by the Galantas Geological and Mining Team under Mr. Phelps' supervision.