



GALANTAS GOLD CORPORATION

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

(Unaudited)

Three and Six Months Ended June 30, 2014

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Galantas Gold Corporation (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Galantas Gold Corporation

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

	As at June 30, 2014	As at December 31, 2013
ASSETS		
Current assets		
Cash	\$ 458,849	\$ 166,617
Accounts receivable and prepaid expenses (note 5)	238,281	405,124
Inventories (note 6)	351,053	338,865
Total current assets	1,048,183	910,606
Non-current assets		
Property, plant and equipment (note 7)	10,391,063	10,100,319
Long-term deposit (note 9)	483,917	467,116
Exploration and evaluation assets (note 8)	1,983,194	1,875,771
Total non-current assets	12,858,174	12,443,206
Total assets	\$ 13,906,357	\$ 13,353,812
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 10)	\$ 914,482	\$ 1,217,360
Due to related parties (note 14)	2,740,759	3,597,550
Total current liabilities	3,655,241	4,814,910
Non-current liabilities		
Decommissioning liability (note 9)	553,597	528,810
Derivative financial liability (note 11(c))	296,000	-
Total liabilities	4,504,838	5,343,720
Capital and reserves		
Share capital (note 11)	31,702,575	29,874,693
Reserves	6,615,708	6,253,460
Deficit	(28,916,764)	(28,118,061)
Total equity	9,401,519	8,010,092
Total equity and liabilities	\$ 13,906,357	\$ 13,353,812

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

Going concern (note 1)
Contingent liability (note 16)

Approved on behalf of the Board:

"Roland Phelps" , Director

"Lionel J. Gunter" , Director



Galantas Gold Corporation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Gold sales	\$ -	\$ 523,856	\$ -	\$ 888,532
Cost and expenses of operations				
Cost of sales (note 13)	99,446	511,833	176,680	909,421
Depreciation	62,171	122,224	127,263	246,830
	161,617	634,057	303,943	1,156,251
Loss before the undernoted	(161,617)	(110,201)	(303,943)	(267,719)
General administrative expenses				
Management and administration wages (note 14)	130,671	126,523	268,704	252,171
Other operating expenses	27,477	34,627	64,381	105,005
Accounting and corporate	15,869	17,241	30,496	27,971
Legal and audit	52,411	16,640	81,353	43,553
Stock-based compensation (note 11(d))	-	13,089	-	26,179
Shareholder communication and investor relations	67,049	53,683	92,653	83,433
Transfer agent	24,527	11,642	27,603	13,659
Director fees (note 14)	9,250	8,250	14,250	13,250
General office	2,462	1,778	4,784	3,891
Accretion expenses (note 9)	2,898	-	5,781	-
Loan interest and bank charges	14,914	11,248	29,704	22,668
	347,528	294,721	619,709	591,780
Other expenses				
Gain on disposal of property, plant and equipment	(19,312)	(64,531)	(19,860)	(64,531)
Unrealized gain on fair value of derivative financial liability (note 11(c))	(210,000)	-	(210,000)	-
Foreign exchange loss	16,770	17,272	104,911	3,249
	(212,542)	(47,259)	(124,949)	(61,282)
Net loss for the period	\$ (296,603)	\$ (357,663)	\$ (798,703)	\$ (798,217)
Basic and diluted net loss per share (note 12)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	62,618,186	51,242,016	56,906,564	51,242,016

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



Galantas Gold Corporation

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net loss for the period	\$ (296,603)	\$ (357,663)	\$ (798,703)	\$ (798,217)
Other comprehensive loss				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	(89,511)	323,508	362,248	(107,303)
Total comprehensive loss	\$ (386,114)	\$ (34,155)	\$ (436,455)	\$ (905,520)

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

Galantas Gold Corporation

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

	Six Months Ended June 30,	
	2014	2013
Operating activities		
Net loss for the period	\$ (798,703)	\$ (798,217)
Adjustment for:		
Depreciation	127,263	246,830
Stock-based compensation (note 11(d))	-	26,179
Foreign exchange	(74,157)	26,812
Gain on disposal of property, plant and equipment	(19,860)	(64,531)
Accretion expenses (note 9)	5,781	-
Unrealized gain on fair value of derivative financial liability (note 11(c))	(210,000)	-
Non-cash working capital items:		
Accounts receivable and prepaid expenses	166,843	260,040
Inventories	(12,188)	6,535
Accounts payable and other liabilities	(262,211)	(404,234)
Due to related parties	363,900	-
Net cash used in operating activities	(713,332)	(700,586)
Investing activities		
Purchase of property, plant and equipment	(68,534)	(112,463)
Proceeds from sale of property, plant and equipment	33,833	207,014
Exploration and evaluation assets	(42,035)	(265,346)
Net cash used in investing activities	(76,736)	(170,795)
Financing activities		
Proceeds of private placement	968,438	-
Share issue costs	(23,706)	-
Repayment of related party loan	-	(32,278)
Advances from related parties	127,792	210,180
Net cash provided by financing activities	1,072,524	177,902
Net change in cash	282,456	(693,479)
Effect of exchange rate changes on cash held in foreign currencies	9,776	5,192
Cash, beginning of period	166,617	1,164,868
Cash, end of period	\$ 458,849	\$ 476,581
Supplemental information		
Shares issued to settle accounts payable and other liabilities	\$ 40,667	\$ -
Shares issued to settle due to related parties	\$ 1,348,483	\$ -

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



Galantas Gold Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital	Reserves			Deficit	Total
		Equity settled share-based payments reserve	Warrant reserve	Foreign currency translation reserve		
Balance, December 31, 2012	\$ 29,874,693	\$ 4,477,699	\$ 957,450	\$ 5,047	\$(26,173,706)	\$ 9,141,183
Stock-based compensation (note 11(d))	-	26,179	-	-	-	26,179
Net loss and other comprehensive loss for the period	-	-	-	(107,303)	(798,217)	(905,520)
Balance, June 30, 2013	\$ 29,874,693	\$ 4,503,878	\$ 957,450	\$ (102,256)	\$(26,971,923)	\$ 8,261,842
Balance, December 31, 2013	\$ 29,874,693	\$ 5,471,109	\$ -	\$ 782,351	\$(28,118,061)	\$ 8,010,092
Units issued in private placement (note 11(b)(i))	968,438	-	-	-	-	968,438
Warrants issued (note 11(b)(i))	(506,000)	-	-	-	-	(506,000)
Share issue costs (note 11(b)(i))	(23,706)	-	-	-	-	(23,706)
Common shares issued for debt (note 11(b)(ii))	1,389,150	-	-	-	-	1,389,150
Net loss and other comprehensive income for the period	-	-	-	362,248	(798,703)	(436,455)
Balance, June 30, 2014	\$ 31,702,575	\$ 5,471,109	\$ -	\$ 1,144,599	\$(28,916,764)	\$ 9,401,519

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



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

1. Going Concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates that Galantas Gold Corporation (the "Company") will be able to realize assets and discharge liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Company's future viability depends on the consolidated results of the Company's wholly-owned subsidiary Cavanacaw Corporation ("Cavanacaw"). Cavanacaw has a 100% shareholding in Omagh Minerals Limited ("Omagh") which is engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland. Omagh has an open pit mine, which is in production and reported as property, plant and equipment and an underground mine which is in the exploration stage and reported as exploration and evaluation assets. The production at the open pit mine was suspended later in 2013 due to falling grades and gold prices.

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

- a. Planning permission for the development of an underground mine in Omagh; and
- b. Securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

Should the Company be unsuccessful in securing the above, there would be significant uncertainty over the Company's ability to continue as a going concern.

As at June 30, 2014, the Company had a deficit of \$28,916,764 (December 31, 2013 - \$28,118,061). Management is confident that it will be able to secure the required financing to enable the Company to continue as a going concern. However, this is subject to a number of factors including market conditions.

These unaudited condensed interim consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities, the reported expenses and financial position classifications used that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. Incorporation and Nature of Operations

The Company was formed on September 20, 1996 under the name Montemor Resources Inc. on the amalgamation of 1169479 Ontario Inc. and Consolidated Deer Creek Resources Limited. The name was changed to European Gold Resources Inc. by articles of amendment dated July 25, 1997. On May 5, 2004, the Company changed its name from European Gold Resources Inc. to Galantas Gold Corporation. The Company was incorporated to explore for and develop mineral resource properties, principally in Europe. In 1997, it purchased all of the shares of Omagh which owns a mineral property in Northern Ireland, including a delineated gold deposit. Omagh obtained full planning and environmental consents necessary to bring its property into production.

The Company entered into an agreement on April 17, 2000, approved by shareholders on June 26, 2000, whereby Cavanacaw, a private Ontario corporation, acquired Omagh. Cavanacaw has established an open pit mine to extract the Company's gold deposit near Omagh. Cavanacaw also has developed a premium jewellery business founded on the gold produced under the name Galántas Irish Gold Limited ("Galántas"). On April 1, 2014, Galántas amalgamated with Omagh.

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

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



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

2. Incorporation and Nature of Operations (Continued)

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

The Company's common shares are listed on the TSX Venture Exchange and London Stock Exchange AIM under the symbol GAL. The primary office is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5.

3. Basis of Preparation

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 15, 2014 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2013. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2014 could result in restatement of these unaudited condensed interim consolidated financial statements.

4. Significant Accounting Policies

Change in accounting policies

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

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

Recent accounting pronouncements

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 will be effective for accounting periods beginning January 1, 2018. The Company is currently assessing the impact of this pronouncement.



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

5. Accounts Receivable and Prepaid Expenses

	As at June 30, 2014	As at December 31, 2013
Sales tax receivable - Canada	\$ 13,142	\$ 21,866
Valued added tax receivable - Northern Ireland	10,569	10,752
Accounts receivable	47,044	202,205
Prepaid expenses	167,526	170,301
	<u>\$ 238,281</u>	<u>\$ 405,124</u>

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

The following is an aged analysis of accounts receivable:

	As at June 30, 2014	As at December 31, 2013
Less than 3 months	\$ 23,711	\$ 138,839
3 to 12 months	11,983	59,177
More than 12 months	35,061	36,807
Total accounts receivable	<u>\$ 70,755</u>	<u>\$ 234,823</u>

6. Inventories

	As at June 30, 2014	As at December 31, 2013
Concentrate inventories	\$ 11,870	\$ 11,458
Finished goods	339,183	327,407
	<u>\$ 351,053</u>	<u>\$ 338,865</u>

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

7. Property, Plant and Equipment

Cost	Freehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2012	\$ 2,315,212	\$ 391,563	\$ 5,996,937	\$ 84,171	\$ 105,396	\$ 58,844	\$ 12,422,216	\$ 21,374,339
Additions	-	-	-	-	-	-	343,588	343,588
Disposals	-	-	(1,369,832)	(11,986)	-	-	-	(1,381,818)
Foreign exchange adjustment	207,365	35,069	534,617	7,538	9,449	5,271	1,112,726	1,912,035
Balance, December 31, 2013	2,522,577	426,632	5,161,722	79,723	114,845	64,115	13,878,530	22,248,144
Additions	-	-	-	-	-	-	68,534	68,534
Disposals	-	-	(129,198)	-	-	-	-	(129,198)
Foreign exchange adjustment	90,731	15,346	184,647	2,868	4,131	2,306	499,177	799,206
Balance, June 30, 2014	\$ 2,613,308	\$ 441,978	\$ 5,217,171	\$ 82,591	\$ 118,976	\$ 66,421	\$ 14,446,241	\$ 22,986,686

Accumulated depreciation	Freehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2012	\$ 911,702	\$ 328,444	\$ 3,987,043	\$ 54,149	\$ 45,164	\$ 58,844	\$ 5,962,024	\$ 11,347,370
Depreciation	-	12,573	400,922	7,475	8,993	-	70,793	500,756
Disposals	-	-	(750,631)	(10,143)	-	-	-	(760,774)
Foreign exchange adjustment	81,657	30,599	391,847	5,553	4,897	5,271	540,649	1,060,473
Balance, December 31, 2013	993,359	371,616	4,029,181	57,034	59,054	64,115	6,573,466	12,147,825
Depreciation	-	5,572	114,566	2,854	4,271	-	-	127,263
Disposals	-	-	(115,225)	-	-	-	-	(115,225)
Foreign exchange adjustment	35,727	13,355	143,783	2,044	2,113	2,306	236,432	435,760
Balance, June 30, 2014	\$ 1,029,086	\$ 390,543	\$ 4,172,305	\$ 61,932	\$ 65,438	\$ 66,421	\$ 6,809,898	\$ 12,595,623

Carrying value	Freehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2013	\$ 1,529,218	\$ 55,016	\$ 1,132,541	\$ 22,689	\$ 55,791	\$ -	\$ 7,305,064	\$ 10,100,319
Balance, June 30, 2014	\$ 1,584,222	\$ 51,435	\$ 1,044,866	\$ 20,659	\$ 53,538	\$ -	\$ 7,636,343	\$ 10,391,063



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements
 Three and Six Months Ended June 30, 2014
 (Expressed in Canadian Dollars)
 (Unaudited)

8. Exploration and Evaluation Assets

Exploration and evaluation assets are expenditures for the underground mining operations in Omagh. The proposed underground mine is dependent on the ability of the Company to obtain the necessary planning permission.

Cost	Exploration and evaluation assets
Balance, December 31, 2012	\$ 1,399,254
Additions	357,061
Foreign exchange adjustment	119,456
Balance, December 31, 2013	1,875,771
Additions	42,510
Foreign exchange adjustment	64,913
Balance, June 30, 2014	\$ 1,983,194

Carrying value	Exploration and evaluation assets
Balance, December 31, 2013	\$ 1,875,771
Balance, June 30, 2014	\$ 1,983,194

9. Decommissioning Liability

The Company's decommissioning liability is as a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at June 30, 2014 based on a risk-free discount rate of 1% (December 31, 2013 - 1%) and an inflation rate of 1.50% (December 31, 2013 - 1.50%). The expected undiscounted future obligations allowing for inflation are GBP 330,000 and based on management's best estimate the decommissioning is expected to occur over the next 5 to 10 years. On June 30, 2014, the estimated fair value of the liability is \$553,597 (December 31, 2013 - \$528,810). Changes in the provision during the period ended June 30, 2014 are as follows:

	As at June 30, 2014	As at December 31, 2013
Decommissioning liability, beginning of period	\$ 528,810	\$ 404,450
Revision due to change in estimate	-	109,680
Accretion	5,781	14,680
Foreign exchange	19,006	-
Decommissioning liability, end of period	\$ 553,597	\$ 528,810

As required by the Crown in Northern Ireland, the Company is required to provide a bond for reclamation related to the Omagh mine in the amount of GBP 303,158 (December 31, 2013 - GBP 300,000), of which GBP 265,000 was funded as of June 30, 2014 and reported as long-term deposit of \$483,917 (December 31, 2013 - \$467,116).



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

10. Accounts Payable and Other Liabilities

Accounts payable and other liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities, amounts payable for financing activities and professional fees activities.

	As at June 30, 2014	As at December 31, 2013
Accounts payable	\$ 443,307	\$ 545,557
Accrued liabilities	471,175	671,803
Total accounts payable and other liabilities	\$ 914,482	\$ 1,217,360

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

	As at June 30, 2014	As at December 31, 2013
Less than 3 months	\$ 247,611	\$ 376,400
3 to 12 months	286,159	361,376
12 to 24 months	83,447	122,183
More than 24 months	297,265	357,401
Total accounts payable and other liabilities	\$ 914,482	\$ 1,217,360

11. Share Capital and Reserves

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

a) Authorized share capital

At June 30, 2014, the authorized share capital consisted of an unlimited number of common and preference shares issuable in Series.

The common shares do not have a par value. All issued shares are fully paid.

No preference shares have been issued. The preference shares do not have a par value.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements
 Three and Six Months Ended June 30, 2014
 (Expressed in Canadian Dollars)
 (Unaudited)

11. Share Capital and Reserves (Continued)

b) Common shares issued

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

	Number of common shares	Amount
Balance, December 31, 2012 and June 30, 2013	51,242,016	\$ 29,874,693
Balance, December 31, 2013	51,242,016	\$ 29,874,693
Units issued in private placement (i)	10,330,000	968,438
Warrants issued (i)	-	(506,000)
Share issue costs (i)	-	(23,706)
Common shares issued for debt (ii)	15,125,140	1,389,150
Balance, June 30, 2014	76,697,156	\$ 31,702,575

(i) On May 7, 2014, the Company completed a private placement of 10,330,000 units at GBP 0.05 (\$0.09375) per unit for gross proceeds of GBP 516,500 (\$968,438). Each unit is comprised of 1 common share and 1 warrant. Each warrant entitles the holder to purchase 1 further common share at GBP 0.10 per share for a period of two years. The common share issued are subject to a four month hold period. Commissions of \$8,156 were paid in connection with the placement.

The fair value of the 10,330,000 warrants was estimated at \$506,000 using the Black-Scholes pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 168.92%, risk-free interest rate - 1.07% and an expected average life of 2 years. As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are considered a derivative financial liability.

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

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

c) Warrant reserve

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2012 and June 30, 2013	4,910,000	\$ 0.50
Balance, December 31, 2013	-	\$ -
Issued (Note 11(b)(i))	10,330,000	0.18
Balance, June 30, 2014	10,330,000	\$ 0.18



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

11. Share Capital and Reserves (Continued)

c) Warrant reserve (continued)

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

Expiry date	Number of warrants	Grant date fair value (\$)	Exercise price (GBP)	Fair value June 30, 2014 (\$)
May 7, 2016	10,330,000	506,000	0.10	296,000

As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being recorded in the unaudited condensed interim consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

On June 30, 2014, the fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 170.27%; risk free interest rate of 1.10%; and an expected life of 1.85 years. As a result, the fair value of the warrants was calculated to be \$296,000 and the Company recorded an unrealized gain on fair value of derivative financial liability for the three and six months ended June 30, 2014 of \$210,000.

d) Stock options

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

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

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

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

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11. Share Capital and Reserves (Continued)

d) Stock options (continued)

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

	Number of options	Weighted average exercise price
Balance, December 31, 2012	1,990,000	\$ 0.50
Expired	(100,000)	0.50
Balance, June 30, 2013	1,890,000	\$ 0.50
Balance, December 31, 2013 and June 30, 2014	940,000	\$ 0.50

Stock-based compensation includes \$nil (three and six months ended June 30, 2013 - \$13,089 and \$26,179, respectively) relating to stock options granted in previous years that vested during the periods.

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

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
November 23, 2015	0.50	1.40	200,000	200,000	-
January 28, 2016	0.50	1.58	50,000	50,000	-
September 6, 2016	0.50	2.19	690,000	690,000	-
	0.50	1.99	940,000	940,000	-

12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2014 was based on the loss attributable to common shareholders of \$296,603 and \$798,703, respectively (three and six months ended June 30, 2013 - \$357,663 and \$798,217, respectively) and the weighted average number of common shares outstanding of 62,618,186 and 56,906,564, respectively (three and six months ended June 30, 2013 - 51,242,016) for basic and diluted loss per share. Diluted loss did not include the effect of warrants and options for the three and six months ended June 30, 2014 and 2013, as they are anti-dilutive.

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13. Cost of Sales

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Production wages	\$ 46,901	\$ 161,696	\$ 87,364	\$ 313,282
Oil and fuel	14,581	183,828	26,139	357,673
Repairs and servicing	3,528	39,703	9,852	85,378
Equipment hire	8,523	3,553	8,842	18,585
Consumable	8,055	48,004	8,055	80,102
Royalties	11,684	14,197	20,662	22,706
Carriage	-	5,296	-	11,354
Other costs	6,174	22,170	15,766	13,806
Production costs	99,446	478,447	176,680	902,886
Inventory movement	-	33,386	-	6,535
Cost of sales	\$ 99,446	\$ 511,833	\$ 176,680	\$ 909,421

14. Related Party Disclosures

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the fair value (the amount established and agreed to by the related parties) and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) The Company entered into the following transactions with related parties:

	Notes	Three Months Ended June 30,		Six Months Ended June 30,	
		2014	2013	2014	2013
Interest on related party loans	(i)	\$ 13,893	\$ 9,944	\$ 27,485	\$ 19,732

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of \$2,217,374 (GBP 1,214,268) (December 31, 2013 - \$2,017,000 - GBP 1,144,268) included with due to related parties bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. Interest accrued on related party loans is included with due to related parties. As at June 30, 2014, the amount of interest accrued is \$192,285 (GBP 105,298) (December 31, 2013 - \$159,144 - GBP 90,284).

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



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14. Related Party Disclosures (Continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Salaries and benefits ⁽¹⁾	\$ 119,350	\$ 103,400	\$ 234,148	\$ 202,905
Stock-based compensation	-	7,792	-	15,497
	\$ 119,350	\$ 111,192	\$ 234,148	\$ 218,402

⁽¹⁾ Salaries and benefits include director fees. As at June 30, 2014, due to directors for fees amounted to \$42,000 (December 31, 2013 - \$27,750) and due to key management, mainly for salaries and benefits accrued amounted to \$289,100 (GBP 158,315) (December 31, 2013 - \$1,393,656 - GBP 790,637), and is included with due to related parties.

(c) As of June 30, 2014, Kenglo One Limited ("Kenglo") owns 13,222,068 common shares of the Company or approximately 17.2% of the outstanding common shares of the Company. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 21,472,915 common shares of the Company or approximately 28.0% of the outstanding common shares of the Company. The remaining 54.8% of the shares are widely held, which includes various small holdings which are owned by directors of the Company. These holdings can change at anytime at the discretion of the owner.

The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company.

15. Segment Disclosure

The Company has determined that it has two reportable segment. The Company's operations are substantially all related to its investment in Cavanacaw and its subsidiaries, Omagh and Galántas. Substantially all of the Company's revenues, costs and assets of the business that support these operations are derived or located in Northern Ireland. Segmented information on a geographic basis is as follow:

June 30, 2014	United Kingdom	Canada	Total
Current assets	\$ 582,928	\$ 465,255	\$ 1,048,183
Non-current assets	12,797,803	60,371	12,858,174
Revenues	\$ -	\$ -	\$ -

16. Contingent Liability

During the year ended December 31, 2010, the Company's subsidiary Omagh received a payment demand from Her Majesty's Revenue and Customs in the amount of \$555,664 (GBP 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company's subsidiary Omagh intends to vigorously defend itself against this claim. No provision has been made for the claim in the unaudited condensed interim consolidated financial statements.



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17. Comparative Figures

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