



**GALANTAS GOLD CORPORATION**

**Management's Discussion and Analysis**

**Three and Nine Months Ended**

**September 30, 2018**



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Introduction**

This Management Discussion and Analysis ("MD&A"), dated November 23, 2018 provides a review of the financial position and the results of operations of Galantas Gold Corporation ("Galantas" or the "Company") and constitutes management review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2018. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the three and nine months ended September 30, 2018. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2018 together with the notes thereto and the audited annual consolidated financial statements of the Company for the year ended December 31, 2017 together with the notes thereto. The Company's consolidated financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). All amounts presented are stated in Canadian dollars, unless otherwise indicated. Information contained herein is presented as of November 23, 2018 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 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 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; the potential for a third party to have planning consent quashed by judicial review.</p>
<p>The Company's ability to meet its working capital needs at the current level for the year ending September 30, 2019.</p>	<p>The operating and exploration activities of the Company for the year ending September 30, 2019 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 third quarter of fiscal year 2018.</p>	<p>Management's belief that no write-down is required for its</p>	<p>If the Company does not obtain equity or debt financing on terms</p>

	property and equipment resulting from continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programs on the Company's projects.	favorable to the Company or at 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 November 23, 2018.

## 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 which aggregate 766.5 square kilometres, 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 bank 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 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, 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. Subsequent to September 30, 2018, the Company announced that the Court of Appeal has delivered its judgement in regard to an appeal against the Company's planning consent. 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. 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 as soon as finance is available and look for further expansion of gold resources on the property, which has many undrilled targets.

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 to date in 2018 with the north / south Kearney vein being intersected in June as planned. During the third quarter 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, the first of which is planned to be mined in the first quarter of 2019 and which are expected to provide an enhanced supply of mill feed. The phased development arrangement, in terms of mine access dimensions, is expected to allow for rapid expansion of production as additional capital becomes available.

### Underground Mine Plan

In June 2015 the Minister of Environment, Northern Ireland granted planning consent for the underground gold mine at the Omagh site. This planning consent will permit the continuation and expansion of gold mining. The positive decision was the result of 3 years of examination of environmental and other factors regarding the application. Included were environmental studies by NIEA (Northern Ireland Environment Agency) and independent specialists. The consent includes operating and

environmental conditions, which the Company has reviewed. A number of conditions precedent to development were required to be satisfied and the Company has carried those out. During 2016 Galantas confirmed that a third party had obtained leave from Belfast High Court to bring a judicial review challenging the actions of the Department of Environment Northern Ireland (DOENI) in granting planning permission for underground mining beneath the existing open pit. The judicial review hearing commenced in September 2016 and was adjourned to February 2017 when the judicial review hearing was completed. Judgement was received in September 2017 whereby the third party's request for the quashing of the planning consent was denied. Galantas had earlier been advised that its consents would continue to remain valid, at least until judgement and thereafter subject to the judgement. However, during the fourth quarter of 2017, Galantas reported that it had received notice of an application by a third party to the Court of Appeal in relation to the positive judicial review judgment. This appeal was completed in February 2018. Subsequent to September 30, 2018, the Company announced that the Court of Appeal has delivered its judgement in regard to an appeal against the Company's planning consent. The Court has determined that the appeal has failed and thus the planning consent is confirmed.

### 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 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 35 personnel as of September 30, 2018.

### Key Performance Driver

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

### **Overview of Third Quarter 2018**

Galantas incurred a net loss of \$ 706,717 for the three months ended September 30, 2018 compared with a net loss of \$ 452,756 for the three months ended September 30, 2017.

The Company had cash balances at September 30, 2018 of \$ 1,259,642 compared to \$ 779,758 at December 31, 2017. The working capital deficit at September 30, 2018 amounted to \$ 5,237,069 which compared with a working capital deficit of \$ 3,492,608 at December 31, 2017.

During the third quarter Galantas completed a private placement of shares on a part-brokered basis 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. United Kingdom placees subscribed for a total of 17,416,667 shares at a price of UK£ 0.042 per share. Canadian placees subscribed for a total of 5,720,952 shares at a price of \$ 0.071 per share. The net proceeds raised are for both working capital purposes and the continued underground development at the Omagh gold mine.

Additional loan advances from G&F Phelps Ltd, a related party, during the third quarter and year to date totalled \$ 305,374 (UK£ 190,000) and \$ 854,567 (UK£ 506,410) respectively.

The Omagh team has made good progress with underground development to date in 2018 with the north / south Kearney vein being intersected in June as planned. The decline continued to be progressed during the third quarter which has resulted in limited feed to the mill resulting in the mill commencing production of gold concentrate. Further cross-cuts are planned to access to lower levels of in vein development which will form the development necessary to demarcate production panels, the first of which is planned to be mined in the first quarter of 2019 and which are expected to provide an enhanced supply of mill feed. Subsequent to September 30, 2018 Galantas reported that delivery of the first consignment of concentrate derived from underground feedstock at the mine had been made.

Subsequent to September 30, 2018 Galantas announced a proposed private placement of common shares. The private placement is for a minimum of 64,000,000 shares and a maximum of 80,000,000 shares, at an issue price of \$0.086 (GBP 0.05) per share for minimum gross proceeds of \$ 5,130,000 (UK£ 3,200,000) and maximum gross proceeds of \$ 6,879,080 (UK£ 4,000,000). A four month plus one day hold period will apply to the shares and the shares will rank pari passu with the existing shares in issue of the Company. The private placement will be part brokered. Insiders are expected to participate in the placing. The net proceeds to be raised by the private placement are intended to be used for working capital purposes and to achieve full production status. The private placement will be subject to TSXV and regulatory approval.

Also subsequent to September 30, 2018 Galantas also reported that Ms. Róisín Magee has joined the Board of Directors. Róisín Magee, with 32 years' experience in the corporate finance and investment industry, is an experienced investment manager having held senior positions in investment teams in London and Dublin. Formerly Chief Investment Officer at AIB Investment Managers Ltd in Dublin, she has been a member of the Investment Committee at TCF Fund Managers LLP in London since 2013.

## Review of Financial Results

### Three Months Ended September 30, 2018

The net loss for the three months ended September 30, 2018 amounted to \$ 706,717 compared to a net loss of \$ 452,756 for the three months ended September, 2017 as summarized below:

	Quarter Ended September 30,2018 \$	Quarter Ended September 30,2017 \$
<b>Revenues</b>	<b>14,203</b>	<b>15,861</b>
Production related costs	(42,365)	(38,995)
Inventory movement	0	80
<b>Cost of sales</b>	<b>(42,365)</b>	<b>(38,915)</b>
<b>Loss before the undernoted</b>	<b>(28,162)</b>	<b>(23,054)</b>
Depreciation	(77,394)	(52,415)
General administrative expenses	(576,256)	(367,257)
Unrealized gain on fair value of derivative financial liability	0	6,000
Foreign exchange (loss) / gain	(24,905)	(16,030)
<b>Net Loss for the Quarter</b>	<b>\$ (706,717)</b>	<b>\$ (452,756)</b>

Revenues for the three months ended September 30, 2018, consisting of jewellery sales, amounted to \$ 14,203 compared to revenues of \$ 15,861 for three months ended September 30, 2017. Following the suspension of production during the fourth quarter of 2013 there were no concentrate sales from the mine during both quarters.

Cost of sales include production related costs at the mine and inventory movement and totalled \$ 42,365 for the three months ended September 30, 2018 compared to \$ 38,915 for corresponding quarter of 2017.

Production related costs for the three months ended September 30, 2018 amounted to \$ 42,365 compared to \$ 38,995 for the three months ended September 30, 2017. Production related costs during the quarter, the majority of which are incurred in UK£, include wages, environmental monitoring and royalties. Production related costs were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site. The lower level of production related costs in 2018 and 2017 follows the commencement of underground mine development during 2017 which has resulted in the majority of costs now being capitalised to exploration and evaluation assets.

The inventory movement of \$ Nil for the third quarter of 2018 compared to an inventory movement of \$ 80 credit for the third quarter of 2017.

This has resulted in a net operating loss of \$ 28,162 before depreciation, general administrative expenses and foreign exchange loss for three months ended September 30, 2018 compared to a net operating loss of \$ 23,054 for the three months ended September 30, 2017.

Depreciation of property, plant and equipment excluding mine development costs during the three months ended September 30, 2018 totalled \$ 77,394 which compared with \$ 52,415 for the corresponding period of 2017. Following the suspension of production there was no depreciation of mine development costs during both periods.

General administrative expenses for the three months ended September 30, 2018 amounted to \$ 576,256 compared to \$ 367,257 for 2017. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 27 and 28 of the MD&A.

The unrealized gain on fair value of derivative financial liability for the three months ended September 30, 2018 amounted to \$ Nil compared to an unrealized gain of \$ 6,000 for 2017. The unrealized gain arose as a result of the exercise price of the warrants issued in 2014 and 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being recorded in the consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

There was a foreign exchange loss of \$ 24,905 for three months ended September 30, 2018 which compared with a foreign exchange loss of \$ 16,030 for 2017.

This has resulted in a net loss of \$ 706,717 for the three months ended September 30, 2018 compared to a net loss of \$ 452,756 for three months ended September 30, 2017. When the net loss is adjusted for non-cash items before changes in non-cash working capital items, the cash outflow from operating activities amounted to \$ 429,393 for the three months ended September 30, 2018 compared to a cash outflow of \$ 296,961 for the corresponding period of 2017. The cash outflow from operating activities after changes in non-cash working capital items amounted to \$ 143,053 for the three months ended September 30, 2018 compared to a cash outflow of \$ 289,407 for the corresponding period of 2017.

Foreign currency translation loss, which is included in Condensed Interim Consolidated Statements of Other Comprehensive Loss amounted to \$ 242,921 for the three months ended September 30, 2018 which compared to a foreign currency translation loss of \$ 63,060 for 2017. This resulted in a Total comprehensive loss of \$ 949,638 for the three months ended September 30, 2018 compared to a Total comprehensive loss of \$ 515,816 for the three months ended September 30, 2017. The foreign currency translation loss during the third quarter of 2018 and 2017 arose as a result of the net assets of the Company's UK subsidiaries, all of which are denominated in UK£, being translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate strengthened against UK£ at September 30, 2018 and 2017 when compared to June 30, 2018 and 2017 which has resulted in an decrease in the Canadian dollar value of these net assets at September 30, 2018 and 2017 when compared to June 30, 2018 and 2017 resulting in the foreign currency translation loss in both quarters.

Total assets at September 30, 2018 amounted to \$ 17,485,615 compared to \$ 13,735,297 at December 31, 2017. Cash at September 30, 2018 was \$ 1,259,642 compared to \$ 779,758 at December 31, 2017. Accounts receivable consisting mainly of reclaimable taxes and prepayments amounted to \$ 243,067 at September 30, 2018 compared to \$ 316,410 at December 31, 2017. Inventories at September 30, 2018 amounted to \$ 10,969 compared with an inventory of \$ 15,095 at December 31, 2017.

Property, plant and equipment totalled \$ 8,671,614 compared to \$ 8,166,752 at December 31, 2017. Exploration and evaluation assets, consisting of exploration and development expenditures for the underground mine, totalled \$ 6,794,073 at September 30, 2018 compared to \$ 3,948,452 at the end of 2017. Long term deposit at September 30, 2018 representing funds held in trust in connection with the Company's asset retirement obligations, amounted to \$ 506,250 compared to \$ 508,830 at December 31, 2017.

Current liabilities at September 30, 2018 amounted to \$ 6,750,747 compared to \$ 4,603,871 at the end of 2017. The working capital deficit at September 30, 2018 amounted to \$ 5,237,069 compared to a working capital deficit of \$ 3,492,608 at December 31, 2017. Accounts payable and other liabilities totalled \$ 1,823,456 compared to \$ 1,216,332 at December 31, 2017. The current portion of a financing facility, which now includes the Ocean Partners loan, totaled \$ 262,950 at September 30, 2018 compared to \$ 6,182 at December 31, 2017. Amounts due to related parties at September 30, 2018 amounted to \$ 4,664,341 compared to \$ 3,381,357 at the end of 2017. The increase in amounts due to related parties was partially due to additional loan advances of \$ 854,567 from G&F Phelps Ltd. during the period.

The non-current portion of the financing facility, which now includes the Ocean Partners loan as set out in Note 10 of the consolidated financial statements, totaled \$ 1,129,083 at September 30, 2018 compared to \$ 19,689 at December 31, 2017. The decommissioning liability at September 30, 2018 amounted to \$ 556,877 compared to \$ 551,680 at December 31, 2017. The derivative financial liability at September 30, 2018 amounted to \$ Nil compared to \$ 10,000 at the end of 2017. The derivative financial liability arose as a result of the exercise price of the warrants issued in 2014 and 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability.

### **Nine Months Ended September 30, 2018**

The net loss for the nine months ended September 30, 2018 amounted to \$ 1,931,725 compared to a net loss of \$ 1,648,866 for the nine months ended September 30,, 2017 as summarized below:

	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>	<b>71,243</b>	<b>35,202</b>
Production related costs	(96,405)	(204,017)
Inventory movement	(4,176)	(9,919)
<b>Cost of sales</b>	<b>(100,581)</b>	<b>(213,936)</b>
<b>Loss before the undernoted</b>	<b>(29,338)</b>	<b>(178,734)</b>
Depreciation	(219,623)	(143,357)
General administrative expenses	(1,601,299)	(1,366,608)
Unrealized gain on fair value of derivative financial liability	10,000	12,000
Foreign exchange gain / (loss)	(91,465)	27,833
<b>Net Loss for the Period</b>	<b>\$ (1,931,725)</b>	<b>\$ (1,648,866)</b>

Revenues for the nine months ended September 30, 2018, consisting of jewelry sales, amounted to \$ 71,243 compared to revenues of \$ 35,202 for nine months ended September 30, 2017. Following the suspension of production during the fourth quarter of 2013 there were no concentrate sales from the mine during both periods.

Cost of sales include production related costs at the mine and inventory movements and totalled \$ 100,581 for the nine months ended September 30, 2018 compared to \$ 213,936 for corresponding period of 2017.

Production related costs for the nine months ended September 30, 2018 amounted to \$ 96,405 compared to \$ 204,017 for the nine months ended September 30, 2017. Production related costs at the mine, the majority of which are incurred in UK£, include wages, environmental monitoring and royalties. Production related costs were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site. The decrease in production related costs in 2018 follows the commencement of underground mine development during 2017 which has resulted in the majority of costs now being capitalised to exploration and evaluation assets.

The inventory movement of \$ 4,176 for the first nine months of 2018 compared to \$ 9,919 for the first nine months of 2017 reflecting a reduction in inventory at September 30, 2018 and 2017 when compared to inventory at the beginning of the respective periods.

This has resulted in a net operating loss of \$ 29,338 before depreciation, general administrative expenses, , unrealized gain on fair value of derivative financial liability and foreign exchange loss/gain for nine months ended September 30, 2018 compared to a net operating loss of \$ 178,734 for the nine months ended September 30, 2017.

Depreciation of property, plant and equipment excluding mine development costs during the nine months ended September 30, 2018 totalled \$ 219,623 which compared with \$ 143,357 for the corresponding period of 2017. Following the suspension of production there was no depreciation of mine development costs during both periods.

General administrative expenses for the nine months ended September 30, 2018 amounted to \$ 1,601,299 compared to \$ 1,366,608 for 2017. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 28 and 29 of the MD&A.

The unrealized gain on fair value of derivative financial liability for the nine months ended September 30, 2018 amounted to \$ 10,000 compared to \$ 12,000 for 2017. The unrealized gain arose as a result of the exercise price of the warrants issued in 2014 and 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being recorded in the consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

There was a foreign exchange loss of \$ 91,465 for nine months ended September 30, 2018 which compared with a foreign exchange gain of \$ 27,833 for 2017.

This has resulted in a net loss of \$ 1,931,725 for the nine months ended September 30, 2018 compared to a net loss of \$ 1,648,866 for nine months ended September 30, 2017. When the net loss is adjusted for non-cash items before changes in non-cash working capital items the cash loss from operating activities amounted \$ 1,191,733 for the nine months ended September 30, 2018 compared to a cash loss from operating activities of \$ 1,096,343 for the corresponding period of 2017 as per the Consolidated Statements of Cash Flows. The cash loss from operating activities after changes in non-cash working capital items amounted to \$ 219,588 for the nine months ended September 30, 2018 compared to a cash loss of \$ 819,943 for the corresponding period of 2017.

Foreign currency translation loss, which is included in Condensed Interim Consolidated Statements of Other Comprehensive Loss amounted to \$ 39,967 for the nine months ended September 30, 2018 and compared to a foreign currency translation gain of \$ 50,410 for 2017. This resulted in a Total comprehensive loss of \$ 1,971,692 for the nine months ended September 30, 2018 compared to a Total comprehensive loss of \$ 1,598,456 for the nine months ended September 30, 2017. The foreign currency translation loss during the first nine months of 2018 arose as a result of the net assets of the Company's UK subsidiaries, all of which are denominated in UK£, being translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate strengthened against UK£ at September 30, 2018 when compared to December 31, 2017 which has resulted in a decrease in the Canadian dollar value of these net assets at September 30, 2018 when compared to December 31, 2017 resulting in the foreign currency translation loss. Conversely, during the first nine months of 2017, the Canadian dollar exchange rate weakened against UK£ at September 30, 2017 when compared to December 31, 2016 which resulted in an increase in the Canadian dollar value of these net assets at September 30, 2017 resulting in the foreign currency translation gain.

## **Review of Operations**

### **2018 Financing Activities**

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. United Kingdom placees subscribed for a total of 17,416,667 shares at a price of UK£ 0.042 per share. Canadian placees subscribed for a total of 4,720,952 shares at a price of \$ 0.071 per share. The shares will rank pari passu with the existing shares in issue of the Company. The placing was conducted on a part-brokered basis. Fees and commissions totalled \$ 53,657 (UK£ 31,741). The net proceeds raised by the placing are intended to be used for both working capital purposes and the continued underground development at the Omagh gold mine. Melquart Ltd, a UK based investment institution, subscribed for 11,904,762 common shares, which, in addition to the shares it already holds, gives rise to a holding of 19.2% of the Company's issued common shares. Mr. Ross Beaty subscribed for 2,380,952 common shares, which, in addition to the shares he

already holds, gives rise to a 17.9% holding. Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, subscribed for 4,761,905 common shares, which, in addition to the shares he already holds, gave rise to an 18.7% holding. Melquart, Mr. Beaty and Mr. Phelps and are deemed to be related parties of Galantas by virtue of being substantial shareholders of the Company.

Subsequent to September 30, 2018 Galantas announced a proposed private placement of common shares. The private placement is for a minimum of 64,000,000 shares and a maximum of 80,000,000 shares, at an issue price of \$0.086 (GBP 0.05) per share for minimum gross proceeds of \$ 5,130,000 (UK£ 3,200,000) and maximum gross proceeds of \$ 6,879,080 (UK£ 4,000,000). A four month plus one day hold period will apply to the shares and the shares will rank pari passu with the existing shares in issue of the Company. The private placement will be part brokered. Insiders are expected to participate in the placing. The net proceeds to be raised by the private placement are intended to be used for working capital purposes and to achieve full production status. The Company has received a provisional indication from Melquart Ltd. who currently hold 19.2% of the company's shares, to subscribe for up to a maximum of £1,400,000. On the issuance of the minimum number of placing shares, the maximum subscription from Melquart would equate to a holding by Melquart, post private placement, of approximately 25% of the Company's total common shares. Under Canadian securities law, Melquart would automatically be considered a "control person" if they owned 20% or more of the common shares of the Company. Canadian regulations require that consent of a majority of disinterested shareholders is required for the creation of new control persons. The Company expects to achieve this via a written resolution. The private placement will be subject to TSXV and regulatory approval.

Additional loan advances during the third quarter and year to date from G&F Phelps Ltd, a related party, totalled \$ 305,374 (UK£ 190,000) and \$ 854,567 (UK£ 506,410) respectively.

During the second quarter Galantas announced that its operating subsidiary, Flintridge Resources Ltd. had signed a concentrate pre-payment agreement and loan facility agreement for US\$ 1.6 million (CDN\$ 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. The interest rate on the Ocean loan facility is set at USD 12 month LIBOR + 8.75%. No interest shall be charged for six months and repayments shall commence against deliveries in 2019. There was a US\$ 25,000 arrangement fee on completion. The maturity date of the Ocean loan facility will be December 31, 2020. The interest charged on the G&F Phelps loan was increased to USD 12 month LIBOR + 6.75% effective April 1, 2018. No arrangement fee was paid on the G&F Phelps loan facility. G&F Phelps Ltd. is a company owned by Roland Phelps, President & CEO, Galantas Gold Corporation a related party. As consideration for the US\$ 1.6 million loan facility Ocean Partners received 15,000,000 bonus warrants of Galantas which will be exercisable into one common share of Galantas at an exercise price of \$ 0.1575 per bonus share. 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).

### **Production/Mine Development**

The Omagh gold mine commenced limited production of gold concentrate during the third quarter of 2018 from feed produced in the development of the Kearney vein. Subsequent to September 30, 2018 Galantas reported that delivery had been made of the first consignment of concentrate derived from underground feedstock at the mine.

The granting of planning consent in 2015 for an underground operation at the Omagh site, now subject to a judicial review appeal, permits the continuation and expansion of gold mining, following the exhaustion of accessible resources available to the previous open pit operation. The underground mine, which is now in active development is utilizing the same processing methods. 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 phased development arrangement, in terms of mine access dimensions, is expected to allow for rapid expansion of production as additional capital becomes available. The main underground decline has been driven at a size to accommodate 30 tonne mine trucks, which would be required to service a larger production rate and minimise haulage costs.

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 to date in 2018. A detailed plan is being implemented to accelerate progress in line with the planning consent. The main decline tunnel descends at a slope of 1 in 7, from near the base of the former Kearney open pit. A horizontal west to east access tunnel driven from the decline tunnel intersected the north / south Kearney vein in June at approximately a right angle and has exposed the vein to be approximately 2.8 metres wide at that point. A horizontal development tunnel was driven on vein, at this level, in both directions during the third quarter, beneath a safety (Crown) pillar which has resulted in limited feed to the mill during the third quarter. The decline tunnel is planned to be extended in depth, along with construction of a second means of egress. The decline continued to be progressed during the third quarter with further cross-cuts planned to access to lower levels of in vein development which will form the development necessary to demarcate production panels, the first of which is planned to be mined in the first quarter of 2019 and which are expected to provide an enhanced supply of mill feed. The underground development, using drill and blast techniques, is being carried out by an in-house crew which is fully trained in safety and operating procedures. An in-house, mines rescue team has also been trained and equipped.

New drilling equipment has been acquired on a rental basis, with options to purchase, and has led to a marked improvement in advance rates. In addition a new 3.6t capacity load-haul-dump unit, has been acquired on a rental purchase basis which will improve productivity in loading operations from the smaller cross-section vein drives. It is equipped with radio remote control which enhances safety in stope mucking operations. Further equipment purchases are under negotiation.

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

The mine processing plant commenced operating on limited feed from the development of in-vein drivages of the Kearney gold vein during the quarter. The processing plant, which was used formerly for open-pit operations, has recently had the benefit of a recent upgrade to some sections and further upgrades are planned. Recent analyses suggest that the product from the plant meets quality criteria and operates at a high efficiency. The plant is expected to operate part-time until production stopping commences, anticipated in early 2019.

## **Permitting**

In June 2015 the Company reported that the Minister of Environment, Northern Ireland had granted planning consent for an underground gold mine at the Omagh site. The planning consent permits the continuation and expansion of gold mining and is expected to create hundreds of jobs locally. The positive decision was the result of 3 years of examination of environmental and other factors regarding the application. Included were environmental studies by NIEA (Northern Ireland Environment Agency) and independent specialists. The consent includes operating and environmental conditions, which the Company has reviewed. A number of conditions precedent to development were required to be satisfied which the Company has carried out.

During the first quarter of 2016 Galantas reported that a third party had obtained leave from Belfast High Court to bring a judicial review challenging the actions of the DOENI in granting planning permission for underground mining beneath the existing open pit. The judicial review hearing commenced in September 2016 when it was adjourned to February 2017 and then concluded. In September 2017 Galantas reported a positive outcome to the judicial review into the planning consent. However, Galantas subsequently reported in November 2017 that it had received notice of an application by a third party to the Court of Appeal in relation to the positive judicial review judgment which was subsequently heard in February 2018. Subsequent to September 30, 2018, the Company announced that the Court of Appeal has delivered its judgement in regard to an appeal against the Company's planning consent. The Court has determined that the appeal has failed and thus the planning consent is confirmed.

## Reserves and Resources

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

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

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

Overall there has been a 19% increase in resources since the Galantas June 2013 Resource Report and a 60% increase in resources since the July 2012 Resource Report by ACA Howe International Ltd. The increases since 2012 largely relate to the Kearney and Joshua veins, since this is where the drilling program has been concentrated. The drilling program was mainly designed to focus on increasing the quantity of Measured and Indicated resources on these two veins, to support potential bank funding opportunities for the financing of production. The resource estimate for each vein is tabulated below:

RESOURCE ESTIMATE BY VEIN : GALANTAS 2014									
	MEASURED			INDICATED			INFERRED		
	TONNES	GRADE Au (g/t)	Contained Au (oz)	Tonnes	GRADE Au (g/t)	Contained Au (oz)	Tonnes	GRADE Au (g/t)	Contained Au (oz)
KEARNEY	76,936	7.48	18,490	383,220	6.66	82,055	909,277	6.61	193,330
JOSHUA	54,457	7.25	12,693	216,211	7.92	55,046	291,204	10.74	100,588
KERR	6,848	4.63	1,019	12,061	4.34	1,683	23,398	3.2	2,405
ELKINS				68,500	4.24	9,000	20,000	5.84	3,800
GORMLEYS							75,000	8.78	21,000
PRINCES							10,000	38.11	13,000
SAMMY'S							27,000	6.07	5,000
KEARNEY NORTH							18,000	3.47	2,000
<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 for 2017.

## Exploration

An exploration programme carried out between 2011 and 2013 included the drilling of 17,348 metres of core and channel sampling on the Joshua, Kearney and Kerr vein systems. Assay results from both the drilling and channel sampling programmes were encouraging with significant gold intersections encountered. A new programme commenced in September 2015 to target the Joshua vein at depth. In total, 3,602 metres were drilled by March 2016. In early 2016 Galantas reported the assay results for three holes completed in 2015 (see press release dated January 26, 2016). Most notable was hole OMLDD-15-155 which intersected a wide zone (13 m true width) of the Joshua vein at a vertical depth of 117 m grading 9.9 g/t Au. This drilling programme also identified a new vein, Kestrel, running 70 m west of Joshua. An initial shallow (42.4 m) intersect returned 35.8 g/t Au over 0.7 m true width. A further drill hole targeted the Kestrel vein ~80 metres north and hit mineralisation at a vertical depth of 73 m (3.2 g/t Au over 1.2 m true width). Two 155 m deep water monitoring holes were drilled at the beginning of 2017; these were located according to planning specifications, not with the aim of mineral recovery. However, the PQ drill core provided insight to key lithological changes with depth, north and south of the site. This information was incorporated into the site mapping project instigated last summer.

Key structural measurements are recorded by geologists as the underground development advances. This data is used to assist tunnel support design considerations. Projections of the Kearney stringer vein suggested that this should be intersected by the development for a second time. The stringer was intersected and a sample collected, post first quarter end, on 20 April and recorded 0.2g/t gold. A sample was also taken from a 0.8 m wide stringer vein in a western cross-cut development, which is planned to continue towards Joshua vein, with assay results returning 13.7 g/t Gold and 13.7 g/t Silver. Assays were analysed by Wheal Jane Laboratory, Cornwall, UK, a UKAS accredited laboratory, using wet chemistry & AAS techniques. Significant advances were made on the development tunnel thereafter; with an east running access drive constructed towards the main Kearney vein, during the second quarter. In line with planning requirements, a sample of country rock was collected for acid generating potential in the main decline tunnel (<25 m depth). Results for this indicate a neutralisation potential (NP) of 25 and acid potential (AP) of 0.3 (tCaCO<sub>3</sub>/1000t ore), giving a safety factor (NPR) of 80. 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. The Kearney vein was identified where the resource model predicted, in June (see Press Release June 25, 2018); assay results indicate a grade of 4.1 g/t gold over 1.5 m.

The third quarter saw progress in two ore drives, one to the north and one to the south of the original intersection. The drives are mapped between each blast, and the geological team are using structural observations and consideration of the resource model to ensure that the development remains in the main ore body. Probe holes are used where necessary to test for any significant mineralisation splays and

to help direct drilling. Channel samples are cut perpendicular to the vein when possible (approximately every three blasts). Results for the initial Ore Drive North (ODS) intersection indicate 12.8 g/t gold and 33.1 g/t silver over 1.7 m (see Press Release August 29<sup>th</sup>). A channel was sampled within Ore Drive South (ODS) over a vein width of 1.8 m at the end of September. Recent assay results for this, and a further ODS channel, were analysed after the end of the third quarter. The results were published in November (see Press Release 8<sup>th</sup> November, 2018).

Fieldwork resumed in the Lough Derg region during the third quarter, in line with the new work programmes submitted to the EMD in May. The focus was on a soil grid centred on a cluster of geochemical anomalies within the Straness area, in close proximity to the Laghy Fault. Shallow samples were collected for analysis via the Ionic Leach method; this extremely sensitive method has recently been successfully applied in Irish exploration projects and is supported by ALS. The grid straddles PL areas 3039 and 3040, during this programme three mineralised float rock samples and one cross-cutting mineralised quartz vein (~10 cm wide) were identified within 200 m of the Laghy fault, approximately 2.5 km ENE of the narrow gold bearing veins identified in 2016. The new vein, with visible pyrite, trends NNE within Dalradian metasediments; minor galena can be seen in one large float rock nearby. Results from the prospecting and soil samples are expected later in November.

The geology team are providing data and sample material for two academic projects based at NUI in Galway and the University of Leeds. Drill core sub-samples and thin sections have been supplied to assist both projects. In addition, small gold grains were collected for microgeochemical analysis by sluicing and panning sediment in nearby Botera and Creevan Burns.

An exploration report for activities carried out in OM1 between July 2017 and 2018 has been submitted to the DfE to satisfy licence requirements.

### Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the third quarter of 2018 and for the seven preceding quarters are summarized below.

Quarter Ended	Accounting Policies	Total Revenue	Net Income (Loss)	Net Income (Loss) per share & per share diluted
September 30, 2018	IFRS	\$ 14,023	\$ (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)
March 31, 2017	IFRS	\$ 2,734	\$ (684,234)	\$ (0.00)
December 31, 2016	IFRS	\$ 45,353	\$ (336,910)	\$ (0.00)

The results for the quarter ended September 30, 2018 are discussed under Review of Financial Results on pages 8 to 10 of the MD&A. The net loss for the quarter ended September 30, 2018 totaling \$ 706,717 consisted of sales revenues \$ 14,203, cost of sales \$ 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 of sales \$ 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 of sales \$ 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 of sales \$ 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 of sales \$ 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 of sales \$ 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.

For the quarter ended March 31, 2017 the net loss of \$ 684,234 consisted of sales revenues \$ 2,734, cost of sales \$ 63,416, depreciation \$ 40,055, general administrative expenses \$ 502,116, unrealized loss on fair value of derivative financial liability \$ 22,000 and foreign exchange loss \$ 59,381.

For the quarter ended December 31, 2016 the net loss of \$ 336,910 consisted of sales revenues \$ 45,353, cost of sales \$ 89,174, depreciation \$ 40,521, general administrative expenses \$ 268,590, unrealized gain on fair value of derivative financial liability \$ 27,000 and foreign exchange loss \$ 10,978.

## **Liquidity and Financial Position**

The Company, which is involved in mining and exploration activities, has currently a limited source of operating revenue as a result of the suspension of mining activities and does not anticipate receiving substantial additional revenues until such time as the planned underground mine is in operation. Presently the activities of the Company are mainly financed through equity offerings and loans.

Galantas reported a working capital deficit of \$ 5,237,069 at September 30, 2018 which compared with a working capital deficit of \$ 3,492,608 at December 31, 2017. The Company had cash balances of \$ 1,259,642 at September 30, 2018 compared with cash balances of \$ 779,758 at December 31, 2017. Accounts receivable consisting mainly of reclaimable taxes and prepayments amounted to \$ 243,067 at September 30, 2018 compared to \$ 316,410 at December 31, 2017. Inventory at September 30, 2018 amounted to \$ 10,969 compared with an inventory of \$ 15,095 at December 31, 2017.

Accounts payable and other liabilities amounted to \$ 1,823,456 at September 30, 2018 compared with \$ 1,216,332 at December 31, 2017. The current portion of a financing facility totaled \$ 262,950 at September 30, 2018 compared to \$ 6,182 at December 31, 2017. Amounts due to related parties at September 30, 2018 amounted to \$ 4,664,341 compared to \$ 3,381,357 at the end of 2017. In addition Galantas has a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of \$ 513,489 (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. The Company believes this claim is without merit and had appealed the assessment. This appeal hearing commenced in March 2017 and was adjourned to January 2018 when the hearing was further adjourned to week commencing August 13, 2018 when it was completed. The Appeals Tribunal Judgement will deliver its judgement at a later

date, currently unknown. No provision has been made for the claim in the consolidated financial statements.

The Company is reliant on obtaining additional funding to allow it to continue an expanded exploration programme and to expand the development of its underground mine. It is examining appropriate funding arrangements. The relative weakness of the Canadian and UK equity markets for junior mining companies continues and has restricted financing opportunities from this area.

During the third quarter Galantas completed a private placement of shares on a part-brokered basis 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. United Kingdom placees subscribed for a total of 17,416,667 shares at a price of UK£ 0.042 per share. Canadian placees subscribed for a total of 5,720,952 shares at a price of \$ 0.071 per share. The net proceeds raised are for working capital purposes and to continue underground development at the Omagh gold mine.

Subsequent to September 30, 2018 Galantas announced a proposed private placement of common shares. The private placement is for a minimum of 64,000,000 shares and a maximum of 80,000,000 shares, at an issue price of \$0.086 (GBP 0.05) per share for minimum gross proceeds of \$ 5,130,000 (UK£ 3,200,000) and maximum gross proceeds of \$ 6,879,080 (UK£ 4,000,000). The net proceeds to be raised by the private placement are intended to be used for working capital purposes and to achieve full production status. The private placement will be subject to TSXV and regulatory approval.

Additional loan advances from G&F Phelps Ltd, a related party, during the nine months ended September 30, 2018 totalled \$ 854,567 (UK£ 506,410). 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 (CDN\$ 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).

Arising from its current commitments, the Company will continue in its efforts to raise equity capital in amounts sufficient to fund both exploration and the development of the underground mine, its ongoing operating expenses commitments in addition to its working capital requirements. There is however, no assurance that the Company will be successful in its efforts, in which case, the Company may not be able to meet its obligations.

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the September 30, 2018 consolidated financial statements. The Company's ongoing viability has 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.

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

## Off-Balance Sheet Arrangements

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

## Related Party Transactions

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

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

The Company entered into the following transactions with related parties during the three and nine months ended September 30, 2018:

Director fees of \$ 6,000 and \$ 19,250 were accrued for the three and nine months ended September 30, 2018 (\$ 6,500 and \$ 20,000 for the three and nine months ended September 30, 2017). Stock-based compensation for these directors totalled \$ 2,768 and \$ 13,271 for the three and nine months ended September 30, 2018 (\$ 8,305 and \$ 39,029 for the three and nine months ended September 30, 2017).

Remuneration accrued for the President/CEO totalled \$ 85,195 (UK£ 50,000) and \$ 261,015 (UK£ 150,000) for the three and nine months ended September 30, 2018 (\$ 82,000 (UK£ 50,000) and \$ 250,050 (UK£150,000) for the three and nine months ended September 30, 2017). Stock-based compensation for the President/CEO totalled \$ 2,768 and \$ 13,270 for the three and nine months ended September 30, 2018 (\$ 8,305 and \$ 39,028 for the three and nine months ended September 30, 2017).

Remuneration of the CFO totalled \$ 18,638 and \$ 57,674 for the three and nine months ended September 30, 2018 (\$ 18,610 and \$ 56,376 for the three and nine months ended September 30, 2017). Stock based compensation for the CFO totalled \$ 1,108 and \$ 5,308 for the three and nine months ended September 30, 2018 (\$ 3,322 and \$ 15,611 for the three and nine months ended September 30, 2017).

At September 30, 2018 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of \$ 3,079,289 (UK£ 1,824,764) (December 31, 2017 \$ 2,236,060 (UK£1,318,354)), repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the three and nine months ended September 30, 2018 amounted to \$ 77,140 (UK£ 44,888) and \$ 171,409 (UK£ 98,505 respectively (three and nine months ended September 30, 2017 \$ 14,094 (UK£ 8,591) and \$ 42,378 (UK£ 25,422) respectively. Interest accrued on related party loans is included under due to related parties. As at September 30, 2018, the interest accrued amounted to \$ 548,060 (UK£ 324,776) (December 31, 2017 - \$ 383,778 (UK£ 226,271)). Following the increase of £600,000 to the on-demand loan facility with G&F Phelps Ltd earlier in 2018 the interest rate on the G&F Phelps loan facility was increased to USD 12 month LIBOR + 6.75% with effect from April 1, 2018.

As at September 30, 2018 amounts due to directors for fees totalled \$ 156,000 (December 31, 2017 \$ 136,750) and due to key management, mainly for salaries and benefits accrued at September 30, 2018 amounted to \$ 880,992 (UK£ 522,069) (December 31, 2017 - \$ 624,769 (UK£ 368,356)) and are included under due to related parties.

During the first quarter of 2017 Galantas completed a private placement in two parts for aggregate gross proceeds of \$ 2,446,299 (approximately UK£1,482,875). The placement comprised of the issue of 33,093,258 common shares. Melquart Ltd, a UK based investment institution, subscribed for 22,222,222 common shares. In addition Mr. Ross Beaty subscribed for an additional 3,326,170 common shares in the placing. As a consequence of the placing, Mr. Beaty had an interest in 31,151,567 common shares.

During the fourth quarter of 2017 Galantas completed a private placement for aggregate gross proceeds of \$ 1,165,857 (approximately UK£1,482,875). The placement comprised of the issue of 16,655,099 common shares. Melquart Ltd subscribed for 6,097,561 common shares, which increased their holding to 28,319,783 common shares. Mr. Ross Beaty subscribed for an additional 2,914,959 common shares in the placing. As a consequence of the placing, Mr. Beaty had an interest in 35,066,526 common shares. Mr. Roland Phelps, President & CEO, subscribed for an additional 1,219,512 common shares in the placing. As a consequence of the placing, Mr. Phelps had an interest in 34,576,262 common shares.

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 resulting in Melquart currently holding 19.2% of the Company's issued 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 17.9% 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 resulting in Mr. Phelps currently holding 18.7% of the Company's issued common shares. Melquart, Mr. Beaty and Mr. Phelps are deemed to be related parties of Galantas by virtue of being substantial shareholders of the Company.

Excluding the Melquart Ltd, Ross Beaty and Roland Phelps shareholdings discussed above, the remaining 44.2% 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.

Subsequent to September 30, 2018 Galantas announced a proposed private placement of common shares. The private placement is for a minimum of 64,000,000 shares and a maximum of 80,000,000 shares, at an issue price of \$0.086 (GBP 0.05) per share for minimum gross proceeds of \$ 5,130,000 (UK£ 3,200,000) and maximum gross proceeds of \$ 6,879,080 (UK£ 4,000,000). The Company has received a provisional indication from Melquart Ltd. who currently hold 19.2% of the company's shares, to subscribe for up to a maximum of £1,400,000. On the issuance of the minimum number of placing shares, the maximum subscription from Melquart would equate to a holding by Melquart, post private placement, of approximately 25% of the Company's total common shares. Under Canadian securities law, Melquart would automatically be considered a "control person" if they owned 20% or more of the common shares of the Company. Canadian regulations require that consent of a majority of disinterested shareholders is required for the creation of new control persons. The Company expects to achieve this via a written resolution.

## **Proposed Transactions**

There are no proposed transactions of a material nature other than those set out in Note 16(iii) of the September 30, 2018 financial statements 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 exploration and evaluation assets incurred on the Omagh underground mine is dependent upon the ability to obtain planning permission and secure sufficient funding for the development of the underground mine. 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, 2017. 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 and management is exploring opportunities to secure financing in anticipation of approval of planning permission;
- 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;
- 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.

## 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 accounting policies and methods of computation followed in Galantas's September 30, 2018 consolidated financial statements are set out in detail on Note 4 of the December 31, 2017 consolidated financial statements.

The policies applied in the September 30, 2018 unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of November 20, 2018 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 on Note 4 of the most recent annual consolidated financial statements as at and for the year ended December 31, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

### **New accounting standard adopted**

Effective January 1, 2018, the Company adopted IFRS 9 - Financial Instruments. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance aligns hedge accounting more closely with an entity's risk management objectives and strategies. IFRS 9 does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it allows more hedging strategies used for risk management to qualify for hedge accounting and introduces more judgement to assess the effectiveness of a hedging relationship, primarily from a qualitative standpoint. The Company has elected to continue with IAS 39 for hedging. This does not have an effect on the reported results.

### **New accounting standards not yet effective**

(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. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company does not expect the interpretation to have a material impact on the 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 intends to adopt IFRS 16 in its consolidated financial statements for the period beginning on January 1, 2019. The Company is evaluating the impact of adoption and expects to report more detailed information in its consolidated financial statements as the effective date approaches.

## **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 two customers and the accounts receivable consist mainly of a trade account receivable from two customers, value added tax receivable and sales tax receivable. The Company is exposed to concentration of credit and sales risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. Valued added tax receivable is collectable from the Government of Northern Ireland. Sales tax receivable is collectable from government authorities in Canada.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company manages liquidity risk by monitoring maturities of financial commitments and maintaining adequate cash reserves and available borrowing facilities to meet these commitments as they come due. As at September 30, 2018 the Company had a working capital deficit of \$ 5,237,069 (December 31, 2017 - \$ 3,492,608). All of the Company's financial liabilities have contractual maturities of less than 30 days other than certain related party loans which are due on demand. The Company is seeking additional capital to meet its current and ongoing commitments. As at September 30, 2018, the Company was cash flow negative. The Company's ongoing viability is dependent on obtaining planning consent for the development of an underground mine at Omagh and securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

(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 a financing facility. The Company is exposed to interest rate risk on both certain related party loans and loans from Ocean Partners UK Ltd. which bear interest at variable rates.

(b) Foreign currency risk

Certain of the Company's 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 Ocean Partners UK Ltd 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 are subject to interest rate risk. As at September 30, 2018, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the three and nine months ended September 30, 2018 would have been approximately \$ 17,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans. Similarly, as at September 30, 2018 shareholders' equity would have been approximately \$ 17,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, long-term deposit, accounts payable and other liabilities, financing liability and due to related parties that are denominated in UK£. As at September 30, 2018, had the UK£ weakened/strengthened by 5% against the CAD with all other variables held constant the Company's consolidated other comprehensive loss for the three and nine months ended September 30, 2018 would have been approximately \$ 178,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at September 30, 2018, shareholders' equity would have been approximately \$ 178,000 higher/lower had the UK£ weakened/strengthened by 5% against the CAD as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments.

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce production of its mineral resources, which could have a material and adverse effect on the Company's value. Management believes that the impact would be immaterial for the three and nine months ended September 30, 2018.

## Capital Management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit which at September 30, 2018 totalled \$ 9,048,908 (December 31, 2017 - \$ 8,550,057). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on its exploration activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and nine months ended September 30, 2018. The company is not subject to any capital requirements imposed by a lending institution or regulatory body.

## Disclosure of Internal Controls

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

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

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

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

## Disclosure of Other MD&A Requirements

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

General Administrative Expenses for the Quarters ended September 30, 2018 and September 30, 2017 are detailed below:

Expense Account	Quarter Ended September 30, 2018 \$	Quarter Ended September 30, 2017 \$
Management & administrative wages	222,724	149,938
Other operating expenses	47,742	37,300
Accounting & corporate	16,370	14,490
Legal & audit	12,747	21,585
Stock-based compensation	39,657	81,391
Shareholder communication and investor relations	43,210	34,433
Transfer agent	1,939	1,579
Directors fees	6,000	6,500
General office	2,077	1,944
Accretion expenses	105,044	2,590
Loan interest and bank charges	78,746	15,507
<b>Total</b>	<b>\$ 576,256</b>	<b>\$ 367,257</b>

General administrative expenses for the quarter ended September 30, 2018 totalled \$ 576,256 compared to \$ 367,257 for the quarter ended September 30, 2017.

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 \$ 222,724 for the quarter ended September 30, 2018 compared to \$ 149,938 for the third quarter of 2017. The higher costs in the third quarter of 2018 are mainly due to the employment of additional administrative personnel reflecting the increased level of activity at the Omagh mine. Other operating expenses, the majority of which are also incurred in UK£ and include amongst others professional fees, insurance costs, health and safety training costs and travel amounted to \$ 47,742 for the quarter ended September 30, 2018 compared to \$ 37,300 for the corresponding period of 2017. The increase in the current quarter was mainly due to increased professional fee costs. Accounting and corporate costs for the quarter amounted to \$ 16,370 compared to \$ 14,490 for the corresponding quarter of 2017. Legal and audit costs totalled \$ 12,747 for the quarter compared to \$ 21,585 for the third quarter of 2017. Legal costs for the third quarter amounted to \$ 1,555 and compared with \$ 8,927 for the third quarter of 2017. Audit fees for the third quarter amounted to \$ 11,192 compared to \$ 12,658 for the third quarter of 2017. The lower level of audit fees during both quarters is due to the correction of an overprovision in earlier quarters.

Stock-based compensation costs for the third quarter of 2018 amounted to \$ 39,657 compared to \$ 81,391 for the corresponding quarter of 2017. Stock based compensation costs were in connection with stock options granted in the first quarter of 2017 and in the second quarter of 2018.

Shareholder communication and investor relations costs amounted to \$ 43,210 for the third quarter of 2018 compared to \$ 34,433 for the corresponding quarter of 2017. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees. Shareholder

communication costs and investor relations costs were higher in the third quarter of 2018 due mainly to increased investor relations costs.

Transfer agents fees for the third quarter of 2018 amounted to \$ 1,939 compared to \$ 1,579 incurred in the corresponding quarter of 2017. Directors' fees for the third quarter of 2018 totalled \$ 6,000 compared to \$ 6,500 for 2017. General office expenses for the third quarter of 2018 amounted to \$ 2,077 compared to \$ 1,944 for 2017. Accretion expenses for the third quarter of 2018 amounted to \$ 105,044 which compared to \$ 2,590 for the third quarter of 2017. The increased charge 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 September 30, 2018 consolidated financial statements. Loan interest and bank charges for the third quarter of 2018 were mainly in connection with interest on the G&F Phelps UK£ loan and amounted to \$ 78,746 compared to \$ 15,507 for the quarter ended September 30, 2017. The higher interest charge for the third quarter was due to the increase in the interest rate charged on the G&F Phelps loan effective April 2018.

**General Administrative Expenses for the Nine Months ended September 30, 2018 and September 30, 2017 are detailed below:**

<b>Expense Account</b>	<b>Nine Months Ended September 30, 2018 \$</b>	<b>Nine Months Ended September 30, 2017 \$</b>
Management & administrative wages	596,141	454,680
Other operating expenses	151,919	158,561
Accounting & corporate	46,730	44,580
Legal & audit	76,950	102,322
Stock-based compensation	185,512	382,478
Shareholder communication and investor relations	148,840	134,605
Transfer agent	8,066	9,159
Directors fees	19,250	20,000
General office	6,499	5,854
Accretion expenses	185,441	7,897
Loan interest and bank charges	175,951	46,472
<b>Total</b>	<b>\$ 1,601,299</b>	<b>\$ 1,366,608</b>

General administrative expenses for the nine months ended September 30, 2018 totalled \$ 1,601,299 compared to \$ 1,366,608 for the nine months ended September 30, 2017.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and the Omagh mine which totalled \$ 596,141 for the nine months ended September 30, 2018 compared to \$ 454,680 for the first nine months of 2017. The higher costs in 2018 are mainly due to the employment of additional administrative personnel during 2018 reflecting the increased level of activity at the Omagh mine. Other operating expenses, the majority of which are also incurred in UK£ at the Omagh mine, and include amongst others professional fees, insurance costs, health and safety training costs and travel, amounted to 151,919 for the nine months ended September 30, 2018 compared to \$ 158,561 for the corresponding period of 2017. Accounting and corporate costs for the first nine months of 2018 amounted to \$ 46,730 compared to \$ 44,580 for the corresponding period of 2017. Legal and audit costs totalled \$ 76,950 for the nine months compared to \$ 102,322 for the first nine months of 2017. Legal costs which were mainly in connection with the aggregates appeal hearing referred to in Note 15 of the financials amounted to \$ 35,009 which compared with \$ 53,337 for

the first nine months of 2017. Audit fees for the nine months amounted to \$ 41,941 compared to \$ 48,985 for the corresponding period of 2017. The lower level of audit fees in 2018 arises from the correction of an overprovision in earlier quarters.

Stock-based compensation costs for the first nine months of 2018 amounted to \$ 185,512 compared to \$ 382,478 for the corresponding period of 2017. Stock based compensation costs were in connection with stock options granted in the first quarter of 2017 and the second quarter of 2018.

Shareholder communication and investor relations costs amounted to \$ 148,840 for the first nine months of 2018 compared to \$ 134,605 for 2017. Shareholder communication and investor relations costs include investor relations, shareholders information, filing fees, listing fees and certain costs in connection with the holding of the Company's AGM. Shareholder communication costs and investor relations costs were higher in the first nine months of 2018 due mainly to increased investor relations costs. Transfer agents fees amounted to \$ 8,066 compared to \$ 9,159 incurred in the first nine months of 2017. Directors' fees totalled \$ 19,250 compared to \$ 20,000 for the first nine months of 2017. General office expenses for the nine months of 2018 amounted to \$ 6,499 compared to \$ 5,854 for 2017.

Accretion expenses for the first nine months of 2018 amounted to \$ 185,441 which compared to \$ 7,897 for the corresponding period of 2017. The increased charge is due to the inclusion of the accretion of the fair value of the 15,000,000 bonus warrants issued in the second quarter of 2018 in connection with the Ocean Partners US\$ 1.6 million loan as set out in Note 10 of the September 30, 2018 consolidated financial statements. Loan interest and bank charges for the first nine months of 2018 which was mainly in connection with interest on the G&F Phelps UK£ loan and amounted to \$ 175,951 compared to \$ 46,472 for the corresponding period of 2017. The increase in the interest charge for the first nine months of 2018 was mainly due to the increased interest rate charged on the G&F Phelps loan effective April 2018.

## **Disclosure of Outstanding Share Data**

At November 23, 2018 there were a total of 209,686,805 shares issued, 15,000,000 warrants with an expiry date of April 2020 and 8,850,000 stock options with expiry dates from June 2020 to April 2023.

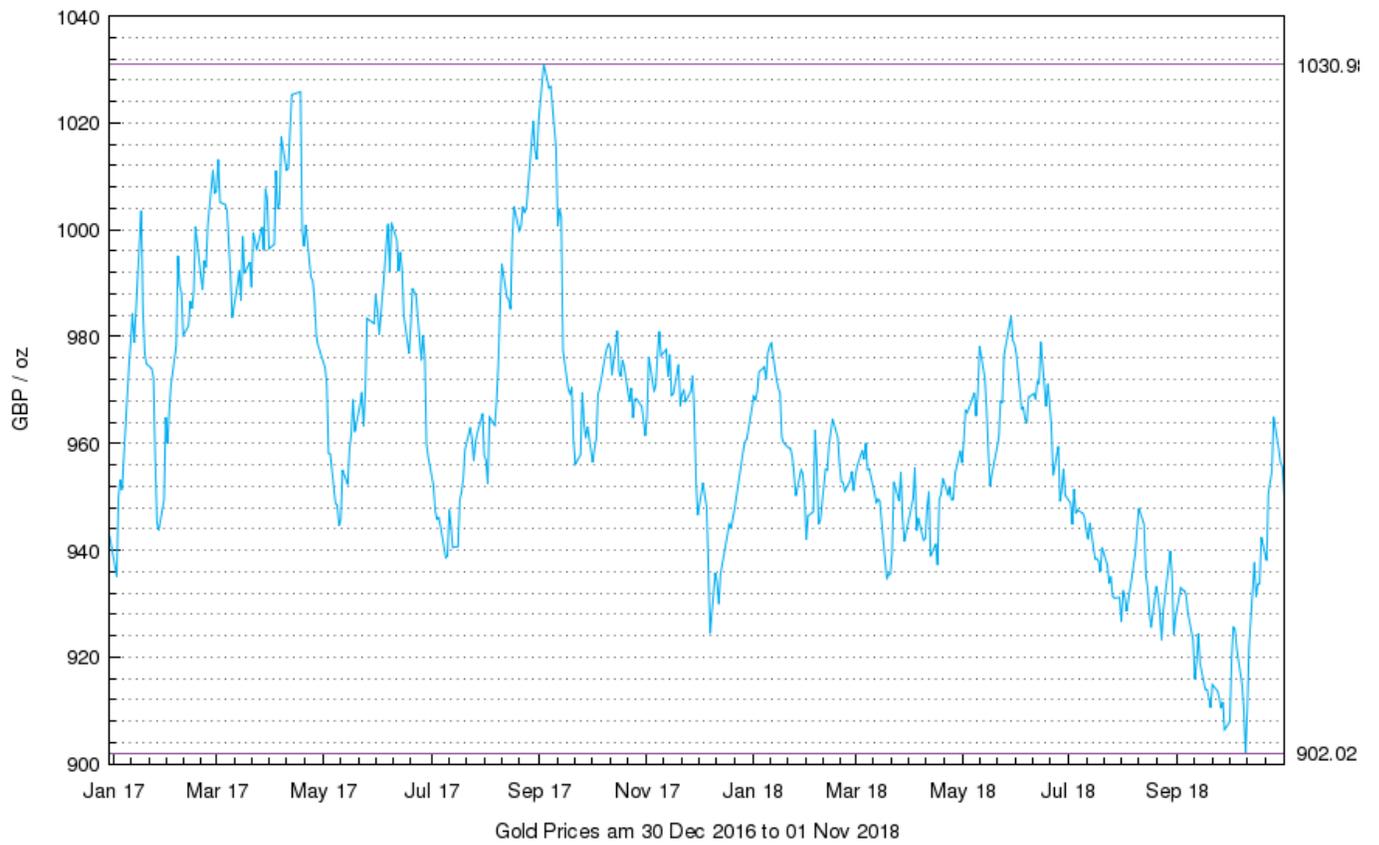
## **Trends Affecting the Company's Business**

### 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. An overall strengthening trend is evident from January 2017 to March 2018, with highs around US\$ 1360. The price declined to lows around US\$1175 in the third quarter of 2018 but has re-bounded to US\$ 1230 in early November 2018.

The second graph shows the gold price expressed in UK£ sterling terms. The gold price in UK£ sterling terms has benefited from the strengthening US dollar/weaker UK£ sterling resulting in the UK£ price remaining relatively steady during the second quarter. The weakening trend evident since June 2018 with a low of UK£ 902 was reversed in October 2018 with early November prices are around UK£ 950 per ounce.

The average gold price for the three months ended September 30, 2018 averaged US\$ 1,212 and UK£ 930 compared to US\$ 1,278 and UK£ 977 for the three months ended September 30, 2017. The average gold price for the nine months ended September 30, 2018 averaged US\$ 1,283 and UK£ 949 compared to US\$ 1,251 and UK£ 981 for the nine months ended September 30, 2017.



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

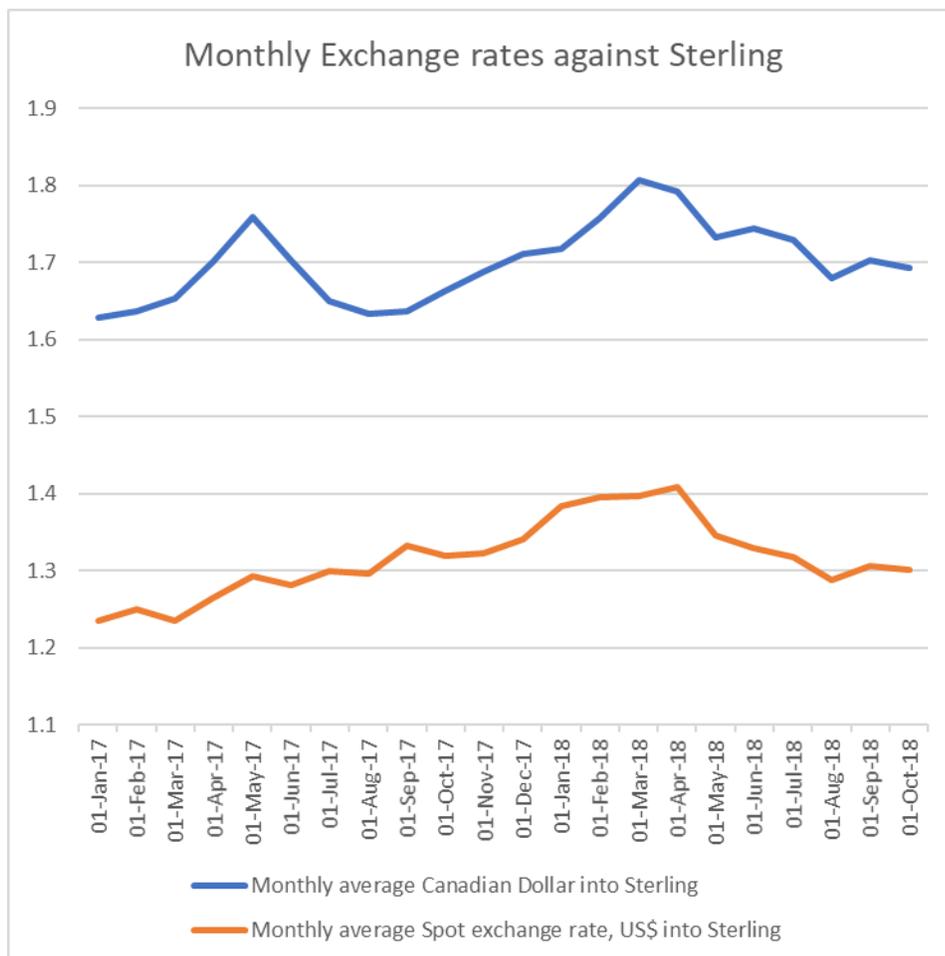
### The US Dollar / UK£ Sterling Currency Exchange Rate

The following graph is drawn from Bank of England data that gives the monthly average spot exchange rate of US\$ to UK£ Sterling. Sales revenues at the Omagh mine (when active) 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 as the US dollar strengthened against most major currencies. Whilst fluctuating on a day to day basis, Sterling has subsequently weakened further against the US dollar into the early fourth quarter of 2018, reaching USD\$ 1.30 by the end of October.

The US dollar averaged \$ 1.30 and \$ 1.35 against UK£ sterling for the third quarter and first nine months of 2018 compared to \$1.31 and \$ 1.28 for the third quarter and first nine months of 2017.

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 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. Since then the Canadian Dollar has been on an overall upwards trend against sterling with an average third quarter exchange rate of CDN\$ 1.70 compared to an average rate of CDN\$ 1.64 for the third quarter of 2017. For the first nine months of 2018 the Canadian dollar averaged \$ 1.74 against sterling compared to CDN\$ 1.67 for the first six months of 2017.

### 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 the first half 2018 and remains weak in the third quarter. Whilst the remaining malaise in this market sector has restricted financing opportunities, Galantas has been able to secure funding arrangements during this period, based upon early cash flow expectations.

In Northern Ireland, the widely acknowledged 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.

### **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, 2017, 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**

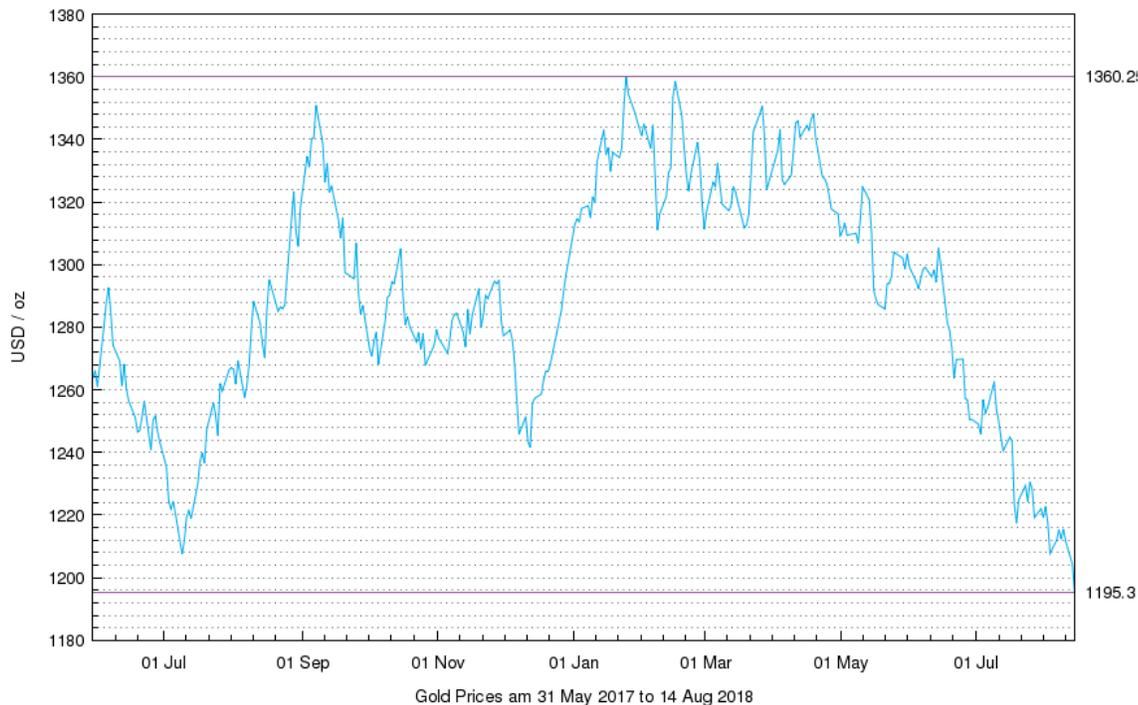
The financial components of this disclosure has been reviewed by Leo O' Shaughnessy (Chief Financial Officer) and the production, exploration and permitting components by Roland Phelps C.Eng. MIMMM (President & CEO), both Qualified Persons under the meaning of NI. 43-101 and AIM rules. The information 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.

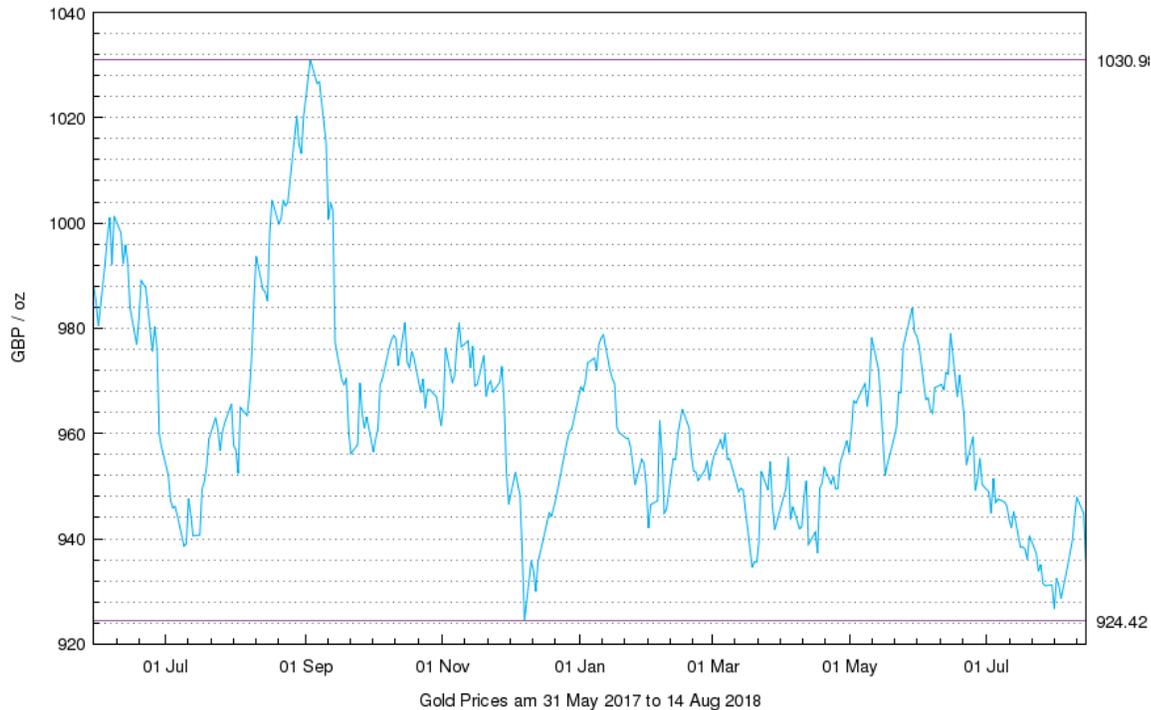
## Gold Price in US Dollars and UK Sterling

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. During 2017 the overall price trend in US\$ had been upward with price levels in early 2018 showing a stabilisation between US\$ 1,300 and \$ 1,360 per ounce helped by a weaker US dollar as exemplified from the graph below. However the gold price weakened in the second quarter and had dipped below \$ 1,300 per ounce by mid May where it would remain for the remainder of the quarter. A strengthening of the US dollar and a second Fed interest rate increase contributed to the price weakness.

The second graph shows the gold price expressed in UK£ sterling terms. The post-Brexit currency devaluation of Sterling against US\$ has marginally ameliorated with the gold price in a range around £950 to £960 per ounce. The gold price in UK£ sterling terms has benefited from the strengthening US dollar/weaker UK£ sterling resulting in the UK£ price remaining relatively steady during the second quarter.

The average gold price for the three months ended June 30, 2018 averaged US\$ 1,307 and UK£ 960 compared to US\$ 1,257 and UK£ 983 for the three months ended June 30, 2017. The average gold price for the six months ended June 30, 2018 averaged US\$ 1,318 and UK£ 957 compared to US\$ 1,238 and UK£ 984 for the six months ended June 30, 2017.





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

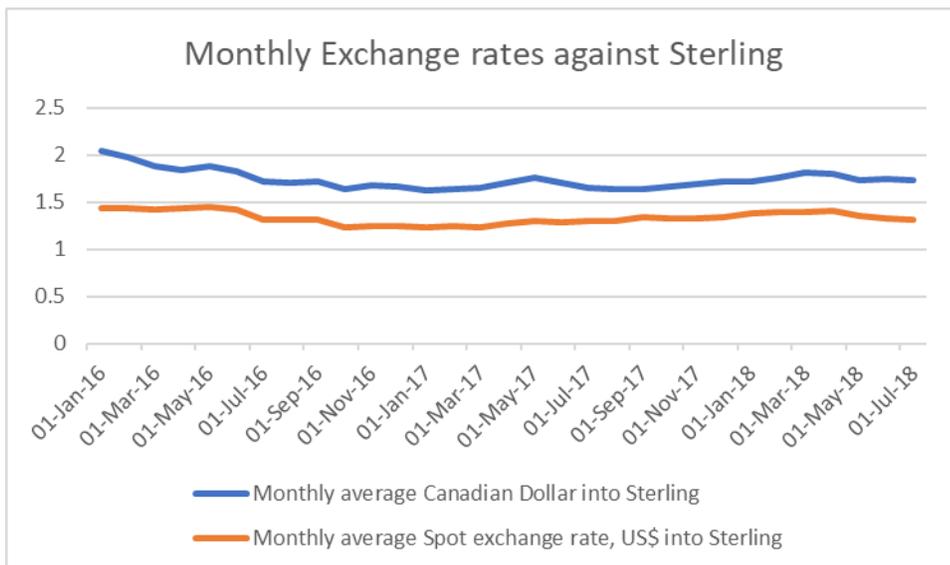
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Since the end of the first quarter of 2017 sterling regained back some of the ground it lost to the US dollar during 2016 and continued to strengthen into the first quarter of 2018. However sterling lost some ground to the US dollar during the second quarter as the US dollar strengthened against most major currencies. Sterling has subsequently weakened further against the US dollar during the third quarter on the back of further US dollar strengthening.

The US dollar averaged \$ 1.36 and \$ 1.38 against UK£ sterling for the second quarter and first six months of 2018 compared to \$1.28 and \$ 1.26 for the second quarter and first six months of 2017.

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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 has been on a marginally weakening trend since then into 2018. The Canadian Dollar averaged \$ 1.76 against sterling during the three months ended June 30, 2018 compared to \$1.72 for the second quarter of 2017. For the first six months of 2018 the Canadian dollar averaged \$ 1.76 against sterling compared to \$ 1.68 for the first six months of 2017.

### 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 the first half 2018. Whilst the remaining malaise in this market sector has restricted financing opportunities, Galantas has been able to secure funding arrangements during this period, based upon early cash flow expectations.

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### **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.