GALANTAS GOLD CORPORATION

Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Galantas Gold Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Galantas Gold Corporation (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $3,012,467 during the year ended December 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 26, 2021

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

As at December 31,		2020		2019
ASSETS				
Current assets				
Cash and cash equivalents	$	**612,094**	$	1,913,420
Accounts receivable and prepaid expenses (note 8)		**594,960**		416,699
Inventories (note 9)		**81,169**		70,328
Total current assets		**1,288,223**		2,400,447
Non-current assets				
Property, plant and equipment (note 10)		**21,158,103**		21,159,716
Long-term deposit (note 12)		**521,430**		515,220
Exploration and evaluation assets (note 11)		**750,741**		661,726
Total non-current assets		**22,430,274**		22,336,662
Total assets	**$**	**23,718,497**	$	24,737,109
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and other liabilities (note 13)	**$**	**1,350,142**	$	2,131,715
Current portion of financing facilities (note 14)		**2,186,272**		242,280
Due to related parties (note 20)		**5,461,893**		4,719,058
Convertible debenture (note 15)		**-**		1,400,594
Total current liabilities		**8,998,307**		8,493,647
Non-current liabilities				
Non-current portion of financing facilities (note 14)		**-**		1,440,185
Decommissioning liability (note 12)		**598,275**		580,303
Total non-current liabilities		**598,275**		2,020,488
Total liabilities		**9,596,582**		10,514,135
Equity				
Share capital (note 16(a)(b))		**52,933,594**		50,123,910
Reserves		**9,734,121**		9,416,412
Deficit		**(48,545,800)**		(45,317,348)
Total equity		**14,121,915**		14,222,974
Total equity and liabilities	**$**	**23,718,497**	$	24,737,109

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

Going concern (note 1)
Contingency (note 22)
Events after the reporting period (note 23)

Approved on behalf of the Board:
"Roland Phelps" , Director "Jim Clancy" , Director

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

	Year Ended December 31, 2020	2019
Revenues		
Jewellery sales (note 18)	**$ -**	$ 5,788
Cost and expenses of operations		
Cost of sales	**127,868**	221,691
Depreciation (note 10)	**355,196**	457,134
	483,064	678,825
Loss before general administrative and other expenses	**(483,064)**	(673,037)
General administrative expenses		
Management and administration wages (note 20)	**565,440**	902,822
Other operating expenses	**246,587**	436,585
Accounting and corporate	**63,364**	63,897
Legal and audit	**118,068**	74,690
Stock-based compensation (note 16(d))	**9,802**	321,433
Shareholder communication and investor relations	**198,513**	209,903
Transfer agent	**67,590**	11,206
Director fees (note 20)	**35,000**	35,500
General office	**13,666**	11,653
Accretion expenses (notes 12, 14 and 15)	**711,871**	271,365
Loan interest and bank charges less deposit interest (notes 14, 15 and 20)	**575,376**	351,898
	2,605,277	2,690,952
Other expenses		
Foreign exchange loss	**92,621**	16,659
Impairment of exploration and evaluation assets (note 11)	**47,490**	155,482
Loss on disposal of property, plant and equipment	**-**	28,479
	140,111	200,620
Net loss for the year	**$ (3,228,452)**	$ (3,564,609)
Basic and diluted net loss per share (note 17)	**$ (0.09)**	$ (0.12)
Weighted average number of common shares outstanding - basic and diluted (i)	**34,034,582**	30,819,025

(i) Adjusted for 10:1 share consolidation effective April 17, 2020 (note 17).

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

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

	Year Ended December 31, 2020	2019
Net loss for the year	**$ (3,228,452)**	$ (3,564,609)
Other comprehensive income (loss)		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	**215,985**	(116,262)
Total comprehensive loss	**$ (3,012,467)**	$ (3,680,871)

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

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

	Year Ended December 31, 2020	2019
Operating activities		
Net loss for the year	**$ (3,228,452)**	$ (3,564,609)
Adjustment for:		
Depreciation (note 10)	**355,196**	457,134
Stock-based compensation (note 16(d))	**9,802**	321,433
Accrued interest (notes 14, 15 and 20)	**572,060**	359,293
Foreign exchange loss	**282,374**	145,357
Accretion expenses (notes 12, 14 and 15)	**711,871**	271,365
Impairment of exploration and evaluation assets (note 11)	**47,490**	155,482
Loss on disposal of property, plant and equipment	**-**	28,479
Non-cash working capital items:		
Accounts receivable and prepaid expenses	**(171,310)**	(135,992)
Inventories	**(9,874)**	(60,078)
Accounts payable and other liabilities	**(795,025)**	(96,138)
Due to related parties	**367,480**	313,906
Net cash and cash equivalents used in operating activities	**(1,858,388)**	(1,804,368)
Investing activities		
Purchase of property, plant and equipment	**(103,567)**	(6,417,630)
Proceeds from sale of property, plant and equipment	**-**	981,905
Exploration and evaluation assets	**(129,031)**	(70,836)
Net cash and cash equivalents used in investing activities	**(232,598)**	(5,506,561)
Financing activities		
Proceeds of private placements (note 16(b))	**637,454**	1,600,000
Proceeds from convertible debenture (note 15)	**-**	1,731,190
Share issue costs (notes 15 and 16(b))	**(67,428)**	(209,048)
Proceeds from financing facilities (note 14)	**262,460**	-
Repayment of financing facilities (note 14)	**(49,705)**	(56,854)
Net cash and cash equivalents provided by financing activities	**782,781**	3,065,288
Net change in cash and cash equivalents	**(1,308,205)**	(4,245,641)
Effect of exchange rate changes on cash held in foreign currencies	**6,879**	(29,493)
Cash and cash equivalents, beginning of year	**1,913,420**	6,188,554
Cash and cash equivalents, end of year	**$ 612,094**	$ 1,913,420

Cash	**$ 612,094**	$ 1,913,420
Cash equivalents	**-**	-
Cash and cash equivalents	**$ 612,094**	$ 1,913,420

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

Galantas Gold Corporation

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital	Reserves: Warrants reserve	Reserves: Equity settled share-based payments reserve	Reserves: Foreign currency translation reserve	Reserves: Equity component of convertible debenture	Deficit	Total
Balance, December 31, 2018	**$ 48,628,055**	**$ 786,000**	**$ 7,264,147**	**$ 913,016**	**$ -**	**$(41,752,739)**	**$ 15,838,479**
Shares issued in private placement (note 16(b)(i))	1,600,000	-	-	-	-	-	1,600,000
Share issue costs	(104,145)	-	-	-	-	-	(104,145)
Convertible debenture issued (note 15)	-	-	-	-	248,078	-	248,078
Stock-based compensation (note 16(d))	-	-	321,433	-	-	-	321,433
Exchange differences on translating foreign operations	-	-	-	(116,262)	-	-	(116,262)
Net loss for the year	-	-	-	-	-	(3,564,609)	(3,564,609)
Balance, December 31, 2019	**50,123,910**	**786,000**	**7,585,580**	**796,754**	**248,078**	**(45,317,348)**	**14,222,974**
Shares issued in private placement (note 16(b)(ii))	637,454	-	-	-	-	-	637,454
Warrants issued (note 14(ii))	-	340,000	-	-	-	-	340,000
Share issue costs	(67,428)	-	-	-	-	-	(67,428)
Convertible debenture converted (note 15)	2,239,658	-	-	-	(248,078)	-	1,991,580
Stock-based compensation (note 16(d))	-	-	9,802	-	-	-	9,802
Expiry of warrants	-	(786,000)	786,000	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	215,985	-	-	215,985
Net loss for the year	-	-	-	-	-	(3,228,452)	(3,228,452)
Balance, December 31, 2020	**$ 52,933,594**	**$ 340,000**	**$ 8,381,382**	**$ 1,012,739**	**$ -**	**$(48,545,800)**	**$ 14,121,915**

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

1. Going Concern

These consolidated financial statements have been prepared on a going concern basis which contemplates that Galantas Gold Corporation (the "Company") will be able to realize assets and discharge liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast doubt on the Company's ability to continue as a going concern. The Company's future viability depends on the consolidated results of the Company's wholly-owned subsidiary Cavanacaw Corporation ("Cavanacaw"). Cavanacaw has a 100% shareholding in both Flintridge Resources Limited ("Flintridge") who are engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland and Omagh Minerals Limited ("Omagh") who are engaged in the exploration of gold properties, mainly in the Republic of Ireland. The Omagh mine has an open pit mine, which was in production until 2013 when production was suspended and is reported as property, plant and equipment and as an underground mine which having established technical feasibility and commercial viability in December 2018 has resulted in associated exploration and evaluation assets being reclassified as an intangible development asset and reported as property, plant and equipment.

The going concern assumption is dependent upon forecast cash flows being met, further financing currently being negotiated**.** The directors assumptions in relation to future levels of production, gold prices and mine operating and capital costs are crucial to forecast cash flows being achieved. Should production be significantly delayed, revenues fall short of expectations or operating costs and capital costs increase significantly, there may be insufficient cash flows to sustain day to day operations without seeking further finance.

Negotiations with current finance providers to extend short-term loans are progressing satisfactory. The Company is also in advanced negotiations with potential new investors to meet the financial requirements of the Company for the foreseeable future. Based on the financial projections prepared, the directors believe it's appropriate to prepare the consolidated financial statements on the going concern basis.

As at December 31, 2020, the Company had a deficit of $48,545,800 (December 31, 2019 - $45,317,348). Comprehensive loss for the year ended December 31, 2020 was $3,012,467 (year ended December 31, 2019 - $3,680,871). These conditions raise material uncertainties which may cast significant doubt as to whether the Company will be able to continue as a going concern. Management is confident that it will continue as a going concern. However, this is subject to a number of factors including market conditions.

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

2. Incorporation and Nature of Operations

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

2. Incorporation and Nature of Operations (Continued)

The Company entered into an agreement on April 17, 2000, approved by shareholders on June 26, 2000, whereby Cavanacaw, a private Ontario corporation, acquired Omagh. Cavanacaw has established an open pit mine to extract the Company's gold deposit near Omagh, Northern Ireland. Cavanacaw also has developed a premium jewellery business founded on the gold produced under the name Galántas Irish Gold Limited ("Galántas"). As at July 1, 2007, the Company's Omagh mine began production and in 2013 production was suspended. On April 1, 2014, Galántas amalgamated its jewelry business with Omagh.

On April 8, 2014, Cavanacaw acquired Flintridge. Following a strategic review of its business by the Company during 2014 certain assets owned by Omagh were acquired by Flintridge.

On April 17, 2020, the Company completed a share consolidation of its share capital on the basis of ten existing common shares for one new common share consolidation.

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

The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and London Stock Exchange AIM under the symbol GAL. The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

3. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The Board of Directors approved the consolidated financial statements on April 26, 2021.

(b) Basis of presentation

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

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

3. Basis of Preparation (Continued)

(c) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. An investor controls an investee if the investor has the power over the investee, has the exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

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

Company	Registered	Principal activity
Galantas Gold Corporation	Ontario, Canada	Parent company
Cavanacaw Corporation (1)	Ontario, Canada	Holding company
Omagh Minerals Limited (2)(3)	Northern Ireland	Operating company
Galántas Irish Gold Limited (2)(4)	Northern Ireland	Dormant company
Flintridge Resources Limited (2)(5)	United Kingdom	Operating company

(1) 100% owned by Galantas Gold Corporation;
(2) 100% owned by Cavanacaw Corporation;
(3) Referred to as Omagh (as defined herein);
(4) Referred to as Galántas (as defined herein); and
(5) Referred to as Flintridge (as defined herein).

(d) Functional and presentation currency

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

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

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Closing rate (GBP to CAD)	1.7381	1.7174
Average for the year	1.7199	1.6945

3. Basis of Preparation (Continued)

(e) Use of estimates and judgments

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

Critical accounting estimates

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

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of property, plant and equipment in the consolidated statements of financial position. The Omagh underground mine and the open pit mine are considered as one Cash generating unit ("CGU") and were tested for impairment at year end. The calculations of the recoverable amount of CGU determined using the value-in-use method require the use of methods such as the discounted cash flow method, which uses assumptions to estimate future cash flows. Significant assumptions applied in the discounted cash flow calculation include: discount rate, foreign exchange rate, gold sale price, grade of ore mined, mill throughput and mill recovery rate. No impairment was noted.
- the estimated life of the Omagh underground mine ore body based on the estimated recoverable ounces or pounds mined from proven and probable reserves of the mine development costs which impacts the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- stock-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including volatility, which is an estimate based on historical price of the Company's share, the forfeiture rate and expected life of the instruments;
- warrants – management is required to make a number of estimates when determining the fair value of the warrants, including volatility, the forfeiture rate and expected life of the instruments;
- convertible debenture is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue is calculated as the discounted cash flows for the convertible debenture assuming a 18% effective interest rate which was the estimated rate for a debenture without a conversion feature. The fair value of the equity component was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components. The transaction costs incurred to obtain the credit facility are pro-rated between equity and debt liability;

3. Basis of Preparation (Continued)

(e) Use of estimates and judgments (continued)

Critical accounting estimates (continued)

- 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 and constructive obligations. 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. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined primary economic environment;
- exploration and evaluation assets - the determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors;
- 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;
- Going concern assumption – Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due; and
- Whether there are any indicators that the Company’s property, plant and equipment assets and exploration and evaluation assets are impaired. Where an indicator of impairment exists for its non-current assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above.

4. Significant Accounting Policies

(a) Foreign currency transactions

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

4. Significant Accounting Policies (Continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

(c) Financial instruments

Under IFRS 9 - Financial Instruments ("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").

Below is a summary showing the classification and measurement bases of our financial instruments.

Financial instruments	Classification
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Long-term deposit	Amortized cost
Accounts payable and other liabilities	Amortized cost
Financing facilities	Amortized cost
Due to related parties	Amortized cost
Convertible debenture	Amortized cost

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

The Company's cash and cash equivalents is classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's accounts receivable and long-term deposit are classified as financial assets measured at amortized cost.

iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

4. Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and other liabilities, financing facilities, due to related parties and convertible debenture does not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(d) Impairment of non-financial assets

When events or circumstances indicate that the carrying value may not be recoverable, the Company reviews the carrying amounts of its non-financial assets to determine whether events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The estimated recoverable amount is determined on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the recoverable amount is estimated at the CGU level.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased up to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

4. Significant Accounting Policies (Continued)

(e) Property, plant and equipment

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

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

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

Detail	Percentage	Method
Buildings	20%	Declining balance
Plant and machinery	20%	Declining balance
Motor vehicles	25%	Declining balance
Office equipment	15%	Declining balance
Development assets		No depreciation

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

(f) Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

(g) Exploration and evaluation assets

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

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

4. Significant Accounting Policies (Continued)

(g) Exploration and evaluation assets (continued)

Exploration and evaluation assets are allocated to CGU for the purpose of assessing such assets for impairment. At the end of each reporting period, the asset is reviewed for impairment indicators in accordance with IFRS 6.20:

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

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

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

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

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

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

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

4. Significant Accounting Policies (Continued)

(h) Stripping costs

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

(i) Inventories

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

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

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

(j) Revenue recognition

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

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

(k) Provisions

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

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

4. Significant Accounting Policies (Continued)

(l) Share-based compensation transactions

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

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

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

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

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

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

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

The dilutive effect of outstanding options (if any) is reflected as additional dilution in the computation of loss per share.

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

4. Significant Accounting Policies (Continued)

(m) Income taxes

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

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

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

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

(n) Convertible debentures

The component parts of convertible debentures (e.g., debt issued with a conversion feature) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed number of the Company’s own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without conversion features. This amount is recorded as a liability on the amortized cost basis using the effective interest method until extinguished or at the instrument’s maturity date.

The conversion features classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, conversion features and warrants classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the conversion feature remains unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit.

Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

4. Significant Accounting Policies (Continued)

(o) Decommissioning liability

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

(p) Loss per share

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

(q) Accounting pronouncements adopted during the year

IFRS 3, Business Combinations ("IFRS 3")

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

4. Significant Accounting Policies (Continued)

(q) Accounting pronouncements adopted during the year (continued)

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

5. Capital Risk Management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, comprising share capital, reserves and deficit which at December 31, 2020 totaled $14,121,915 (December 31, 2019 - $14,222,974). 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 future sales revenues, operating expenditures, and other investing and financing activities. The forecast is updated based on its operating and 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 year ended December 31, 2020. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

6. Financial and Property Risk Management

Property risk

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

6. Financial and Property Risk Management (Continued)

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk and sales concentration, 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 and cash equivalents, accounts receivable and long-term deposit. Cash and long-term deposit are held with financial institutions and the United Kingdom Crown, respectively, from which management believes the risk of loss to be minimal. All the revenue from sales are from one customer and the accounts receivable consist mainly of a trade account receivable from one 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 December 31, 2020, the Company had working capital deficit of $7,710,084 (December 31, 2019 - working capital deficit of $6,093,200). 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 and the financing liabilities.

Considering the economic impingement on the Company's operations, the Company is seeking strategic alternatives including reviewing its licenses and operations; and considering the possibility of engaging in a sale, joint venture, partnership or other options with third parties and alternative financing structures.

(iii) Market risk

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

(a) Interest rate risk

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

6. Financial and Property Risk Management (Continued)

Financial risk (continued)

(iii) Market risk (continued)

(b) Foreign currency risk

Certain of the Company's assets, liabilities are designated in GBP and expenses are incurred in GBP which is the currency of Northern Ireland and the United Kingdom while the Company's primary revenues are received in the currency of United States and are therefore subject to gains and losses due to fluctuations in these currencies against the functional currency. The loan from third party is designated in US dollars.

(c) Commodity price risk

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

Sensitivity analysis

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

(i) Certain related party loans and a loan facility with a third party are subject to interest rate risk. As at December 31, 2020, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the year ended December 31, 2020, would have been approximately $71,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans and a loan facility. Similarly, as at December 31, 2020, shareholders' equity would have been approximately $71,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans and a loan facility.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, long-term deposit, accounts payable and other liabilities, financing liability and due to related parties that are denominated in GBP. As at December 31, 2020, had the GBP weakened/strengthened by 5% against the CAD with all other variables held constant, the Company's consolidated other comprehensive income (loss) for the year ended December 31, 2020 would have been approximately $251,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2020, shareholders' equity would have been approximately $251,000 higher/lower had the GBP weakened/strengthened by 5% against the CAD as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments.

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce production of its mineral resources, which could have a material and adverse effect on the Company's value. Management believes that the impact would be immaterial for the year ended December 31, 2020.

(Expressed in Canadian Dollars)

7. Categories of Financial Instruments

As at December 31,	2020	2019
Financial assets:		
FVTPL		
Cash and cash equivalents	**$ 612,094**	$ 1,913,420
Amortized cost		
Accounts receivable	**355,919**	347,079
Long-term deposit	**521,430**	515,220
Financial liabilities:		
Amortized cost		
Accounts payable and other liabilities	**1,350,142**	2,131,715
Financing facilities	**2,186,272**	1,682,465
Due to related parties	**5,461,893**	4,719,058
Convertible debenture	**-**	1,400,594

As of December 31, 2020 and 2019, the fair value of all the Company's financial instruments approximates the carrying value.

8. Accounts Receivable and Prepaid Expenses

As at December 31,	2020	2019
Sales tax receivable - Canada	**$ 3,987**	$ 2,682
Valued added tax receivable - Northern Ireland	**56,422**	93,864
Accounts receivable	**295,510**	250,533
Prepaid expenses	**239,041**	69,620
	$ 594,960	$ 416,699

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

The following is an aged analysis of receivables:

As at December 31,	2020	2019
Less than 3 months	**$ 120,085**	$ 235,934
3 to 12 months	**117,615**	108,674
More than 12 months	**118,219**	2,471
Total accounts receivable	**$ 355,919**	$ 347,079

9. Inventories

As at December 31,	2020	2019
Concentrate inventories	**$ 81,169**	$ 70,328

(Expressed in Canadian Dollars)

10. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Development assets (i)	Total
Balance, December 31, 2018	$ 2,406,174	$ 6,188,611	$ 166,362	$ 154,396	$ 14,696,413	**$ 23,611,956**
Additions	-	1,807,493	30,771	37,092	4,542,274	**6,417,630**
Disposals	-	(1,036,502)	(33,968)	-	-	**(1,070,470)**
Foreign exchange adjustment	(36,564)	(93,527)	(2,528)	(2,346)	(221,783)	**(356,748)**
Balance, December 31, 2019	2,369,610	6,866,075	160,637	189,142	19,016,904	**28,602,368**
Additions	-	2,781	-	-	1,892,995	**1,895,776**
Cash receipts from concentrate sales	-	-	-	-	(1,792,209)	**(1,792,209)**
Foreign exchange adjustment	28,561	82,352	1,934	2,280	227,986	**343,113**
Balance, December 31, 2020	$ 2,398,171	$ 6,951,208	$ 162,571	$ 191,422	$ 19,345,676	**$ 29,049,048**

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Development assets (i)	Total
Balance, December 31, 2018	$ 1,975,045	$ 4,936,580	$ 111,910	$ 100,920	$ -	**$ 7,124,455**
Depreciation	9,742	414,756	19,351	13,285	-	**457,134**
Disposals	-	(45,590)	(14,497)	-	-	**(60,087)**
Foreign exchange adjustment	(29,880)	(46,177)	(1,439)	(1,354)	-	**(78,850)**
Balance, December 31, 2019	1,954,907	5,259,569	115,325	112,851	-	**7,442,652**
Depreciation	7,910	322,574	13,252	11,460	-	**355,196**
Foreign exchange adjustment	23,644	66,443	1,530	1,480	-	**93,097**
Balance, December 31, 2020	$ 1,986,461	$ 5,648,586	$ 130,107	$ 125,791	$ -	**$ 7,890,945**

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Development assets (i)	Total
Balance, December 31, 2019	$ 414,703	$ 1,606,506	$ 45,312	$ 76,291	$ 19,016,904	**$ 21,159,716**
Balance, December 31, 2020	$ 411,710	$ 1,302,622	$ 32,464	$ 65,631	$ 19,345,676	**$ 21,158,103**

(Expressed in Canadian Dollars)

10. Property, Plant and Equipment (Continued)

(i) Development assets are expenditures for the underground mining operations in Omagh.

11. Exploration and Evaluation Assets

Cost		Exploration and evaluation assets
Balance, December 31, 2018	$	760,023
Additions		70,836
Impairment		(157,583)
Foreign exchange adjustment		(11,550)
Balance, December 31, 2019		661,726
Additions		129,031
Impairment		(47,490)
Foreign exchange adjustment		7,474
Balance, December 31, 2020	$	750,741

Carrying value		
Balance, December 31, 2019	$	661,726
Balance, December 31, 2020	$	750,741

12. Decommissioning Liability

The Company's decommissioning liability is a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at December 31, 2020 based on a risk-free discount rate of 1% (December 31, 2019 - 1%) and an inflation rate of 1.50% (December 31, 2019 - 1.50%). The expected undiscounted future obligations allowing for inflation are GBP 330,000 and based on management's best estimate the decommissioning is expected to occur over the next 5 to 10 years. On December 31, 2020, the estimated fair value of the liability is $598,275 (December 31, 2019 - $580,303). Changes in the provision during the year ended December 31, 2020 are as follows:

As at December 31,		2020		2019
Decommissioning liability, beginning of year	**$**	**580,303**	$	578,242
Accretion		**10,863**		10,702
Foreign exchange		**7,109**		(8,641)
Decommissioning liability, end of year	**$**	**598,275**	$	580,303

As required by the Crown in Northern Ireland, the Company is required to provide a bond for reclamation related to the Omagh mine in the amount of GBP 300,000 (December 31, 2019 - GBP 300,000), of which GBP 300,000 was funded as of December 31, 2020 (GBP 300,000 was funded as of December 31, 2019) and reported as long-term deposit of $521,430 (December 31, 2019 - $515,220).

(Expressed in Canadian Dollars)

13. Accounts Payable and Other Liabilities

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

As at December 31,		**2020**		**2019**
Accounts payable	**$**	**423,630**	$	1,084,574
Accrued liabilities		**926,512**		1,047,141
Total accounts payable and other liabilities	**$**	**1,350,142**	$	2,131,715

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

As at December 31,		**2020**		**2019**
Less than 3 months	**$**	**432,946**	$	1,232,089
3 to 12 months		**76,800**		221,328
12 to 24 months		**161,327**		357,073
More than 24 months		**679,069**		321,225
Total accounts payable and other liabilities	**$**	**1,350,142**	$	2,131,715

14. Financing Facilities

Amounts payable on the Company's long-term debts are as follow:

As at December 31,		**2020**		**2019**
Financing facilities, beginning of period (i)(ii)	**$**	**1,440,185**	$	1,081,190
Financing facility received (ii)		**262,460**		-
Less bonus warrants issued (ii)		**(340,000)**		-
Less current portion		**(2,186,272)**		(242,280)
Repayment of financing facilities		**(49,705)**		(56,854)
Accretion (ii)		**360,452**		248,238
Interest (ii)		**214,377**		279,151
Foreign exchange adjustment		**298,503**		130,740
Financing facilities - long term portion	**$**	**-**	$	1,440,185

(i) In June 2015, the Company obtained financing in the amount of GBP 19,900 for the purchase of a vehicle. The financing is for three years at interest of 6.79% per annum with monthly principal and interest payments of GBP 377 together with a final payment in August 2019 of GBP 9,540. The financing was secured on the vehicle.

14. Financing Facilities (Continued)

(ii) In April 2018, the Company signed a concentrate pre-payment agreement and loan facility for US$1.6 million with a United Kingdom based company (the "Lender"), with a maturity date of December 31, 2020. The interest is set at US$ 12 month LIBOR + 8.75% and payable monthly. No interest shall be charged for 6 months and repayments shall commence against deliveries in 2019. There was a US$25,000 arrangement fee.

In respect of the loan facility, a fixed and floating security, subordinated to an existing security to G&F Phelps Ltd. ("G&F Phelps"), is being put in place over Flintridge assets. G&F Phelps has a first charge on Flintridge assets in respect of its loan facility and the Lender required an intercreditor agreement between G&F Phelps and the Lender.

As consideration for the loan facility, the United Kingdom based company received 1,500,000 bonus warrants of the Company. Each bonus warrant is exercisable into one common share of the Company and is subject to an initial four months plus one day hold period from the date of issuance of the bonus warrants. The bonus warrants have a maximum life of two years (the "Expiry Time"). On April 19, 2018, the 1,500,000 bonus warrants were granted. In the event that the weighted average closing price per common share of the Company is more than $2.00 per share for more than five consecutive trading days, the Company shall be entitled to accelerate the Expiry Time to a date that is 30 days from the date on which the Company announces the accelerated Expiry Time by press release.

The fair value of the 1,500,000 bonus warrants was estimated at $786,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 113.55%, risk-free interest rate - 1.91% and an expected average life of 2 years.

On July 9, 2020, the Company amended the terms of its loan facility of an increase in the outstanding loan facility. The amount of the loan facility increased by US$200,000 to a total of US$1.8 million. On November 12, 2020, the additional US$200,000 loan facility was drawn down by the Company. The interest rate applicable on the loan facility increased from US$ 12 month LIBOR + 8.75% to US$ 12 month LIBOR + 9.9% and the maturity date was extended from December 31, 2020 to December 31, 2021. Interest may be rolled into the loan facility until December 31, 2020, at the Company's option.

As consideration for amending the terms of the loan facility, the Lender received on August 14, 2020, 1,700,000 bonus warrants of Galantas ("Bonus Warrants"). Each Bonus Warrant will be exercisable for one common share of Galantas (a "Bonus Share") at an exercise price of $0.33 per Bonus Share. The Bonus Warrants will expire on December 31, 2021 (the "Expiry Date") and the Bonus Shares will be subject to an initial four month plus one day hold period from the date of their issuance. In the event that the weighted average closing price per common share of the Company is more than $0.4125 per share for more than five consecutive trading days, the Company shall be entitled to accelerate the Expiry Date to a date that is 30 days from the date on which the Company announces the accelerated Expiry Date by press release.

The fair value of the 1,700,000 bonus warrants was estimated at $340,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 165.75%, risk-free interest rate - 0.27% and an expected average life of 1.38 years.

During the year ended December 31, 2020, the Company recorded accretion expense of $360,452 in the consolidated statements of loss in regards with this loan facility (year ended December 31, 2019 - $248,238).

During the year ended December 31, 2020, the Company recorded interest expense of $214,377 in the consolidated statements of loss in regards with this loan facility (year ended December 31, 2019 - $279,151).

During the year ended December 31, 2020, the Company recorded a repayment of $49,705 in regards with this loan facility (year ended December 31, 2019 - $56,854).

(Expressed in Canadian Dollars)

15. Convertible Debenture

On December 17, 2019, the Company closed a $1,731,190 (GBP 1,000,000) convertible debenture. The convertible debenture is unsecured, is for a term of one year commencing on the date that it is issued, carries a coupon of 15% per annum and is convertible into common shares of the Company. The conversion price is a 25% discount to the closing price of the common shares of the Company on the day prior to announcement.

The convertible debenture has been fully subscribed by Melquart Limited ("Melquart"), an insider and control person of the Company (as defined by the TSXV). Melquart are under no obligation to convert the convertible debenture and should Melquart choose not to convert, the Company will need to raise further funds to repay the convertible debenture within 12 months. As at December 31, 2019, Melquart held 7,756,572 common shares equivalent to 24% of the Company.

The share issued pursuant to the convertible debenture will rank pari passu with the existing common shares issued by the Company.

Commission payable to Whitman Howard Ltd. for acting as the broker in relation to the convertible debenture offering total $86,308 (GBP 50,000).

The debentures consist of the liability component and equity component. The fair value of the liability was recorded at $1,467,110, discounted at an effective interest rate of 18%. The residual value of the debentures is allocated to the conversion feature. The value of the conversion feature was $264,080. The Company incurred transaction costs of $104,903 which was allocated pro-rata on the value of the conversion feature and the liability component.

During the year ended December 31, 2020, the Company recorded accretion expense of $340,556 (year ended December 31, 2019 - $12,425) and interest expense of $250,430 (year ended December 31, 2019 - $9,960) as loan interest and bank charges less deposit interest in the consolidated statement of loss.

On December 21, 2020, the convertible debenture was converted into 11,410,933 common shares of the Company. The convertible debenture carried a 15% coupon and was exercisable at a 25% discount to the market price. The capital an interest accruing on the debenture totals GBP1,150,000 ($1,991,580). Following the issuance, Melquart held 20,673,528 common shares, representing 44.4% of the issued share capital of the Company and the debenture was satisfied in full (refer to note 20(c)).

Balance, December 31, 2018	**$ -**
Principal amount	1,731,190
Equity allocation - conversion feature	(264,080)
Transaction costs	(104,903)
Transaction costs allocated to equity	16,002
Interest expense	9,960
Accretion expense	12,425
Balance, December 31, 2019	**1,400,594**
Interest expense	250,430
Accretion expense	340,556
Conversion to common shares	(1,991,580)
Balance, December 31, 2020	**$ -**

(Expressed in Canadian Dollars)

16. Share Capital and Reserves

a) Authorized share capital

At December 31, 2020, the authorized share capital consisted of an unlimited number of common and preference shares issuable in Series.

On April 17, 2020, the Company completed a share consolidation of its share capital on the basis of ten then existing common shares for one new common share consolidation.

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

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

b) Common shares issued

At December 31, 2020, the issued share capital amounted to $52,933,594. The change in issued share capital for the years presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2018	**29,968,531**	**$ 48,628,055**
Shares issued in private placement (i)	2,352,941	1,600,000
Share issue costs	-	(104,145)
Balance, December 31, 2019	**32,321,472**	**50,123,910**
Shares issued in private placement (ii)	2,833,132	637,454
Share issue costs	-	(67,428)
Convertible debenture converted (note 15)	11,410,933	2,239,658
Balance, December 31, 2020	**46,565,537**	**$ 52,933,594**

(i) On August 21, 2019, the Company closed a private placement of 2,352,941 common shares for gross proceeds of GBP 1,000,000 ($1,600,000) at an issue price of GBP 0.425 (CAD$0.68) per share.

Miton Assets Management Limited ("Miton") subscribed for a total of 376,471 common shares and Miton's staked increased to 15.51% of the Company's issued common shares.

Melquart subscribed for a total of 1,534,117 common shares and Melquart's staked increased to 24.00% of the Company's issued common shares.

(ii) On July 17, 2020, the Company completed a private placement for 2,833,132 common shares at an issue price of $0.225 (UK£0.1328) per share for gross proceeds of $637,454 (GBP 376,240). The net proceeds to be raised by the private placement are intended to be used to support mine operations and provide general working capital of the Company.

The private placement included a subscription by LF Miton UK Smaller Companies Fund, which has subscribed for 527,108 common shares in the private placement and is managed by Premier Fund Managers Ltd (“Premier Miton”). Post-closing, this fund holds 3,222,330 shares, equivalent to 9.17% of the Company’s common shares. The total number of shares controlled by Premier Miton post completion of the private placement is 4,848,243, representing 10.41% of the Company’s enlarged issued and outstanding common shares.

(Expressed in Canadian Dollars)

16. Share Capital and Reserves (Continued)

b) Common shares issued (Continued)

(ii) (continued) The private placement also included a subscription from Melquart, for 1,506,024 common shares, which gives rise to an enlarged holding of 9,262,595 common shares post completion of the private placement, or 26.35% of the Company's enlarged issued and outstanding common shares.

Commission payable to brokers in Canada and the United Kingdom in relation to the private placement totals $33,673 (GBP 19,874).

c) Warrant reserve

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018 and December 31, 2019	**1,500,000**	**$ 1.58**
Issued (note 14(ii))	1,700,000	0.33
Expired	(1,500,000)	1.58
Balance, December 31, 2020	**1,700,000**	**$ 0.33**

The following table reflects the actual warrants issued and outstanding as of December 31, 2020:

Expiry date	Number of warrants	Grant date fair value ($)	Exercise price ($)
December 31, 2021	1,700,000	340,000	0.33

d) Stock options

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

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

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

(Expressed in Canadian Dollars)

16. Share Capital and Reserves (Continued)

d) Stock options (continued)

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

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

	Number of options	Weighted average exercise price
Balance, December 31, 2018	**885,000**	**$ 1.20**
Granted (i)(ii)	570,000	0.90
Expired	(60,000)	1.10
Balance, December 31, 2019	**1,395,000**	**0.92**
Expired	(285,000)	1.05
Cancelled (i)(ii)(iii)	(540,000)	1.01
Balance, December 31, 2020	**570,000**	**$ 1.16**

(i) On February 13, 2019, 320,000 stock options were granted to directors, officers, consultants and employees of the Company to purchase common shares at a price of $0.90 per share until February 13, 2024. The options will vest as to one third on February 13, 2019 and one third on each of the following two anniversaries. The fair value attributed to these options was $247,360 and was expensed in the consolidated statements of loss and credited to equity settled share-based payments reserve. During the year ended December 31, 2020, included in stock-based compensation is $33,352 (year ended December 31, 2019 - $184,426) related to the vested portion of these options. During the year ended December 31, 2020, 175,000 stock options were cancelled and therefore, $22,257 of stock-based compensation was reversed related to the unvested portion of the options cancelled.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 129%; risk-free interest rate - 1.84% and an expected life of 5 years.

(ii) On June 27, 2019, 250,000 stock options were granted to directors and employees of the Company to purchase common shares at a price of $0.90 per share until June 27, 2024. The options will vest as to one third on June 27, 2019 and one third on each of the following two anniversaries. The fair value attributed to these options was $145,500 and was expensed in the consolidated statements of loss and credited to equity settled share-based payments reserve. During the year ended December 31, 2020, included in stock-based compensation is $30,070 (year ended December 31, 2019 - $85,772) related to the vested portion of these options. During the year ended December 31, 2020, 150,000 stock options were cancelled and therefore, $33,246 of stock-based compensation was reversed related to the unvested portion of the options cancelled.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 128%; risk-free interest rate - 1.37% and an expected life of 5 years.

(iii) The portion of the estimated fair value of options granted in the prior years and vested during the year ended December 31, 2020, amounted to $4,334 (year ended December 31, 2019 - $51,235). In addition, during the year ended December 31, 2020, 215,000 options granted in the prior years were cancelled and therefore, $2,451 of stock-based compensation was reversed related to the unvested portion of the options cancelled.

(Expressed in Canadian Dollars)

16. Share Capital and Reserves (Continued)

d) Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2020:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
March 25, 2022	1.35	1.23	320,000	320,000	-
April 19, 2023	1.10	2.30	25,000	25,000	-
February 13, 2024	0.90	3.12	125,000	83,333	41,667
June 27, 2024	0.90	3.49	100,000	66,667	33,333
	1.16	2.09	570,000	495,000	75,000

17. Net Loss per Common Share

The calculation of basic and diluted loss per share for the year ended December 31, 2020 was based on the loss attributable to common shareholders of $3,228,452 (year ended December 31, 2019 - $3,564,609) and the weighted average number of common shares outstanding of 34,034,582 (year ended December 31, 2019 - 30,819,025) for basic and diluted loss per share. Diluted loss did not include the effect of 1,700,000 warrants (year ended December 31, 2019 - 1,500,000) and 570,000 options (year ended December 31, 2019 - 1,395,000) for the year ended December 31, 2020, as they are anti-dilutive.

18. Revenues

Shipments of concentrate under the off-take arrangements commenced during the second quarter of 2019. Concentrate sales provisional revenues during the year ended December 31, 2020 totaled approximately US$1,355,000 (year ended December 31, 2019 - US$1,518,000). However, until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

19. Taxation

(a) Provision for income taxes

The reported recovery of income taxes differs from amounts computed by applying the statutory income tax rates to the reported loss before income taxes due to the following:

Year Ended December 31,	2020	2019
Loss before income taxes	**$ (3,228,452)**	$ (3,564,609)
Expected tax recovery at statutory rate of 26.5% (2019 - 26.5%)	**(855,540)**	(944,621)
Difference resulting from:		
Foreign tax rate differential	**26,361**	180,327
Stock-based compensation	**2,598**	85,180
Change in foreign tax rate	**(1,039,835)**	-
Permanent differences and other	**81,790**	197,669
Tax benefits not recognized	**1,784,626**	481,445
	$ -	$ -

(Expressed in Canadian Dollars)

19. Taxation (Continued)

(b) Deferred tax balances

The temporary differences and unused tax losses that give rise to deferred income tax balances are presented below:

As at December 31,	2020	2019
Deferred income tax assets (liabilities)		
Non-capital losses	**$ 11,776,488**	$ 8,718,385
Share issue costs and other	**1,839**	(14,551)
Non-current assets	**(3,881,944)**	(2,592,077)
Valuation allowance (impairment)	**(7,896,383)**	(6,111,757)
	$ -	$ -

(c) Losses carried forward

As at December 31, 2020, the Company had non-capital losses carried forward, available to offset future taxable income for income tax purposes as follows:

Expires	2026	$ 1,064,484
	2027	598,595
	2029	373,962
	2030	440,512
	2031	993,770
	2032	600,689
	2033	1,100,268
	2034	906,488
	2035	884,526
	2036	901,063
	2037	772,787
	2038	891,330
	2039	1,027,232
	2040	1,311,266
Indefinite		34,526,960
		$ 46,393,932

At December 31, 2020, the potential benefit of these losses and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these consolidated financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

(Expressed in Canadian Dollars)

20. Related Party Disclosures

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

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

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

	Note		Year Ended December 31, 2020		2019
Interest on related party loans	(i)	$	**321,630**	$	349,333

(i) G&F Phelps, a company controlled by a director of the Company, had amalgamated loans to the Company of $3,171,622 (GBP 1,824,764) (December 31, 2019 - $3,133,850 - GBP 1,824,764) included with due to related parties bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. In April 2018, the interest increased to 6.75% + US$ 12 month LIBOR. Interest accrued on related party loans is included with due to related parties. As at December 31, 2020, the amount of interest accrued is $1,339,503 (GBP 770,671) (December 31, 2019 - $1,002,388 - GBP 583,666).

(ii) See note 15.

(iii) See note 16(b).

(b) Remuneration of officer and directors of the Company was as follows:

		Year Ended December 31, 2020		2019
Salaries and benefits [(1)]	$	**470,516**	$	454,096
Stock-based compensation		**9,802**		82,156
	$	**480,318**	$	536,252

[(1)] Salaries and benefits include director fees. As at December 31, 2020, due to directors for fees amounted to $126,536 (December 31, 2019 - $118,500) and due to officers, mainly for salaries and benefits accrued amounted to $782,145 (GBP 458,701) (December 31, 2019 - $464,320 - GBP 270,362), and is included with due to related parties.

(c) As of December 31, 2020, Ross Beaty owns 3,744,747 common shares of the Company or approximately 8.04% of the outstanding common shares. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 4,933,817 common shares of the Company or approximately 10.60% of the outstanding common shares of the Company. Premier Miton owns 4,848,243 common shares of the Company or approximately 10.41%. Melquart owns, directly and indirectly, 20,673,528 common shares of the Company or approximately 44.4% of the outstanding common shares of the Company. The remaining 26.55% of the shares are widely held, which includes various small holdings which are owned by directors of the Company. These holdings can change at anytime at the discretion of the owner.

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

(Expressed in Canadian Dollars)

21. Segment Disclosure

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

December 31, 2020	**United Kingdom**	**Canada**	**Total**
Current assets	$ 1,232,744	$ 55,479	**$ 1,288,223**
Non-current assets	22,373,581	56,793	**22,430,374**
Revenues	$ -	$ -	**$ -**

December 31, 2019	**United Kingdom**	**Canada**	**Total**
Current assets	$ 891,210	$ 1,509,237	**$ 2,400,447**
Non-current assets	22,286,304	50,358	**22,336,662**
Revenues	$ 5,788	$ -	**$ 5,788**

22. Contingency

During the year ended December 31, 2010, the Company's subsidiary Omagh received a payment demand from Her Majesty's Revenue and Customs ("HMRC") in the amount of $528,886 (GBP 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. Omagh Minerals believed this claim to be without merit. An appeal was lodged with the Tax Tribunals Service and the hearing started at the beginning of March 2017 and following a number of adjournments was completed in August 2018. During the year ended December 31, 2019, the Tax Tribunals Service issued their judgement dismissing the appeal by Omagh in respect of the assessments. A provision has now been included in the consolidated financial statements in respect of the aggregates levy plus interest and penalty.

There is a contingent liability in respect of potential additional interest which may be applied in respect of the aggregates levy dispute. Omagh is unable to make a reliable estimate of the amount of the potential additional interest that may be applied by HMRC.

23. Events After the Reporting Period

(i) On February 3, 2021, the Company announced that a formal agreement regarding blasting was reached between the Company and the PSNI. The PSNI have responsibilities regarding the supervision of the use of blasting materials in Northern Ireland.

The agreement provides the potential for a materially improved economic arrangement for an expansion of underground blasting, required for full production, to take place at the Omagh Mine. The agreement has followed a comprehensive review by the PSNI and regulators.

23. Events After the Reporting Period (Continued)

(ii) On April 19, 2021, the Company announced a proposed private placement that will provide for the financing to bring the Omagh mine into full production. The private placements consist of a minimum of 17 to 22 million units at $0.30 per unit, where each unit comprises one common share and one warrant. The minim gross proceeds expected to be raised are $5,100,000 with maximum gross proceeds of $6,600,000. Each warrant will be exercisable into one additional share at an exercise price of $0.40 for 24 months from the closing date of the placement. There will be a four-month hold period on the trading of securities issued in connection with this offering.

The net funds raised will be mainly used for bringing the Omagh mine into full commercial production and for exploration to expand the high-grade gold resources.

Under the terms of the private placement, detailed within a non-binding Letter of Intent and completion of its conditions, Ocean Partners UK Ltd ("Ocean Partners") will subscribe for a minimum of 1,666,667 units of the private placement, for a subscription of $500,000, and to purchase any additional units up to a maximum of $4,500,000 required to reach the minimum gross proceeds from the private placement of $5,100,000, including Melquart's subscription.

Following strong demand for the Private Placement, which was detailed in a press release dated April 19, 2021, this has resulted in a potential over-subscription. The Private Placement maximum (previously a maximum of 22 million "Units" at C$0.30 per Unit (the "Offering Price"), where each Unit comprises one common share and one warrant, has been increased to a maximum of 26,666,667 Units. The minimum gross proceeds expected to be raised remain as C$5,100,000, with maximum gross proceeds of C$8,000,000 (previously C$6,600,000). Each warrant will be exercisable into one additional share at an exercise price of C$0.40 for 24 months from the closing date of the placement. There will be a 4-month hold period on the trading of securities issued in connection with this offering.

In regard to the commitment provided by Ocean Partners, it is expected Ocean will receive fees of $112,500 as a commitment fee equivalent to 2.5% of $4,500,000, and 2.5% of the gross proceeds for the units to which it actually subscribes, in lieu of any finder's fees that would have had to be otherwise paid; both of which will be paid by the issuance of units at the offering price. The Company will bear 75% of certain legal costs incurred by Ocean Partners' legal counsel in the preparation of suitable documentation.

Other than Units sold to Ocean Partners, the Company may pay finder's fees up to 6.5% to other finders in cash or in Units.

On closing of the proposed private placing ("the Closing Date"), Roland Phelps will retire as Galantas' Chief Executive Officer and as a member of the Board of Directors. His role as Chief Executive Officer will be assumed by Mario Stifano. It is expected that Mr Stifano will be nominated as an Ocean Partners representative on the Board of Directors following regulatory approval but it is expected to act as an observer following the Closing Date.

On the Closing Date, the Board of Galantas will appoint an Ocean Partners nominee, Brent Omland, as a Director, to replace Mr. Phelps on the Board, following regulatory approval. He is currently Chief Financial Officer of Ocean Partners.

It is expected that Mr. Phelps will enter into a formal Consultation Agreement with the Company for one year for ongoing Board of Directors and management support.

Offtake Agreement

The existing Offtake Agreement with Ocean Partners is expected to be extended from a minimum total of 50,000 tonnes of concentrate deliveries to a minimum total of 150,000 tonnes and marketed at market rates.

23. Events After the Reporting Period (Continued)

(ii) (continued)

Debt Matters

On the Closing Date, the maturity date of the Ocean Partners loan due on December 31, 2021 will be extended to December 31, 2023. Interest may be deferred and added to the balance outstanding until March 31, 2022, at which point interest will be paid monthly. The 1,700,000 Ocean Partners warrants currently issued will be extended by 24 months to December 31, 2023.

On the Closing Date, the maturity date of the G&F Phelps loan due on June 30, 2021 will be extended to December 31, 2023. Interest may be deferred and added to the balance outstanding until March 31, 2022, at which point interest will be paid monthly. In consideration for extending the loan and deferring interest, G&F Phelps will receive 1,700,000 warrants exercisable into one common share at an exercise price of $0.33, with said warrants expiring on December 31, 2023.

Pursuant to an Intercreditor Agreement between Flintridge, Ocean Partners and G&F Phelps, principal repayments will be repaid on a pari passu basis proportionately to the size of the loans.

The transactions contemplated by the private placement are subject to approval by the Galantas Board of Directors, Ocean Partners Board of Directors, G&F Phelps Board of Directors, and the TSXV, and may be subject to additional regulatory approvals.