



GALANTAS GOLD CORPORATION

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

**(Unaudited)
Three and Six Months Ended June 30, 2020**

NOTICE TO READER

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

Galantas Gold Corporation

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

	As at June 30, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 199,953	\$ 1,913,420
Accounts receivable and prepaid expenses (note 4)	382,906	416,699
Inventories (note 5)	488,128	70,328
Total current assets	1,070,987	2,400,447
Non-current assets		
Property, plant and equipment (note 6)	20,916,589	21,159,716
Long-term deposit (note 8)	504,960	515,220
Exploration and evaluation assets (note 7)	705,668	661,726
Total non-current assets	22,127,217	22,336,662
Total assets	\$ 23,198,204	\$ 24,737,109
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 9)	\$ 1,678,671	\$ 2,131,715
Current portion of financing facilities (note 10)	444,035	242,280
Due to related parties (note 15)	4,968,568	4,719,058
Convertible debenture (note 11)	1,680,119	1,400,594
Total current liabilities	8,771,393	8,493,647
Non-current liabilities		
Non-current portion of financing facilities (note 10)	1,393,877	1,440,185
Decommissioning liability (note 8)	574,062	580,303
Total non-current liabilities	1,967,939	2,020,488
Total liabilities	10,739,332	10,514,135
Equity		
Share capital (note 12(a)(b))	50,123,910	50,123,910
Reserves	9,124,766	9,416,412
Deficit	(46,789,804)	(45,317,348)
Total equity	12,458,872	14,222,974
Total equity and liabilities	\$ 23,198,204	\$ 24,737,109

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

Going concern (note 1)

Contingency (note 17)

Events after the reporting period (note 18)



Galantas Gold Corporation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Jewellery sales (note 14)	\$ -	\$ -	\$ -	\$ -
Cost and expenses of operations				
Cost of sales	31,239	85,482	67,075	155,508
Depreciation (note 6)	84,391	99,085	173,118	186,490
	115,630	184,567	240,193	341,998
Loss before general administrative and other expenses	(115,630)	(184,567)	(240,193)	(341,998)
General administrative expenses				
Management and administration wages (note 15)	143,114	255,618	284,336	447,306
Other operating expenses	57,360	37,054	151,420	82,280
Accounting and corporate	15,109	14,718	29,253	28,613
Legal and audit	28,834	25,872	70,952	41,446
Stock-based compensation (note 12(d))	12,064	76,723	(4,224)	212,063
Shareholder communication and investor relations	45,882	62,836	92,958	110,969
Transfer agent	26,738	5,752	54,474	7,653
Director fees (note 15)	8,500	11,250	14,750	17,500
General office	2,776	3,663	5,489	6,262
Accretion expenses (notes 8, 10 and 11)	164,797	61,983	310,918	119,029
Loan interest and bank charges less deposit interest (notes 10, 11 and 15)	145,553	90,912	297,169	175,689
	650,727	646,381	1,307,495	1,248,810
Other expenses				
Foreign exchange loss (gain)	25,784	60,915	(75,232)	80,572
	25,784	60,915	(75,232)	80,572
Net loss for the period	\$ (792,141)	\$ (891,863)	\$ (1,472,456)	\$ (1,671,380)
Basic and diluted net loss per share (note 13)	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.06)
Weighted average number of common shares outstanding - basic and diluted (i)	32,321,472	29,968,531	32,321,472	29,968,531

(i) Adjusted for 10:1 share consolidation effective April 17, 2020 (note 13).

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

Galantas Gold Corporation

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net loss for the period	\$ (792,141)	\$ (891,863)	\$ (1,472,456)	\$ (1,671,380)
Other comprehensive (loss)				
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(670,131)	(590,394)	(287,422)	(595,376)
Total comprehensive loss	\$ (1,462,272)	\$ (1,482,257)	\$ (1,759,878)	\$ (2,266,756)

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

Galantas Gold Corporation

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

	Six Months Ended June 30,	
	2020	2019
Operating activities		
Net loss for the period	\$ (1,472,456)	\$ (1,671,380)
Adjustment for:		
Depreciation (note 6)	173,118	186,490
Stock-based compensation (note 12(d))	(4,224)	212,063
Interest expense (notes 10, 11 and 15)	295,889	180,717
Foreign exchange loss (gain)	53,274	(91,400)
Accretion expenses (notes 8, 10 and 11)	310,918	119,029
Non-cash working capital items:		
Accounts receivable and prepaid expenses	26,588	(743,079)
Inventories	(427,718)	11,335
Accounts payable and other liabilities	(422,474)	318,134
Due to related parties	168,784	79,013
Net cash and cash equivalents used in operating activities	(1,298,301)	(1,399,078)
Investing activities		
Purchase of property, plant and equipment	(345,669)	(3,392,566)
Exploration and evaluation assets	(57,119)	-
Net cash and cash equivalents used in investing activities	(402,788)	(3,392,566)
Financing activities		
Repayment of financing facilities (note 10)	(8,353)	(22,569)
Net cash and cash equivalents used in financing activities	(8,353)	(22,569)
Net change in cash and cash equivalents	(1,709,442)	(4,814,213)
Effect of exchange rate changes on cash held in foreign currencies	(4,025)	(60,228)
Cash and cash equivalents, beginning of period	1,913,420	6,188,554
Cash and cash equivalents, end of period	\$ 199,953	\$ 1,314,113
Cash	\$ 199,953	\$ 1,314,113
Cash equivalents	-	-
Cash and cash equivalents	\$ 199,953	\$ 1,314,113

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

Galantas Gold Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Reserves						Deficit	Total
	Share capital	Warrants reserve	Equity settled share-based payments reserve	Foreign currency translation reserve	Equity component of convertible debenture			
Balance, December 31, 2018	\$ 48,628,055	\$ 786,000	\$ 7,264,147	\$ 913,016	\$ -	\$(41,752,739)	\$ 15,838,479	
Stock-based compensation (note 12(d))	-	-	212,063	-	-	-	212,063	
Exchange differences on translating foreign operations	-	-	-	(595,376)	-	-	(595,376)	
Net loss for the period	-	-	-	-	-	(1,671,380)	(1,671,380)	
Balance, June 30, 2019	\$ 48,628,055	\$ 786,000	\$ 7,476,210	\$ 317,640	\$ -	\$(43,424,119)	\$ 13,783,786	
Balance, December 31, 2019	\$ 50,123,910	\$ 786,000	\$ 7,585,580	\$ 796,754	\$ 248,078	\$(45,317,348)	\$ 14,222,974	
Stock-based compensation (note 12(d))	-	-	(4,224)	-	-	-	(4,224)	
Expiry of warrants	-	(786,000)	786,000	-	-	-	-	
Exchange differences on translating foreign operations	-	-	-	(287,422)	-	-	(287,422)	
Net loss for the period	-	-	-	-	-	(1,472,456)	(1,472,456)	
Balance, June 30, 2020	\$ 50,123,910	\$ -	\$ 8,367,356	\$ 509,332	\$ 248,078	\$(46,789,804)	\$ 12,458,872	

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



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

1. Going Concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates that Galantas Gold Corporation (the "Company") will be able to realize assets and discharge liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of 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, negotiations for the extension of the short-term loans being finalized, further financing currently being negotiated being completed and blasting arrangement with the Police Service of Northern Ireland ("PSNI") being resolved. The directors assumptions in relation to future levels of production, gold prices and mine operating costs are crucial to forecast cash flows being achieved. Should production be significantly delayed, revenues fall short of expectations or operating costs and capital costs increase significantly, there may be insufficient cash flows to sustain day to day operations without seeking further finance.

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 five-year period financial projections prepared, the directors believe it's appropriate to prepare the unaudited condensed interim consolidated financial statements on the going concern basis.

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. All common shares, per common share amounts, stock options and warrants in these unaudited condensed interim consolidated financial statements have been retroactively restated to reflect the share consolidation.

As at June 30, 2020, the Company had a deficit of \$46,789,804 (December 31, 2019 - \$45,317,348). Comprehensive loss for the six months ended June 30, 2020 was \$1,759,878 (six months ended June 30, 2019 - \$2,266,756). These losses 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 unaudited condensed interim consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities, the reported expenses and financial position classifications used that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

2. Incorporation and Nature of Operations

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

The Company entered into an agreement on April 17, 2000, approved by shareholders on June 26, 2000, whereby Cavanacaw, a private Ontario corporation, acquired Omagh. Cavanacaw has established an open pit mine to extract the Company's gold deposit near Omagh, 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.

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

Statement of compliance

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 25, 2020 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.



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Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

3. Basis of Preparation (Continued)

New accounting standards adopted

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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements.

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 unaudited condensed interim consolidated financial statements.

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Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

4. Accounts Receivable and Prepaid Expenses

	As at June 30, 2020	As at December 31, 2019
Sales tax receivable - Canada	\$ 3,414	\$ 2,682
Valued added tax receivable - Northern Ireland	112,089	93,864
Accounts receivable	234,386	250,533
Prepaid expenses	33,017	69,620
	\$ 382,906	\$ 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 June 30, 2020	As at December 31, 2019
Less than 3 months	\$ 115,504	\$ 235,934
3 to 12 months	231,963	108,674
More than 12 months	2,422	2,471
Total accounts receivable	\$ 349,889	\$ 347,079

5. Inventories

	As at June 30, 2020	As at December 31, 2019
Concentrate inventories	\$ 488,128	\$ 70,328

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

6. 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	-	2,693	-	-	342,976	345,669
Foreign exchange adjustment	(47,188)	(136,055)	(3,201)	(3,767)	(376,681)	(566,892)
Balance, June 30, 2020	\$ 2,322,422	\$ 6,732,713	\$ 157,436	\$ 185,375	\$ 18,983,199	\$ 28,381,145

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	3,854	157,228	6,416	5,620	-	173,118
Foreign exchange adjustment	(39,014)	(107,403)	(2,431)	(2,366)	-	(151,214)
Balance, June 30, 2020	\$ 1,919,747	\$ 5,309,394	\$ 119,310	\$ 116,105	\$ -	\$ 7,464,556

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, June 30, 2020	\$ 402,675	\$ 1,423,319	\$ 38,126	\$ 69,270	\$ 18,983,199	\$ 20,916,589



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

6. Property, Plant and Equipment (Continued)

(i) Development assets are expenditures for the underground mining operations in Omagh. The Company had announced in December 2016 that it would commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. Underground development of a decline tunnel, located at the base of the existing open pit, commenced in the first quarter 2017. During 2018 the mine commenced limited production of gold concentrate from feed produced in the development of the Kearney vein and in the fourth quarter Galantas reported that delivery of the first consignment of concentrate derived from underground feedstock at the mine had been made. Underground development of the decline tunnel continued to be progressed during 2019 with further crosscuts allowing access to lower levels of vein development which forms the development necessary to demarcate production panels. By the end of the third quarter of 2019 some two kilometres of underground drivages had been developed, with exposure of the main Kearney vein on four levels with a fifth level is near the point of intersection. The mine is serviced by a decline tunnel of 1 in 6 gradients, of dimensions approximately 4.5m by 4.5m. However, during the fourth quarter Galantas announced a temporary suspension of blasting operations at its Omagh gold mine. Blasting operations had been limited, since all blasting must be supervised by the PSNI. Presently the blasting arrangements are not sufficient for the desired level of operations and are not sufficient to allow for the expansion of mine operations as envisaged by the Company's existing mine plan. Until changes are agreed, the present inefficiencies caused by these blasting arrangements form an increasing financial burden, which has proved a significant drain on the financial resources of the Company. Accordingly, in order to reduce costs, while some mine operations will continue at the Omagh gold mine, consultation with the workforce has resulted in the numbers employed at the operation being reduced from 46 to 21. During the six months ended June 30, 2020, Galantas reported that confirmation had been received from PSNI, in regard to their satisfaction of certain secure storage and handling protocols required for an increase in blasting to a commercial level subject to financial matters being agreed. The Company understands that these financial matters have now been mutually agreed. Ore production is suspended until finance is available to expand the underground operation. The processing plant continues to operate on a limited basis with feedstock for the plant being from low grade stock.

7. 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	57,119
Foreign exchange adjustment	(13,177)
Balance, June 30, 2020	\$ 705,668
Carrying value	
Balance, December 31, 2019	\$ 661,726
Balance, June 30, 2020	\$ 705,668

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian Dollars)
(Unaudited)

8. 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 June 30, 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 June 30, 2020, the estimated fair value of the liability is \$574,062 (December 31, 2019 - \$580,303). Changes in the provision during the six months ended June 30, 2020 are as follows:

	As at June 30, 2020	As at December 31, 2019
Decommissioning liability, beginning of period	\$ 580,303	\$ 578,242
Accretion	5,429	10,702
Foreign exchange	(11,670)	(8,641)
Decommissioning liability, end of period	\$ 574,062	\$ 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 June 30, 2020 (GBP 300,000 was funded as of December 31, 2019) and reported as long-term deposit of \$504,960 (December 31, 2019 - \$515,220).

9. 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 June 30, 2020	As at December 31, 2019
Accounts payable	\$ 845,899	\$ 1,084,574
Accrued liabilities	832,772	1,047,141
Total accounts payable and other liabilities	\$ 1,678,671	\$ 2,131,715

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

	As at June 30, 2020	As at December 31, 2019
Less than 3 months	\$ 772,640	\$ 1,232,089
3 to 12 months	236,567	221,328
12 to 24 months	11,971	357,073
More than 24 months	657,493	321,225
Total accounts payable and other liabilities	\$ 1,678,671	\$ 2,131,715

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

10. Financing Facilities

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

	As at June 30, 2020	As at December 31, 2019
Financing facilities, beginning of period (i)(ii)	\$ 1,440,185	\$ 1,081,190
Less current portion	(444,035)	(242,280)
Repayment of financing facilities	(8,353)	(56,854)
Accretion (ii)	155,447	248,238
Interest (ii)	115,990	279,151
Foreign exchange adjustment	134,643	130,740
Financing facilities - long term portion	\$ 1,393,877	\$ 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.

(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.

During the three and six months ended June 30, 2020, the Company recorded accretion expense of \$80,705 and \$155,447, respectively in the unaudited condensed interim consolidated statements of loss in regards with this loan facility (year ended December 31, 2019 - \$248,238).

During the three and six months ended June 30, 2020, the Company recorded interest expense of \$57,995 and \$115,990, respectively in the unaudited condensed interim consolidated statements of loss in regards with this loan facility (year ended December 31, 2019 - \$279,151).

Refer to note 18(i).



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(Expressed in Canadian Dollars)

(Unaudited)

11. Convertible Debenture

On December 17, 2019, the Company closed a \$1,731,190 (GBP 1,000,000) convertible debenture consisting of 3,000 units. 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 fixed at \$0.15, being a 25% discount to the closing price of the common shares of the Company on the issue date.

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 held 7,756,572 common shares equivalent to 24% of the Company at December 31, 2019. 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.

A four month hold period will apply to common shares converted through the convertible debenture. The hold period will expire on April 18, 2020. 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 three and six months ended June 30, 2020, the Company recorded accretion expense of \$60,817 and \$129,483, respectively (year ended December 31, 2019 - \$12,425) and interest expense of \$85,300 and \$150,042, respectively (year ended December 31, 2019 - \$9,960) as loan interest and bank charges less deposit interest in the unaudited condensed interim consolidated statement of loss.

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	129,483
Accretion expense	150,042
Balance, June 30, 2020	\$ 1,680,119

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2020
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12. Share Capital and Reserves

a) Authorized share capital

At June 30, 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. All common shares, per common share amounts, stock options and warrants in these unaudited condensed interim consolidated financial statements have been retroactively restated to reflect the 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 June 30, 2020, the issued share capital amounted to \$50,123,910. The change in issued share capital for the periods presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2018 and June 30, 2019	29,968,531	\$ 48,628,055
Balance, December 31, 2019 and June 30, 2020	32,321,472	\$ 50,123,910

c) Warrant reserve

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018 and June 30, 2019	1,500,000	\$ 1.58
Balance, December 31, 2019	1,500,000	\$ 1.58
Expired	(1,500,000)	1.58
Balance, June 30, 2020	-	\$ -

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements
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12. Share Capital and Reserves (Continued)

c) Warrant reserve (continued)

There are no warrants outstanding as at June 30, 2020.

d) Stock options

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

	Number of options	Weighted average exercise price
Balance, December 31, 2018	885,000	\$ 1.20
Granted (i)(ii)	540,000	0.90
Expired	(13,333)	0.90
Balance, June 30, 2019	1,411,667	\$ 0.90
Balance, December 31, 2019	1,395,000	\$ 0.92
Expired	(285,000)	1.05
Cancelled (i)(ii)(iii)	(515,000)	1.01
Balance, June 30, 2020	595,000	\$ 1.15

(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 unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and six months ended June 30, 2020, included in stock-based compensation is \$4,818 and \$21,813, respectively (three and six months ended June 30, 2019 - \$27,934 and \$125,974, respectively) related to the vested portion of these options. During the three and six months ended June 30, 2020, nil and 150,000 stock options, respectively were cancelled and therefore, \$nil and \$21,813, respectively 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, 220,000 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 \$128,040 and was expensed in the unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and six months ended June 30, 2020, included in stock-based compensation is \$7,042 and \$25,180, respectively (three and six months ended June 30, 2019 - \$43,206) related to the vested portion of these options. During the three and six months ended June 30, 2020, nil and 150,000 stock options, respectively were cancelled and therefore, \$nil and \$33,246, respectively 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.



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12. Share Capital and Reserves (Continued)

d) Stock options (continued)

(iii) The portion of the estimated fair value of options granted in the prior years and vested during the three and six months ended June 30, 2020, amounted to \$204 and \$4,334, respectively (three and six months ended June 30, 2019 - \$37,300). In addition, during the three and six months ended June 30, 2020, nil and 215,000 options granted in the prior years were cancelled and therefore, \$nil and \$2,451, respectively of stock-based compensation was reversed related to the unvested portion of the options cancelled.

The following table reflects the actual stock options issued and outstanding as of June 30, 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	1.73	320,000	320,000	-
April 19, 2023	1.10	2.80	25,000	25,000	-
February 13, 2024	0.90	3.62	150,000	100,000	50,000
June 27, 2024	0.90	3.99	100,000	66,667	33,333
	1.15	2.64	595,000	511,667	83,333

13. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2020 was based on the loss attributable to common shareholders of \$792,141 and \$1,472,456, respectively (three and six months ended June 30, 2019 - \$891,863 and \$1,671,380, respectively) and the weighted average number of common shares outstanding of 32,321,472 (three and six months ended June 30, 2019 - 29,968,531) for basic and diluted loss per share. Diluted loss did not include the effect of nil warrants (three and six months ended June 30, 2019 - 1,500,000) and 595,000 options (three and six months ended June 30, 2019 - 1,411,667) for the three and six months ended June 30, 2020, as they are anti-dilutive. The calculation of basic and diluted loss per share is adjusted for 10:1 share consolidation effective April 17, 2020.

14. Revenues

Shipments of concentrate under the off-take arrangements commenced during the second quarter of 2019. Concentrate sales provisional revenues during the three and six months ended June 30, 2020 totaled approximately US\$nil and US\$186,000, respectively (three and six months ended June 30, 2019 - US\$460,000). However, until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended June 30, 2020 (Expressed in Canadian Dollars) (Unaudited)

15. 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	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Interest on related party loans	(i)	\$ 79,872	\$ 90,553	\$ 166,405	\$ 180,717

(i) G&F Phelps, a company controlled by a director of the Company, had amalgamated loans to the Company of \$3,071,442 (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 June 30, 2020, the amount of interest accrued is \$1,145,347 (GBP 680,458) (December 31, 2019 - \$1,002,388 - GBP 583,666). Refer to note 18(i).

(ii) See note 11.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Salaries and benefits ⁽¹⁾	\$ 117,228	\$ 116,176	\$ 231,727	\$ 227,875
Stock-based compensation	6,412	17,616	15,726	57,383
	\$ 123,640	\$ 133,792	\$ 247,453	\$ 285,258

⁽¹⁾ Salaries and benefits include director fees. As at June 30, 2020, due to directors for fees amounted to \$133,250 (December 31, 2019 - \$118,500) and due to officers, mainly for salaries and benefits accrued amounted to \$618,529 (GBP 367,472) (December 31, 2019 - \$464,320 - GBP 270,362), and is included with due to related parties.

(c) As of June 30, 2020, Ross Beaty owns 3,744,749 common shares of the Company or approximately 11.59% 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 15.26% of the outstanding common shares of the Company. Miton Assets Management Limited owns 4,357,135 common shares of the Company or approximately 13.48%. Melquart owns, directly and indirectly, 7,756,572 common shares of the Company or approximately 24.00% of the outstanding common shares of the Company. The remaining 35.67% 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. Refer to note 18(ii).

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

16. 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:

June 30, 2020	United Kingdom	Canada	Total
Current assets	\$ 942,713	\$ 128,274	\$ 1,070,987
Non-current assets	22,068,556	58,661	22,127,217
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

17. 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 \$512,181 (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 unaudited condensed interim consolidated financial statements in respect of the aggregates levy plus interest and penalty.

There is a contingent liability in respect of potential additional interest which may be applied in respect 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.

18. Events After the Reporting Period

(i) On July 9, 2020, the Company amended the terms of its loan facility (refer to note 10(ii)) 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. 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 30, 2020 to December 31, 2021. Interest may be rolled into the loan facility until December 31, 2020, at the Company's option. The existing second charge debenture over mine assets will remain in place. Galantas entered into the loan facility through a concentrate pre-payment agreement/loan agreement signed by its subsidiary Flintridge and the Lender on April 11, 2018.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

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18. Events After the Reporting Period (Continued)

(i) (continued) 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.

Following the completion of the private placement and the loan facility, G&F Phelps will enter into an arrangement in respect of its loans with the Company (the "G&F Phelps Loans") which will provide that G&F Phelps will not call for repayment of the G&F Phelps Loans (which are repayable on demand), until June 30, 2021 at the earliest, unless certain events occur including inter alia a sale or insolvency of the Company, a material liquidity event, change of control or breach of the terms of the G&F Phelps Loans. G&F Phelps is a company owned by Roland Phelps, Chief Executive Officer of Galantas.

(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 4,884,243, representing 13.89% of the Company's enlarged issued and outstanding common shares.

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.

A four month hold period will apply to the common shares of the private placement. The hold period will expire on November 18, 2020. The shares issued pursuant to the private placement will rank pari passu with the existing common shares in issue of the Company.

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