GALANTAS GOLD CORPORATION

Management's Discussion and Analysis

Three and Six Months Ended

June 30, 2019

GALANTAS GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and Six Months Ended March 31, 2019

Introduction

This Management Discussion and Analysis ("MD&A"), dated August 20
, 2019 provides a review of the financial position and the results of operations of Galantas Gold Corporation ("Galantas" or the "Company") and constitutes management review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2019. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the three months ended June 30, 2019. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2019 together with the notes thereto and the audited annual consolidated financial statements of the Company for the year ended December 31, 2018 together with the notes thereto. The Company's consolidated financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). All amounts presented are stated in Canadian dollars, unless otherwise indicated. Information contained herein is presented as of August xx, 2019 unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Galantas's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. Additional information about the Company is available on SEDAR at ***www.sedar.com*** or at the Company's website ***www.galantas.com***.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements

Forward-looking information	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of base metals and other metals.	Financing will be available for future exploration and development and operation of the Company's properties; the actual results of the Company's exploration activities will be favourable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties	Metal price volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for future exploration and development of the Company's properties; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
The Company's ability to obtain planning consent from the Planning Services, Northern Ireland to allow it develop the underground mine at its Omagh property.	The Company has now received planning consent. The planning consent which is considered acceptable to the Company will allow it to bring the underground mine into production; financing will be available for development of the underground mine; development and operating costs will not exceed the Company's expectations; the Company will be able to attract skilled staff; all requisite regulatory and governmental	Delays in receiving operating permits (following construction) for the development of the underground mine; onerous planning conditions (currently not recognised) that will negatively impact on the development of the underground mine; availability of financing; metal price, interest rate, exchange rate volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that

	approvals for the underground project will be received on a timely basis upon terms acceptable to the Company; applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.	future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; changes in economic and political conditions; the Company's ability to attract skilled staff.
The Company's ability to meet its working capital needs at the current level for the year ending June 30, 2020.	The operating and exploration activities of the Company for the year ending June 30, 2020 and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company.	Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
Management's outlook regarding future trends.	Financing will be available for the Company's exploration, development and operating activities; the price of applicable metals, interest rates and exchange rates will be favourable to the Company.	Metal price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.
Asset values for the three and six months ended June 30, 2019.	Management's belief that no write-down is required for its property and equipment resulting	If the Company does not obtain equity or debt financing on terms favorable to the Company or at

	from continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programs on the Company's projects.	all, a decline in asset values that could be deemed to be other than temporary, may result in impairment losses.
Sensitivity analysis of financial instruments.	The Company has an interest rate risk on its G&F Phelps Ltd. and Ocean Partners UK Ltd. loans. The Company has no significant deposit interest rate risk due to low interest rates on its cash balances.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.
Prices and price volatility for metals.	The price of metals will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of metals will be favourable to the Company.	Changes in debt and equity markets and the spot prices of metals; interest rate and exchange rate fluctuations; changes in economic and political conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Galantas's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Galantas' actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Date of MD&A

This MD&A was prepared on August 20, 2019.

Overview – Strategy - Description of Business

Company Overview

Galantas Gold Corporation has been a producing mineral resource issuer and the first to acquire planning consent to mine gold in Northern Ireland. Cavanacaw Corporation, a wholly owned subsidiary of Galantas, owns all of the shares of the Northern Ireland companies – Flintridge Resources Limited, Omagh Minerals Limited and Galantas Irish Gold Limited. During 2014 Cavanacaw acquired Flintridge Resources Limited, a dormant company, and following a strategic review of its business, certain assets owned by Omagh Minerals were acquired by Flintridge.

Mining at the Omagh mine had been conducted by open pit methods up to the suspension of production in 2013. The mine produced a flotation concentrate and was shipped to a smelter under an off-take agreement. The Company's strategy to increase shareholder value has been to:

- Following the receipt of the planning permit obtain additional funding to allow it to continue the expanded exploration programme and the further development of its underground mine;
- Recommence production at the mine and processing plant;
- Continue to explore and develop extensions to the Kearney, Kerr, Joshua and nearby known deposits so as to expand minable reserves and increase gold production in stages;
- Explore the Company's prospecting licences, focusing on the more than 60 gold targets identified to date;

Underground development of a decline tunnel, located at the base of the existing open pit, commenced in 2017. The underground gold mine at Omagh has commenced limited production of gold concentrate, from feed produced in development of the Kearney vein. The processing plant uses a non-toxic flotation process to produce concentrates, without the use of cyanide or mercury. It satisfies strict environmental monitoring criteria set by the Northern Ireland regulatory authorities. The decline tunnel is planned to be extended in depth to provide access to lower levels of in vein development which will form the development necessary to demarcate production panels.

Reserves and Resources

During 2008, ACA Howe International Ltd prepared an updated estimate of mineral resources for the Omagh mine. The report, entitled Technical Report on the Omagh Gold Project was dated 28th May 2008 and published on www.sedar.com and www.galantas.com. In June 2012 ACA Howe International Ltd (Howe UK) completed an updated NI 43-101 compliant Mineral Resource Estimate together with a Preliminary Economic Assessment. This report, which was based on drilling results and analyses received to June 2012, identified all resources discovered at that date. The Company subsequently filed the complete Technical Report and Preliminary Economic Assessment on SEDAR in August 2012. An updated resource estimate was prepared by the Company during the second quarter of 2013 based on drilling results received to May 2013. There was a 50% increase in resources classified as measured and indicated and a 28% increase in resources classified as inferred, when compared to the resource estimate prepared in 2012. The Company subsequently updated the 2013 resource estimate to incorporate results from later drill holes not previously included and also finalised a revised NI 43-101 report.

Galantas reported the revised updated estimate of gold resources together with a Preliminary Economic Assessment (PEA) update during the third quarter of 2014 (see press release dated July 28, 2014). The revised estimate of resources is in compliance with the Pan European Reporting Code (PERC), Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and Canadian National Instrument (NI) 43-101. Overall there has been a 19% increase in resources since the Galantas June 2013 Resource Report and a 60% increase in resources since the July 2012 Resource Report by ACA Howe International Ltd. The increases since 2012 largely relate to the Kearney and Joshua veins, since this is where the drilling program has been concentrated. The drilling program was mainly designed to focus on increasing the quantity of Measured and Indicated resources on these two veins, to support potential funding opportunities for the financing of production. The Company also filed the complete updated Technical Report on SEDAR as required by NI 43-101 in September 2014.

The drilling programme, which was suspended in 2013 pending the availability of cash for future exploration, recommenced in September 2015 to target the Joshua vein at depth. In total, 3,602 metres were drilled by March 2016.

On July 22, 2019 Galantas announced that underground development northwards on the 1072 level had discovered mineralisation outside of the resource model and was continuing to explore an extension to the resource model.

Mining Project

The project embraced an open pit mine which supplied ore to a crushing-grinding-froth flotation plant. The plant was commissioned in 2007 and designed to produce a gold and silver rich sulphide flotation concentrate for sale to a commercial smelter. In early 2013 there was a shift in operations from mining and processing ore from open pits to operating from lower grade stock already mined which impacted negatively on production levels. Later in 2013 the processing of low grade ore was suspended awaiting planning consent for an underground operation. The underground mine utilizes the same processing methods and is the first underground gold mine, of any scale, in Ireland. The strategy is to establish the underground mine and look for further expansion of gold resources on the property, which has many undrilled targets.

The granting of planning consent during the second quarter of 2015 for an underground operation at the Omagh site permits the continuation and expansion of gold mining. This planning consent was appealed by a third party in a judicial review hearing which commenced in September 2016 and was then adjourned to and completed in February 2017. Judgement was received in September 2017 whereby the third party's request for the quashing of the planning consent was denied. However, in November 2017, Galantas reported that it had received notice of an application by the third party to the Court of Appeal in relation to the positive judicial review judgment. This appeal was completed in February 2018. During the fourth quarter of 2018 the Company announced that the Court of Appeal has delivered its judgement in regard to the appeal against the positive judicial review judgment in favour of the Company. The Court has determined that the appeal has failed and thus the planning consent is confirmed.

Galantas had earlier been advised that its consents continue to remain valid, at least until judgement and thereafter subject to the judgement.

Galantas had announced in December 2016 that it would commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. Underground development of a decline tunnel, located at the base of the existing open pit, commenced in the first quarter 2017. After over-coming initial difficulties, tunnelling continued through 2017 and 2018 with the north / south Kearney vein being intersected in June 2018 as planned. During the third quarter of 2018 limited feed was provided to the mill resulting in the commencement of limited production of gold concentrate from feed produced in the development of the Kearney vein. The decline tunnel is planned to be extended in depth to provide access to lower levels of in vein development which will form the development necessary to demarcate production panels. As additional lower levels are developed on-vein, there is expected to be an enhanced supply of mill feed. Further increases in mill supply are expected when stoping commences. The phased development arrangement, in terms of mine access dimensions, is expected to allow for rapid expansion of production as additional capital becomes available.

Gold Jewellery Business

During 2014 Galantas restructured its jewellery operations which involved the transfer to Flintridge Resources Limited of the trade formerly carried out by Galantas Irish Gold. Later in 2014 Galantas entered into an agreement with TJH Ltd of Dublin, Ireland for the production, marketing and sale of a range of jewellery products, using Irish gold from the Omagh mine. The agreement has resulted in Irish gold from the Omagh Mine, being sold to TJH Ltd. The Irish gold is sold at a premium and with a reserved percentage of wholesale sales. The Irish gold so far supplied was drawn from available stocks.

Management and Staff

Overall management is exercised by one Executive Director along with a General Manager in charge of operations in Omagh where the mine, plant, exploration and administration employed 42 personnel as of June 30, 2019.

Key Performance Driver

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

Overview of Second Quarter 2019

Galantas incurred a net loss for the three and six months ended June 30, 2019 of $ 891,863 and $ 1,671,380 respectively compared to a net loss of $ 700,510 and 1,225,008 respectively for the three and six months ended June 30, 2018.

The Company had cash balances at June 30, 2019 of $ 1,314,113 compared to $ 6,188,554 at December 31, 2018. The working capital deficit at June 30, 2019 amounted to $ 4,753,840 which compared with a working capital deficit of $ 272,783 at December 31, 2018.

Property, plant and Equipment expenditures for the three and six months ended June 30, 2019 amounted to $ 1,441,514 and $ 3,392,566 respectively. Expenditure incurred in both periods was mainly in connection with Development asset expenditure.

The Omagh gold mine continued to progress in the second quarter of 2019. During the second quarter the mine continued limited production of gold concentrate from feed produced in the development of the Kearney vein. Underground development of the decline tunnel continued to be progressed during the second quarter with further cross-cuts allowing access to lower levels of vein development which forms the development necessary to demarcate production panels. On-vein development continued on the 1084 (second) level and the 1072 (third) level continued. The vein on the 1072 (third) was reached early in the second quarter and on vein development has commenced. Subsequent to June 30, 2019 the Company reported that the access drive on the fourth (1060) level has intersected the Kearney vein ahead of schedule. The intersection shows strongly developed mineralization. The north and south faces of the vein were channel sampled. The average of the two channels was 8.35 g/t gold over an average true width of 2.65 metres.

Milling operations progressed during the second quarter of 2019 on an extended dayshift basis, as feed became available. As expected, a second shift was added early in the second quarter. Additional milling shifts are expected to be added in the fourth quarter, when training of additional personnel is complete. The plant is currently running on a batch basis from a stockpile of underground vein material plus additional feed produced from on-vein development operations. The processing plant, which was used formerly for open-pit operations, has had the benefit of a recent upgrade and further upgrades are planned.

Shipments of concentrate to Ocean Partners UK Ltd commenced early in the second quarter. Concentrate sales provisional revenues totalled US$ 460,000 approximately for the second quarter representing approximately 154 tonnes of concentrate. However, until the mine reaches the commencement of commercial production the net proceeds from concentrate sales will be offset against Development assets.

Subsequent to June 30, 2019 Galantas reported a proposed private placement of common shares. The placement is expected to include funds raised in both UK and Canadian currency and is for a maximum of 23,529,412 shares, at an issue price of UK£0.0425 ($0.068) per share for maximum gross proceeds of UK£1,000,000 ($ 1,600,000).

Review of Financial Results

Three Months Ended June 30, 2019

The net loss for the three months ended June 30, 2019 amounted to $ 891,863 compared to a net loss of $ 700,510 for the three months ended June 30, 2018 as summarized below.

	Quarter Ended June 30,2019 $	**Quarter Ended June 30,2018 $**
Revenues	**0**	**57,040**
Production related costs	(85,482)	(29,930)
Inventory movement	0	(4,220)
Cost and expenses of operations	**(85,482)**	**(34,150)**
(Loss) Income before the undernoted	**(85,482)**	**22,890**
Depreciation	(99,085)	(77,980)
General administrative expenses	(646,381)	(616,153)
Foreign exchange (loss)	(60,915)	(29,267)
Net (Loss) for the Quarter	**$ (891,863)**	**$ (700,510)**

Sales revenues for the three months ended June 30, 2019 amounted to $ Nil compared to revenues of $ 57,040 for three months ended June 30, 2018 which consisted of jewellery sales.

Shipments of concentrate commenced during the second quarter and concentrate sales provisional revenues totalled US$ 460,000 approximately. However, until the mine commences commercial production the net proceeds from concentrate sales will be offset against Development assets.

Cost and expenses of operations include production related costs at the mine and inventory movements and totalled $ 85,482 for the three months ended June 30, 2019 compared to $ 34,150 for corresponding quarter of 2018. Production related costs for the three months ended June 30, 2019 amounted to $ 85,482 compared to $ 29,930 for the three months ended June 30, 2018. Production related costs at the mine were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site. The inventory movement for the second quarter of $ Nil compared to $ 4,220 for the second quarter months of 2018.

This has resulted in a net operating loss of $ 85,482 before depreciation, general administrative expenses, and foreign exchange loss for three months ended June 30, 2019 compared to net operating income of $ 22,890 for the three months ended June 30, 2018.

Depreciation of property, plant and equipment excluding mine development assets during the three months ended June 30, 2019 totalled $ 99,085 which compared with $ 77,980 for the corresponding period of 2018. Following the suspension of production there has been no depreciation of mine development assets. Depreciation of mine development assets will commence when the mine reaches commercial production.

General administrative expenses for the three months ended June 30, 2019 amounted to $ 646,381 compared to $ 616,153 for 2018. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 25 and 26 of the MD&A.

There was a foreign exchange loss of $ 60,915 for three months ended June 30, 2019 which compared with a foreign exchange loss of $ 29,267 for 2018.

This has resulted in a net loss of $ 891,863 for the three months ended June 30, 2019 compared to a net loss of $ 700,510 for three months ended June 30, 2018. The cash loss from operating activities before changes in non-cash working capital items, amounted to $ 673,444 for the three months ended June 30, 2019 compared to a cash loss of $ 429,920 for the corresponding period of 2018. The cash loss from operating activities after changes in non-cash working capital items amounted to $ 934,768 for the three months ended June 30, 2019 compared to a cash flow of $ 92,029 for the corresponding period of 2018 as per the Consolidated Statement of Cash Flows.

Exchange differences on translating foreign operations, which is included in Condensed Interim Consolidated Statements of Comprehensive Income (Loss) resulted in a loss of $ 590,394 for the three months ended June 30, 2019 which compared to a loss of $ 391,688 for the corresponding quarter of 2018. This resulted in a Total comprehensive loss of $ 1,482,257 for the three months ended June 30, 2019 compared to a Total comprehensive loss of $ 1,092,198 for the three months ended June 30, 2018. The foreign currency translation losses during the second quarters of 2019 and 2018 arose as a result of the net assets of the Company's UK subsidiaries, the majority of which are denominated in UK£, being translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate strengthened against UK£ at June 30, 2019 and June 30, 2018 when compared to March 31, 2019 and March 31, 2018 and this has resulted in a decrease in the Canadian dollar value of these net assets at June 30, 2019 and June 30, 2018 when compared to March 31, 2019 and March 31, 2018 resulting in the foreign currency translation loss in both quarters.

Total assets at June 30, 2019 amounted to $ 22,457,997 compared to $ 24,257,856 at December 31, 2018. Cash at June 30, 2019 was $ 1,314,113 compared to $ 6,188,554 at December 31, 2018. Accounts receivable consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to $ 983,474 at June 30, 2019 compared to $ 287,273 at December 31, 2018. The increase in accounts receivable is due mainly to an increased trade debtors following the commencement of concentrate shipments during the second quarter. Inventories at June 30, 2019 amounted to $ Nil compared with $ 11,335 at December 31, 2018.

Property, plant and equipment totalled $ 18,934,776 compared to $ 16,487,501 at December 31, 2018. Exploration and evaluation assets totalled $ 726,914 at June 30, 2019 compared to $ 760,023 at the end of 2018. During the year ended December 31, 2018, and following the achievement of technical feasibility and commercial viability at the Omagh mine, the Company transferred the cost of all its

Exploration and evaluation assets relating to the Omagh mine to Property, plant and equipment under the caption of Development assets. Long term deposit at June 30, 2019, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to $ 498,720 compared to $ 523,170 at December 31, 2018.

Current liabilities at June 30, 2019 amounted to $ 7,051,427 compared to $ 6,759,945 at the end of 2018. The working capital deficit at June 30, 2019 amounted to $ 4,753,840 compared to a working capital deficit of $ 272,783 at December 31, 2018. Accounts payable and other liabilities totalled $ 2,461,864 compared to $ 2,257,329 at December 31, 2018. The current portion of financing facilities totaled $ 398,212 at June 30, 2019 compared to $ 382,974 at December 31, 2018. Amounts due to related parties at June 30, 2019 amounted to $ 4,191,351 compared to $ 4,119,642 at the end of 2018.

The non-current portion of the financing facilities which mainly consists of the Ocean Partners UK Ltd loan totaled $ 1,066,316 at June 30, 2019 compared to $ 1,081,190 at December 31, 2018 as set out on Note 10 of the Consolidated Financial Statements. The decommissioning liability at June 30, 2019 amounted to $ 556,468 compared to $ 578,242 at December 31, 2018.

Capital and Reserves totalled $ 13,783,786 compared to $ 15,838,479 at December 31, 2018.

Six Months Ended June 30, 2019

The net loss for the six months ended June 30, 2019 amounted to $ 1,671,380 compared to a net loss of $ 1,225,008 for the six months ended June 30, 2018 as summarized below.

	Six Months Ended June 30, 2019 $	Six Months Ended June 30, 2018 $
Revenues	**0**	**57,040**
Production related costs	(155,508)	(53,996)
Inventory movement	0	(4,220)
Cost and expenses of operations	**(155,508)**	**(58,216)**
(Loss) before the undernoted	**(155,508)**	**(1,176)**
Depreciation	(186,490)	(142,229)
General administrative expenses	(1,248,810)	(1,025,043)
Unrealized gain on fair value of derivative financial liability	0	10,000
Foreign exchange (loss)	(80,572)	(66,560)
Net (Loss) for the Period	**$ (1,671,380)**	**$ (1,225,008)**

Revenues for the six months ended June 30, 2019 amounted to $ Nil compared to revenues of $ 57,040 for six months ended June 30, 2018 which consisted of jewellery sales.

Shipments of concentrate commenced during the second quarter of 2019 and concentrate sales provisional revenues totalled US$ 460,000 approximately. However, until the mine reaches commercial production the net proceeds from concentrate sales will be offset against Development assets.

Cost and expenses of operations include production related costs at the mine and inventory movements and totalled $ 155,508 for the six months ended June 30, 2019 compared to $ 58,216 for corresponding period of 2018.

Production related costs for the six months ended June 30, 2019 amounted to $ 155,508 compared to $ 53,996 for the six months ended June 30, 2018. Production related costs at the mine were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site and the increased level of production related costs reflect the increased level of activity at the mine. The inventory movement of $ Nil for the first six months of 2019 which compared to $ 4,220 for the first six months of 2018.

This has resulted in a net operating loss of $ 155,508 before depreciation, general administrative expenses, unrealized gain on fair value of derivative financial liability and foreign exchange loss for six months ended June 30, 2019 compared to a net operating loss of $ 1,176 for the six months ended June 30, 2018.

Depreciation of property, plant and equipment excluding mine development assets during the six months ended June 30, 2019 totalled $ 186,490 which compared with $ 142,229 for the corresponding period of 2018. The increased depreciation charge reflects the ongoing property, plant and equipment expenditure. Following the suspension of production there has been no depreciation of mine development assets. Depreciation of mine development assets will commence when the mine reaches commercial production.

General administrative expenses for the six months ended June 30, 2019 amounted to $ 1,248,810 compared to $ 1,025,043 for 2018. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 27 and 28 of the MD&A.

The unrealized gain on fair value of derivative financial liability for the six months ended June 30, 2019 amounted to $ Nil compared to $ 10,000 for 2016. The unrealized gain arose as a result of the exercise price of the warrants issued in 2014 and 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being recorded in the consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

There was a foreign exchange loss of $ 80,572 for six months ended June 30, 2019 which compared with a foreign exchange loss of $ 66,560 for 2018.

This has resulted in a net loss of $ 1,671,380 for the six months ended June 30, 2019 compared to a net loss of $ 1,225,008 for six months ended June 30, 2018. When the Net Loss is adjusted for non-cash items before changes in non-cash working capital items, the cash loss from operating activities amounted $ 1,064,481 for the six months ended June 30, 2019 compared to a cash loss from operating activities of $ 762,340 for the corresponding period of 2018. The cash loss from operating activities after changes in non-cash working capital items amounted to $ 1,399,078 for the six months ended June 30, 2019 compared to a cash loss of $ 76,535 for the corresponding period of 2018 as per the Consolidated Statement of Cash Flows.

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Exchange differences on translating foreign operations, which is included in Condensed Interim Consolidated Statements of Comprehensive Income (Loss) resulted in a loss of $ 595,376 for the six months ended June 30, 2019 and compared to a foreign currency translation gain of $ 202,954 for 2018. This resulted in a Total comprehensive loss of $ 2,266,756 for the six months ended June 30, 2019 compared to a Total comprehensive loss of $ 1,022,054 for the six months ended June 30, 2018. The foreign currency translation loss during the first half of 2019 arose as a result of the net assets of the Company’s UK subsidiaries, the majority of which are denominated in UK£, being translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate strengthened against UK£ at

June 30, 2019 when compared to December 31, 2018 and this has resulted in a decrease in the Canadian dollar value of these net assets at June 30, 2019 when compared to December 31, 2018 resulting in the foreign currency translation loss. Conversely the Canadian dollar exchange rate weakened against UK£ at June 30, 2018 when compared to December 31, 2017 resulting in the foreign currency translation gain for the six months ended June 30, 2018.

Review of Operations

2019 Financing Activities

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

Subsequent to June 30, 2019 Galantas reported a proposed private placement of common shares. The placement is expected to include funds raised in both UK and Canadian currency and is for a maximum of 23,529,412 shares, at an issue price of UK£0.0425 ($0.068) per share for maximum gross proceeds of UK£1,000,000 ($ 1,600,000). A four month plus one day hold period will apply to the shares and the shares will rank pari passu with the existing shares in issue of the Company. The private placement will be part brokered. Insiders are expected to participate in the placing. The net proceeds to be raised by the placement are intended to be used to implement recently identified optimisation initiatives at the Omagh gold mine, including increased mechanisation and improved underground infrastructure, as well as for general working capital of the Company.

Production/Mine Development

During the second quarter of 2019 the Omagh gold mine continued limited production of gold concentrate from feed produced in the development of the Kearney vein. The plant, which produces a gold & silver concentrate using a non-toxic, froth-flotation process, is running on a batch basis from a stockpile of underground vein material plus additional feed produced from on-vein development operations.

Underground development of the decline tunnel continued to be progressed during the second quarter of 2019 with further cross-cuts allowing access to lower levels of vein development which forms the development necessary to demarcate production panels. On-vein development continued on the 1084 (second) level and the 1072 (third) level continued. The vein on the 1072 (third) was reached early in the second quarter and on vein development has commenced. Development has continued southwards on the third (1072) level with gold grades within the expected range. The main decline tunnel reached the fourth (1060) level during the second quarter and an access drive to intersect the Kearney vein on this level commenced.

Subsequent to June 30, 2019 the Company reported that the access drive on the fourth (1060) level has intersected the Kearney vein ahead of schedule. The intersection shows strongly developed mineralization. The north and south faces of the vein were channel sampled. The average of the two channels was 8.35 g/t gold over an average true width of 2.65 metres. The vein intersection is expected to allow in-vein development both north and south on the fourth (1060) level. Development on the fourth level is anticipated to produce increased feed tonnage to the processing plant, which produces a concentrate sold under an off-take contract. The Company also reported that drivage from the 1072 access has been taken northwards, in-vein, for approximately 40 metres .Mineralisation beyond the first 20 metres is currently excluded from the geological model, due to paucity of data. The mineralization was shown to be persistent and has been followed in an in-vein development. Two channel samples taken across the face as the drivage was developed at 24.1m and 27.6m into the third level (1072) north development showed a grade of 6.2g/t gold and 16.3 g/t gold respectively, each with a true width of 3 metres. The vein will continue to be followed northwards on the third (1072) level and elevates potential for additional mineralisation to be added to the resource model if discovered on the adjacent first (1096), second (1084) and fourth (1060) levels, which have not yet accessed this area. To June 30, 2019 approximately 1623 metres of drivage have been completed since underground development commenced. The in-vein portion of the development is designed to form lower and upper access to future stoping blocks for production. Detailed geological information collected during in-vein development allows the geotechnical design of the various blocks to be optimized and the geological model to be refined (See press release July 22, 2019).

Milling operations progressed during the second quarter of 2019 on an extended dayshift basis, as feed became available. As expected, a second shift was added early in the second quarter. Additional milling shifts expected to be added in the fourth quarter, when training of additional personnel is complete. The processing plant, which was used formerly for open-pit operations, has had the benefit of a recent upgrade and further upgrades are planned. Recent analyses suggest that the product from the plant meets quality criteria and operates at a high efficiency. Shipments of concentrate to Ocean Partners UK Ltd commenced early in the second quarter. Concentrate sales provisional revenues totalled US$ 460,000 approximately for the second quarter representing approximately 154 tonnes of concentrate shipped. However, until the mine reaches the commencement of commercial production the net proceeds from concentrate sales will be offset against Development assets.

Safety is a high priority and the company continues to invest in safety-related training and infra-structure. The zero lost time accident rate since the start of underground operations, continues. Environmental monitoring demonstrates a high level of regulatory compliance. Phased site restoration works continue with thousands of tree saplings recently planted.

Reserves and Resources

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

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

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

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

RESOURCE ESTIMATE BY VEIN : GALANTAS 2014									
	MEASURED			INDICATED			INFERRED		
	TONNES	GRADE Au (g/t)	Contained Au (oz)	Tonnes	GRADE Au (g/t)	Contained Au (oz)	Tonnes	GRADE Au (g/t)	Contained Au (oz)
KEARNEY	76,936	7.48	18,490	383,220	6.66	82,055	909,277	6.61	193,330
JOSHUA	54,457	7.25	12,693	216,211	7.92	55,046	291,204	10.74	100,588
KERR	6,848	4.63	1,019	12,061	4.34	1,683	23,398	3.2	2,405
ELKINS				68,500	4.24	9,000	20,000	5.84	3,800
GORMLEYS							75,000	8.78	21,000
PRINCES							10,000	38.11	13,000
SAMMY'S							27,000	6.07	5,000
KEARNEY NORTH							18,000	3.47	2,000
TOTAL	**138,241**	**7.25**	**32,202**	**679,992**	**6.78**	**147,784**	**1,373,879**	**7.71**	**341,123**

The resources are calculated at a cut-off grade of 2 g/t gold (Au), numbers are rounded, gold grades are capped at 75 g/t gold and a minimum mining width of 0.9m has been applied.

Measured and Indicated resources on Kearney vein have increased to 100,545 ounces of gold from 69,000 ounces in 2012. Measured and Indicated resources on Joshua vein have increased to 67,739 ounces of gold from 15,800 ounces in 2012. The Kearney and Joshua veins are the early targets of underground mining. Combined Measured and Indicated resource category on these two veins are estimated at 168,284 ounces of gold, with 293,918 ounces of gold in the Inferred resource category. Both vein systems are open at depth.

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

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

At a gold price of UK£750 / US$ 1,260 oz., the pre-tax operating surplus after capital expenditure estimates an Internal Rate of Return of 72% and, at an 8% discount rate, a net present value of approximately UK£ 14.5m (CDN$ 26.6m) and a cash cost of production of UK£ 394 per ounce (USD$ 662 at $1.68/UK£). At a gold price of UK£700 per oz. the study estimated an Internal Rate of Return of 50%. The study scheduled approximately 36% of the combined resources identified on the Kearney and Joshua veins. The Company also filed the complete Technical Report on SEDAR in September 2014, as required by NI 43-101. It is noted that, subsequent to the report, UK£ sterling has weakened materially and the gold price increased with the current UK£ gold price in excess of UK£ 1,200 per ounce.

Exploration

Exploration during the second quarter has concentrated within the underground mine. Detailed face, wall and back maps were compiled alongside ground control (Q) assessments between each blast cycle.

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

During the first quarter, a further sample of country rock was taken from the main decline tunnel at a lower elevation, for assessment of acid generating potential, in accordance with regulatory requirements. The results demonstrated a Neutralisation Potential (NP) of 10tCaCO3/1Kt, an acid potential (AP) of <0.3tCaCO3/1Kt, and a safety factor (Neutralisation Potential Ratio or NPR) of 320. The sample point was Easting 240009, Northing 371149, and Elevation 76 RL. The results were supplied by ALS Global, OMAC Laboratories Ltd, Galway, Ireland, an INAB accredited testing laboratory, through ALS Vancouver, Canada, using LECO and ICP-AES methods. It is noted that the open-pit and mine environs continue to demonstrate no likelihood of generation of acid drainage and that result is confirmed by monthly water testing.

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

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

Underground geological mapping and ground control assessments have continued into the second quarter. Face maps and structural observations have been added to the resource model to supplement the understanding of the ore body grade and thickness.

The Kearney vein was intersected earlier than modelled on the third and fourth levels, allowing for development ahead of schedule. An exploratory drive northwards on the third level progressed beyond modelled mineralisation. The ore body maintained a strong persistent structure with notably high grades and so is an additional, previously unassessed, resource. Development of other ore drives northwards are planned to confirm the extent of and develop the extra resource.

Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the second quarter of 2019 and for the seven preceding quarters are summarized below.

Quarter Ended	Accounting Policies	Total Revenue	Net Income (Loss)	Net Income (Loss) per share & per share diluted
June 30, 2019	IFRS	$ 0	$ (891,863)	$ (0.00)
March 31, 2019	IFRS	$ 0	$ (779,517)	$ (0.00)
December 31, 2018	IFRS	$ 0	$ (953,712)	$ (0.00)
September 30, 2018	IFRS	$ 14,203	$ (706,717)	$ (0.01)
June 30, 2018	IFRS	$ 57,040	$ (700,510)	$ (0.00)
March 31, 2018	IFRS	$ 0	$ (524,498)	$ (0.00)
December 31, 2017	IFRS	$ 106	$ (429,273)	$ (0.00)
September 30, 2017	IFRS	$ 15,861	$ (452,756)	$ (0.00)

The results for the quarter ended June 30, 2019 are discussed under Review of Financial Results on pages 8 to 10 of the MD&A. The net loss for the quarter ended June 30, 2019 totaling $ 891,863 consisted of sales revenues $ Nil, cost and expenses of operations $ 85,482 depreciation $ 99,085, general administrative expenses $ 646,381, and foreign exchange loss $ 60,915.

For the quarter ended March 31, 2019 the loss totaling $ 779,517 consisted of sales revenues $ Nil, cost and expenses of operations $ 70,026, depreciation $ 87,405, general administrative expenses $ 602,429, and foreign exchange loss $ 19,657.

For the quarter ended December 31, 2018 the loss totaling $ 953,712 consisted of sales revenues $ Nil, cost and expenses of operations $ 84,477, aggregates levy $ 352,168, depreciation $ 131,376, general administrative expenses $ 530,573, and foreign exchange gain $ 144,882.

For the quarter ended September 30, 2018 the net loss totaling $ 706,717 consisted of sales revenues $ 14,203, cost and expenses of operations $ 42,365, depreciation $ 77,394, general administrative expenses $ 576,256 and foreign exchange loss $ 24,905.

For the quarter ended June 30, 2018 the net loss totaling $ 700,510 consisted of sales revenues $ 57,040, cost and expenses of operations $ 34,150, depreciation $ 77,980, general administrative expenses $ 616,153 and foreign exchange loss $ 29,267.

For the quarter ended March 31, 2018 the net loss totaling $ 524,498 consisted of sales revenues $ Nil, cost and expenses of operations $ 24,066, depreciation $ 64,249, general administrative expenses $ 408,890, unrealized gain on fair value of derivative financial liability $ 10,000 and foreign exchange loss $ 37,293.

For the quarter ended December 31, 2017 the net loss totaling $ 429,273 consisted of sales revenues $ 106, cost and expenses of operations $ 11,515, depreciation $ 60,074, general administrative expenses $ 347,656, unrealized gain on fair value of derivative financial liability $ 2,000 and foreign exchange loss $ 12,134.

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

Liquidity and Financial Position

The Company, which is involved in mining and exploration activities, has had a limited source of operating revenue in the recent past, as a result of the suspension of mining activities. However the Company anticipates receiving substantial additional revenues as the planned underground mine advances. Presently the activities of the Company are mainly financed through equity offerings and loans.

Galantas reported a working capital deficit of $ 4,753,840 at June 30, 2019 which compared with a working capital deficit of $ 272,783 at December 31, 2018. The Company had cash balances of $ 1,314,113 at June 30, 2019 compared with cash balances of $ 6,188,554 at December 31, 2018. Accounts receivable consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to $ 983,474 at June 30, 2019 compared to $ 287,273 at December 31, 2018. Inventories at June 30, 2019 amounted to $ Nil compared with an inventory of $ 11,335 at December 31, 2018.

Accounts payable and other liabilities amounted to $ 2,461,864 at June 30, 2019 compared with $ 2,257,329 at December 31, 2018. The current portion of a financing facilities totaled $ 398,212 at June 30, 2019 compared to $ 382,974 at December 31, 2018. Amounts due to related parties at June 30, 2019 amounted to $ 4,191,351 compared to $ 4,119,642 at the end of 2018. In addition a subsidiary of Galantas, Omagh Minerals Limited, previously had a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of $ 505,852 (UK£ 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. Omagh Minerals Limited believed this claim was without merit and had appealed the assessment. This appeal hearing commenced in March 2017 and following a number of adjournments was completed in August 2018. During the first quarter of 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 the aggregates levy dispute. Omagh Minerals Limited is unable to make a reliable estimate of the amount of the potential additional penalty that may be applied by HMRC.

During the third quarter of 2018 Galantas completed a private placement of shares on a part-brokered basis for aggregate gross proceeds of $ 1,571,771 (approximately UK£ 929,780). In the fourth quarter Galantas completed an additional private placement of shares on a part-brokered basis in two parts for aggregate gross proceeds of $ 6,900,000 (approximately UK£ 4,000,000). Also during the fourth quarter under a shares for debt arrangement and following TSXV and shareholder approvals, Mr. Roland Phelps, President & CEO, Galantas Gold Corporation exchanged 10,000,000 common shares for debt owed to him for past management fees, in the amount of £500,000 (CAD $862,500) at £0.05 (CAD $0.08625) per share. Subsequent to June 30, 2019 Galantas reported a proposed private placement of common shares. The placement is expected to include funds raised in both UK and Canadian currency and is for a maximum of 23,529,412 shares, at an issue price of UK£0.0425 ($0.068) per share for maximum gross proceeds of UK£1,000,000 ($ 1,600,000). The net proceeds to be raised by the placement are intended to be used to implement recently identified optimisation initiatives at the Omagh gold mine, including increased mechanisation and improved underground infrastructure, as well as for general working capital of the Company.

Earlier in 2018 Galantas announced that its operating subsidiary, Flintridge Resources Ltd. has signed a concentrate pre-payment agreement and a loan facility agreement for US$ 1.6 million (CAD $ 2.012 million) with Ocean Partners UK Ltd., a United Kingdom based company, together with an increased, on-demand loan facility of £600,000 with G&F Phelps Ltd. Repayments of the Ocean Partners loan are made against deliveries of concentrates which commenced in the second quarter of 2019 resulting in US$ 14,908 (CAD$ 19,131) being repaid during the quarter. The maturity date of the Ocean loan facility is December 31, 2020. As consideration for the US$ 1.6 million loan facility Ocean Partners received

15,000,000 bonus warrants of Galantas each of which will be exercisable into one common share of Galantas at an exercise price of $ 0.1575 per bonus share, being 150% of the TSXV closing price the day before this announcement. The bonus warrants have a maximum life of two years and the bonus shares will be subject to an initial four month plus one day hold period from the date of issuance of the bonus warrants. No bonus warrants were issued in respect of the G&F Phelps loan facility (See press release dated April 12, 2018). There were no additional loan advances from G&F Phelps Ltd, a related party, during the three and six months ended June 30, 2019. During 2018 additional loan advances from G&F Phelps Ltd totalled $ 883,128 (UK£ 506,410).

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the June 30, 2019 consolidated financial statements. The Company's ongoing viability had been dependent on obtaining planning consent for the development of an underground mine at Omagh and in securing sufficient financing to fund ongoing operational activity and the development of the underground mine both of which it have now been achieved. The going concern assumption is dependent upon forecast cash flows at the Omagh mine being met together with the continued support of both Cavanacaw Corporation and Galantas Gold Corporation. The directors' assumptions in relation to future levels of production, gold prices and mine operating costs are crucial to forecast cash flows being achieved. Should production be significantly delayed, revenues fall short of expectations or operating costs and capital costs increase significantly, there may be insufficient cash flows to sustain day to day operations without seeking further finance.

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

Off-Balance Sheet Arrangements

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

Related Party Transactions

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

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

The Company entered into the following transactions with related parties during the first half of 2019:

Director fees of $ 11,250 and $ 17,500 were accrued for the three and six months ended June 30, 2019 ($ 8,250 and $ 13,250 for the three and six months ended June 30, 2018). Stock-based compensation for these directors totalled $ 14,126 and $ 38,099 for the three and six months ended June 30, 2019 ($ 2,739 and $ 10,502 for the three and six months ended June 30, 2018).

Remuneration accrued for the President/CEO totalled $ 85,980 (UK£ 50,000) and $ 172,560 (UK£100,000) for the three and six months ended June 30, 2019 ($ 87,815 (UK£ 50,000) and $ 175,820 (UK£100,000) for the three and six months ended June 30, 2018). Stock-based compensation for the President/CEO totalled $ 1,745 and $ 10,400 for the three and six months ended June 30, 2019 ($ 2,738 and $ 10,502 for the three and six months ended June 30, 2018).

Remuneration of the CFO totalled $ 18,946 and $ 37,815 for the three and six months ended June 30, 2019 ($ 19,931 and $ 39,036 for the three and six months ended June 30, 2018). Stock based compensation for the CFO totalled $ 1,745 and $ 8,884 for the three and six months ended June 30, 2019 ($ 1,095 and $ 4,201 for the three and six months ended June 30, 2018).

At June 30, 2019 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of $ 3,033,492 (UK£ 1,824,764) (December 31, 2018 $ 3,182,205 (UK£ 1,824,764)) bearing interest at USD 12 month LIBOR + 6.75% with effect from April 2018, repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the three and six months ended June 30, 2019 amounted to $ 90,553 (UK£ 52,657) and $ 180,717 (UK£ 104,727) respectively (three and six months ended June 30, 2018 $ 76,934 (UK£ 43,768) and $ 94,269 (UK£ 53,617) respectively). As at June 30, 2019 the interest accrued amounted to $ 801,669 (UK£ 482,236) (December 31, 2018 - $ 658,338 (UK£ 377,509). There were no additional loan advances from G&F Phelps Ltd during the three and six months ended June 30, 2019. During 2018 additional loan advances from G&F Phelps Ltd totalled $ 883,128 (UK£ 506,410). Following the increase of £600,000 to the on-demand loan facility with G&F Phelps Ltd the interest rate on the loan G&F Phelps facility was increased to USD 12 month LIBOR + 6.75% with effect from April 2018.

As at June 30, 2019 due to directors for fees totalled $ 100,500 (December 31, 2018 - $ 166,000) and due to key management, primarily for salaries and benefits accrued at June 30, 2019, amounted to $ 255,690 (UK£ 153,808) (December 31, 2018 - $ 113,099 (UK£ 64,854)) and are included under due to related parties.

During the third quarter of 2018 Galantas completed a private placement of shares for aggregate gross proceeds of $ 1,571,771 (approximately UK£ 929,780). The placement comprised of the issue of 22,137,619 common shares of no par value. Melquart Ltd subscribed for 11,904,762 common shares, which increased their holding to 40,224,545 common shares. Mr. Ross Beaty subscribed for 2,380,952 common shares which increased his holding to 37,447,478 common shares resulting in Mr. Beatty currently holding 12.50% of the Company's issued common shares. Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, subscribed for 4,761,905 common shares in the placing which increased his holding to 39,338,167 common shares.

In the fourth quarter of 2018 Galantas completed a further private placement of shares in two parts for aggregate gross proceeds of $ 6,900,000 (approximately UK£ 4,000,000). The placement comprised of the issue of 80,000,000 common shares of no par value. Melquart Ltd. subscribed for 22,000,000 common shares which increased their holding to 62,224,545 common shares representing 20.76% of the Company's issued and outstanding shares. Miton Asset Management Limited subscribed for 50,000,000 common shares which results in their holding common shares representing 16.68% of the Company's issued and outstanding shares and resulting in Miton becoming a related party of the Company. In addition under a Shares for Debt Arrangement and following TSXV and shareholder approvals, Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, exchanged 10,000,000 common shares for debt owed to him for past management fees, in the amount of £500,000 (CAD $ 862,500) at £0.05 (CAD $0.08625) per share which increased his holding to 49,338,167 common shares representing 16.46% of the Company's issued and outstanding shares. Following the private placements Melquart Ltd, Miton Asset Management Limited, Mr. Beaty and Mr. Phelps are deemed to be related parties of Galantas by virtue of being substantial shareholders of the Company. In addition Roisin Magee, a Director of Galantas Gold Corporation, participated in the private placement with a subscription for 500,000 common shares. Ms. Magee now owns approximately 0.17% of the Company's issued and outstanding common shares

Excluding the Melquart Ltd, Miton Asset Management Limited, Ross Beaty and Roland Phelps shareholdings discussed above, the remaining 33.60% of the shares are widely held, which include various small holdings which are owned by the other directors of the Company. These holdings can change at any time at the discretion of the owner. The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company.

Proposed Transactions

There are no proposed transactions of a material nature that have been finalized by the Company.

Critical Accounting Estimates

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

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

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of property, plant and equipment incurred on the Omagh underground mine in the consolidated statements of financial position. The Omagh underground mine and the open pit mine are considered as one cash generating unit ("CGU") and were tested for impairment at December 31, 2018. The calculations of the recoverable amount of CGU require the use of methods such as the discounted cash flow method, which uses assumptions to estimate future cash flows. No additional impairment was noted.
- the estimated life of the ore body based on the estimated recoverable ounces or pounds mined from proven and probable reserves of the mine development costs which impacts the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- stock-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including volatility, which is an estimate based on historical price of the Company's share, the forfeiture rate and expected life of the instruments;
- warrants – management is required to make a number of estimates when determining the fair value of the warrants, including volatility, the forfeiture rate and expected life of the instruments;
- Derivative financial liability – management is required to make a number of estimates when determining the fair value of the derivative financial liability, including volatility, the forfeiture rate and expected life of the instruments and
- Decommissioning liabilities has been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory

requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual decommissioning costs will ultimately depend on actual future settlement amount for the decommissioning costs which will reflect the market condition at the time the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning provisions may be higher or lower than currently provided for.

Critical Accounting Judgments

- Functional Currency– the functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined its functional currency is the Canadian dollar and each subsidiary to be the UK £ Sterling. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined primary economic environment;

- Exploration and evaluation assets – the determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgement and assessment of all relevant factors;

- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements; and

- Going concern assumption – Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due and

- Whether there are any indicators that the Company’s property, plant and equipment assets and exploration and evaluation assets are impaired. Where an indicator of impairment exists for its non-current assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above.

Accounting Policies including Initial Adoption

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The June 30, 2019 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 20, 2019 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as set out in Note 4 of the annual consolidated financial statements as at and for the year ended December 31, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

New accounting standards adopted

(I) On June 7, 2017, the IASB issued IFRIC 23 - Uncertainty over Income Tax Treatments. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

(ii) On January 13, 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 - Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company adopted IFRS 16 in its unaudited condensed interim consolidated financial statements for the period beginning on January 1, 2019. As the Company has no material lease contracts that fall under IFRS 16, the adoption of this standard has not resulted in any material changes in the Company's unaudited condensed interim consolidated financial statements.

Financial and Property Risk Management

Property risk

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

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk and sales concentration
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, accounts receivable and long-term deposit. Cash and long-term deposit are held with financial institutions and the United Kingdom Crown respectively, from which management believes the risk of loss to be minimal. All the revenues from sales are from one customers and the accounts receivable consist mainly of a trade account receivable from one customer, value added tax receivable and sales tax receivable. The Company is exposed to concentration of credit and sales risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. 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 June 30, 2019 the Company had a working capital deficit of $ 4,753,840 (December 31, 2018 - working capital deficit of $ 272,783). All of the Company's financial liabilities have contractual maturities of less than 30 days other than certain related party loans which are due on demand. As at June 30, 2019, the Company was cash flow negative. Sufficient funding has been secured to fund ongoing operational activity and the development of the underground mine subject to forecast cash flows at the Omagh mine being met together with the continued support of both Cavanacaw Corporation and Galantas Gold Corporation’.

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

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

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

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

Sensitivity analysis

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

(i) Certain related party loans and a loan facility with a third party are subject to interest rate risk. As at June 30, 2019, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the three and six months ended June 30, 2019 would have been approximately $ 60,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans and a loan facility with a third party. Similarly, as at June 30, 2019 shareholders' equity would have been approximately $ 60,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans and a loan facility with a third party.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, long-term deposit, accounts payable and other liabilities, financing liability and due to related parties that are denominated mainly in UK£ and third party loans denominated in US Dollars. As at June 30, 2019, had the UK£ weakened/strengthened by 5% against the CAD with all other variables held constant the Company's consolidated comprehensive loss for the three and six months ended June 30, 2019 would have been approximately $ 65,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at June 30, 2019, shareholders' equity would have been approximately $ 65,000 higher/lower had the UK£ weakened/strengthened by 5% against the CAD as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments.

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce production of its mineral resources, which could have a material and adverse effect on the Company's value. Management believes that the impact would be immaterial for the three and six months ended June 30, 2019.

Capital Risk Management

The Company manages its capital with the following objectives:

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

- to maximize shareholder return.

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

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit which at June 30, 2019 totalled $ 13,783,786 (December 31, 2018 - $ 15,838,479). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on its exploration activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended June 30, 2019. The company is not subject to any capital requirements imposed by a lending institution or regulatory body.

Disclosure of Internal Controls

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

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

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).
The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Disclosure of Other MD&A Requirements

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

General Administrative Expenses for the Quarters ended June 30, 2019 and June 30, 2018 are detailed below:

Expense Account	**Quarter Ended June 30, 2019 $**	**Quarter Ended June 30, 2018 $**
Management & administrative wages	255,618	216,565
Other operating expenses	37,054	57,081
Accounting & corporate	14,718	17,107
Legal & audit	25,872	17,452
Stock-based compensation	76,723	69,772
Shareholder communication and investor relations	62,836	66,312
Transfer agent	5,752	5,477
Directors fees	11,250	8,250
General office	3,663	2,041
Accretion expenses	61,983	77,618
Loan interest and bank charges	90,912	78,478
Total	**$ 646,381**	**$ 616,153**

General administrative expenses for the quarter ended June 30, 2019 totalled $ 646,381 compared to $ 616,153 for the quarter ended June 30, 2018.

Management and administrative wages include payroll costs of both Galantas corporate and at the Omagh mine and totalled $ 255,618 for the quarter ended June 30, 2019 compared to $ 216,565 for the second quarter of 2018. The higher costs in the second quarter of 2019 are mainly due to the employment of additional administrative personnel reflecting the increased level of activity at the Omagh mine. Other operating expenses, the majority of which are incurred in UK£ at the Omagh mine and include amongst others professional fees, insurance costs and travel amounted to $ 37,054 for the quarter ended June 30, 2019 compared to $ 57,081 for the corresponding period of 2018. The decrease in the current quarter was mainly due to lower professional fees. Accounting and corporate costs for the quarter amounted to $ 14,718 compared to $ 17,107 for the corresponding quarter of 2018. The decrease in the current quarter was mainly due to lower accounting service costs. Legal and audit costs totalled $ 25,872 for the quarter compared to $ 17,452 for the second quarter of 2018. Legal costs for the second quarter amounted to $ 10,407 and compared with $ 1,454 for the second quarter of 2018. Audit fees for the second quarter amounted to $ 15,465 compared to $ 15,998 for the second quarter of 2018.

Stock-based compensation costs for the second quarter of 2019 amounted to $ 76,723 compared to $ 69,772 for the corresponding quarter of 2019. Stock based compensation costs in second quarter were mainly in connection with stock options granted during the first half of 2019. These options vested as to one third on the date granted and one third on each of the following two anniversaries.

Shareholder communication and investor relations costs amounted to $ 62,836 for the second quarter of 2019 compared to $ 66,312 for the corresponding quarter of 2018. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees and in the second quarter of 2019 and 2018 include certain costs in connection with the holding of the Company's AGM.

Transfer agents fees for the second quarter of 2019 amounted to $ 5,752 compared to $ 5,477 incurred in the corresponding period of 2018. Directors' fees for the second quarter of 2018 totalled $ 11,250 compared to $ 8,250 for 2018. General office expenses for the second quarter of 2018 amounted to $ 3,663 compared to $ 2,041 for 2018. Accretion expenses for the second quarter of 2019 amounted to $ 61,983 which compared to $ 77,618 for the second quarter of 2018. Accretion expenses include accretion of the fair value of the 15,000,000 bonus warrants issued during the second quarter in connection with the Ocean Partners US$ 1.6 million loan as set out in Note 10 of the June 30, 2019 consolidated financial statements. Loan interest and bank charges for the second quarter of 2019 were mainly in connection with interest on the G&F Phelps UK£ loan and amounted to $ 90,912 compared to $ 78,478 for the quarter ended June 30, 2018.

General Administrative Expenses for the Six Months ended June 30, 2019 and June 30, 2018 are detailed below:

Expense Account	Six Months Ended June 30, 2019 $	Six Months Ended June 30, 2018 $
Management & administrative wages	447,306	373,417
Other operating expenses	82,280	104,177
Accounting & corporate	28,613	30,360
Legal & audit	41,446	64,203
Stock-based compensation	212,063	145,855
Shareholder communication and investor relations	110,969	105,630
Transfer agent	7,653	6,127
Directors fees	17,500	13,250
General office	6,262	4,422
Accretion expenses	119,029	80,397
Loan interest and bank charges	175,689	97,205
Total	**$ 1,248,810**	**$ 1,025,043**

General administrative expenses for the six months ended June 30, 2019 totalled $ 1,248,810 compared to $ 1,025,043 for the six months ended June 30, 2018.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and the Omagh mine which totalled $ 447,306 for the six months ended June 30, 2019 compared to $ 373,417 for the first half of 2018. The higher costs in 2019 are mainly due to the employment of additional administrative personnel during the first half of 2019 reflecting the increased level of activity at the Omagh mine. Other operating expenses, the majority of which are also incurred in UK£ at the Omagh mine, and include amongst others professional fees, insurance costs and travel amounted to $ 82,280 for the six months ended June 30, 2019 compared to $ 104,177 for the corresponding period of 2018. The decrease in the current period was mainly due to a reduction in professional fee costs. Accounting and corporate costs for the first half of 2019 amounted to $ 28,613 compared to $ 30,360 for the corresponding period of 2018. Legal and audit costs totalled $ 41,446 for the six months compared to $ 64,203. Legal costs amounted to $ 10,407 which compared with $ 33,454 for the first half of 2018. The higher level of legal fees in the first half of 2018 were mainly in connection with the aggregates appeal hearing referred to in Note 16 of the financials. Audit fees for the six months amounted to $ 31,039 compared to $ 30,749 for the corresponding period of 2018.

Stock-based compensation costs for the first half of 2019 amounted to $ 212,063 compared to $ 145,855 for the corresponding period of 2018. The 2019 stock based compensation costs were mainly in connection with stock options granted during the first half of 2019. These options vested as to one third on the date granted and one third on each of the following two anniversaries.

Shareholder communication and investor relations costs amounted to $ 110,969 for the first six months of 2019 compared to $ 105,630 for 2018. Shareholder communication and investor relations costs include investor relations, shareholders information, filing fees, listing fees and certain costs in connection with the holding of the Company’s AGM. Transfer agents fees amounted to $ 7,653 compared to $ 6,127 incurred in the first six months of 2018. Directors’ fees totalled $ 17,500 compared to $ 13,250 for the first half of 2018. General office expenses for the first half of 2019 amounted to $ 6,262 compared to $ 4,422 for 2018.

Accretion expenses for the first half of 2019 amounted to $ 119,029 which compared to $ 80,397 for the corresponding period of 2017. The increased charge is due to the accretion of the fair value of the 15,000,000 bonus warrants being issued in the second quarter of 2018 in connection with the Ocean Partners US$ 1.6 million loan as set out in Note 10 of the June 30, 2019 consolidated financial statements. Loan interest and bank charges for the first half of 2019 were mainly in connection with interest on the G&F Phelps UK£ loan and amounted to $ 175,689 compared to $ 97,205 for the corresponding period of 2018. The higher interest charge for the first six months of 2018 was mainly due to the increase in the interest rate on the G&F Phelps loan effective April 2018.

Disclosure of Outstanding Share Data

At August 20, 2019 there were a total of 299,686,805 shares issued, 15,000,000 warrants with an expiry date of April 2020 and 14,116,667 stock options with expiry dates from June 2020 to June 2024.

Events after Reporting Period

On August 5, 2019, the Company announced a proposed private placement of common shares. The net proceeds to be realised by the private placement are intended to be used to implement recently identified optimisation initiatives at the Omagh gold mine, including increased mechanisation and improved underground infrastructure, as well as for general working capital of the Company.

The private placement is expected to include funds raised in both the UK and Canadian currency and is for a maximum of 23,529,412 shares, at an issue price of $0.068 (GBP 0.0425) per share for maximum gross proceeds of $1,600,000 (GBP 1,000,000). A four month plus one day hold period will apply to the shares and the shares will rank pari passu with the existing shares in issue of the Company. The private placement will be part brokered. Insiders are expected to participate in the placing.

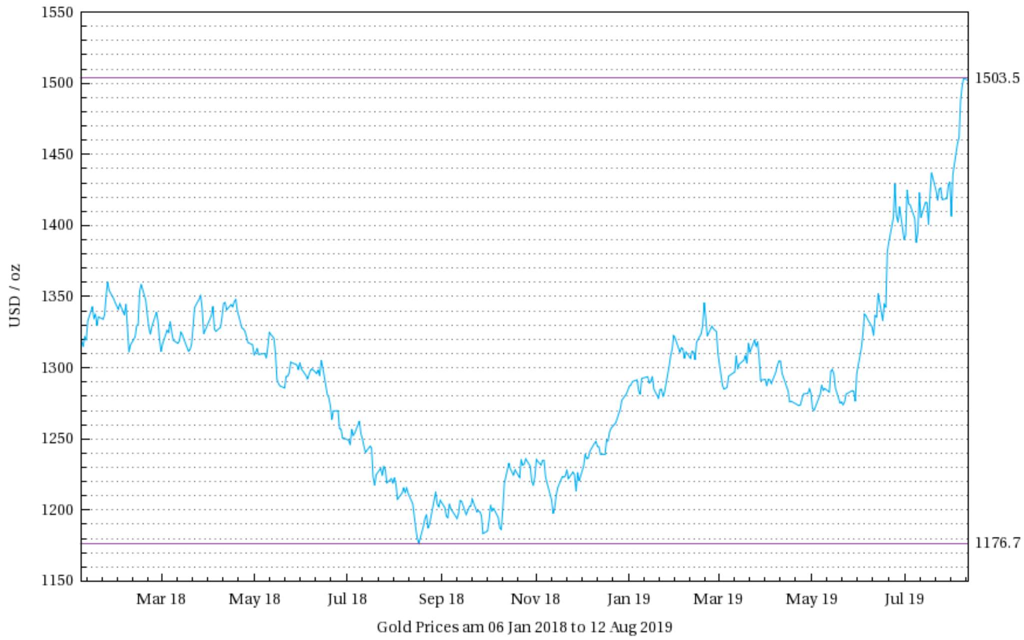
Trends Affecting the Company's Business

Gold Price in US Dollars and UK Sterling

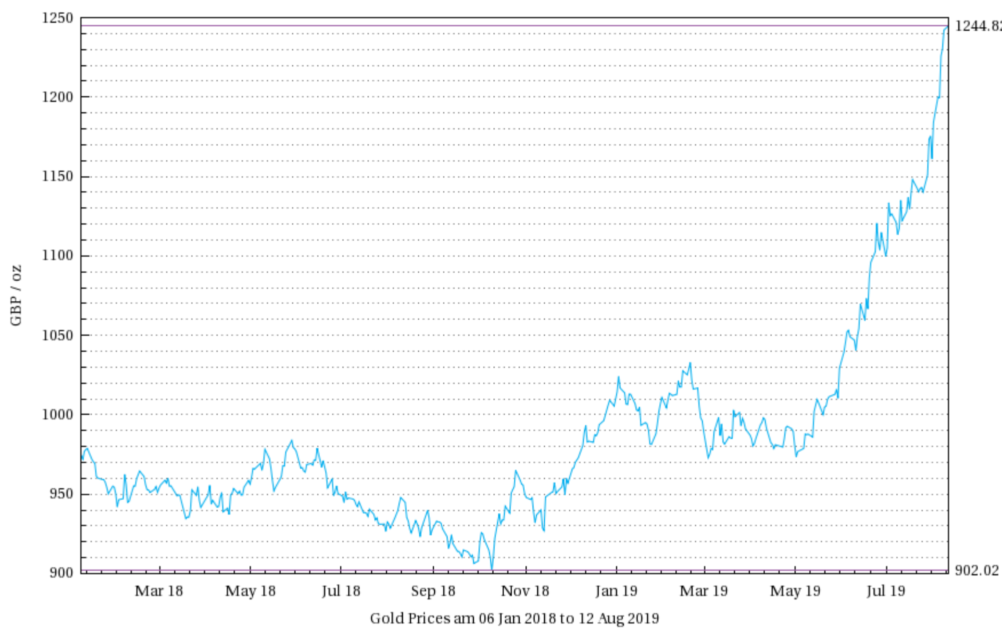
The Gold concentrate output from the Omagh Mine is sold in US dollars. Most of the value is accrued from the gold content. The following graphs are published by LBMA.org.uk. The first graph shows the gold price expressed in US dollars (USD) from 1st January 2018 to mid August 2019. The graph shows gold in USD in generally an upward trend since June 2019, with a price over USD 1500 by mid August 2019.

The second graph shows the gold price expressed in UK£ sterling terms. The Sterling gold price has been in an upward trend since June 2019. Part of the increase is attributable to an increase in the USD price but has been further enhanced by a fall in Sterling compared to the USD. The increases seen in August has created all time highs in Sterling terms. The increase in Sterling terms is significantly positive to cash flow.

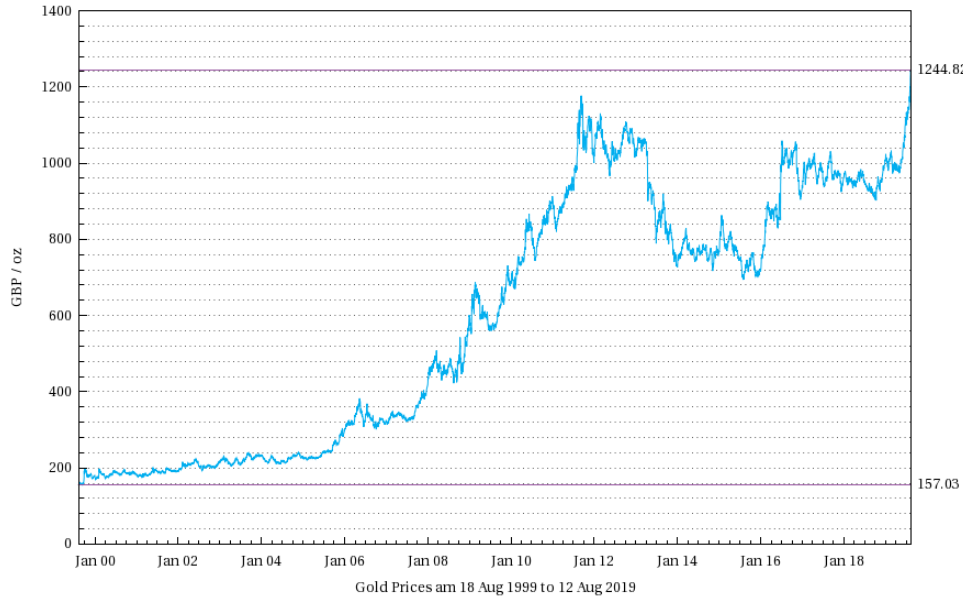
The gold price for the three months ended June 30, 2019 averaged US$ 1,310 and UK£ 1,019 compared to US$ 1,307 and UK£ 960 for the three months ended June 30, 2018. The gold price for the six months ended June 30, 2019 averaged US$ 1,311 and UK£ 1,010 compared to US$ 1,318 and UK£ 957 for the six months ended June 30, 2018.



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



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



Graph of Sterling Gold Price from August 1999 to August 2019 (twenty years)

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

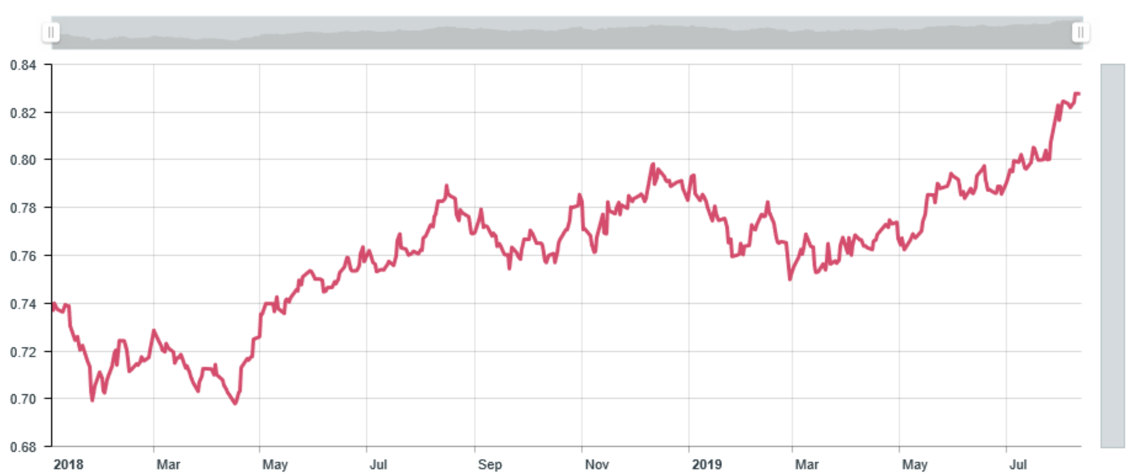
<u>The US Dollar / UK£ Sterling Currency Exchange Rate</u>

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

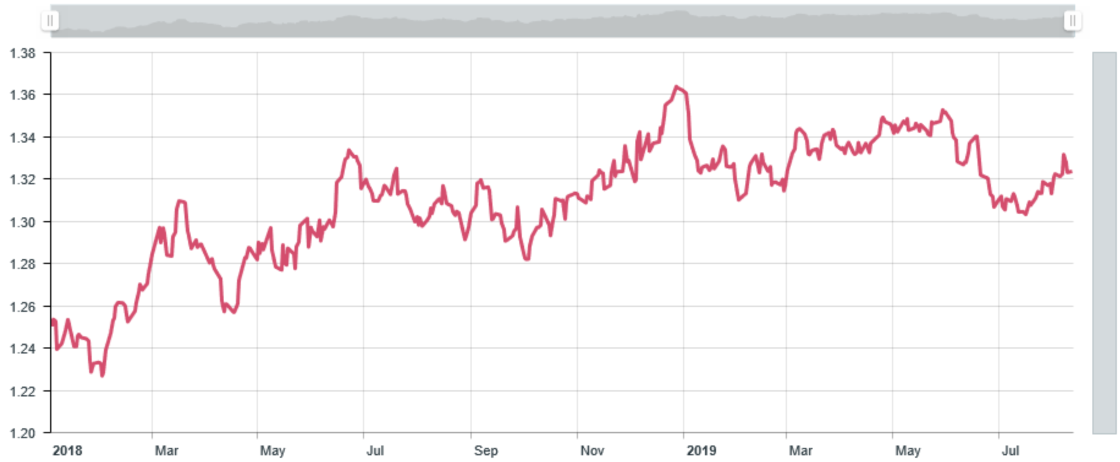
The US Dollar has been on an upward trend against a weakening UK£Sterling since March 2019 with UK£Sterling showing continuing weakness. The exchange rate has been driven of late by Brexit considerations, a situation which continues in a state of flux.

The US dollar averaged $ 1.28 and $ 1.29 against UK£ sterling for the second quarter and first six months of 2019 compared to $1.36 and $ 1.38 for the second quarter and first six months of 2018.

A currency policy has been adopted of converting incoming payments into the currency required within a short period of receipt, thus avoiding the taking of a large currency position on either side of the market.



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



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

The Canadian Dollar / UK£ Sterling Currency Exchange Rate.

The accounts of the Company are expressed in Canadian Dollars. The majority of costs at the mine are incurred in UK£ Sterling and are converted to Canadian Dollars at the average rate for the relevant accounting period. When costs are expressed in Canadian Dollars terms within the Company's financials, there is an increase in costs when there is a fall in value or weakening of the Canadian Dollar against Sterling. A weakening of the Canadian dollar also increases the value of UK£ based net assets, which are converted at period end rates, when expressed in Canadian dollars.

Although on a generally strengthening trend against UK£ Sterling, considered to be related to Brexit, the Canadian Dollar has not shown the same strength against Sterling, with recent retrenchment considered by some to be related to weaknesses in the world economy and relationships with oil prices.

The Canadian Dollar averaged $ 1.76 against UK£ Sterling during the three months ended June 30, 2019 compared to $1.72 for the second quarter of 2018. For the first six months of 2019 the Canadian dollar averaged $ 1.73 against UK£ Sterling compared to $ 1.76 for the first six months of 2018.

The Financing Trends & Political Trends

Difficulties in the Western credit markets have impacted on all companies entering into banking credit arrangements. The Canadian and UK equity markets for junior mining companies appears to have weakened during 2018 and remains weak. Whilst the remaining malaise in this market sector has restricted financing opportunities, Galantas has been able to secure funding arrangements during 2018, based upon early cash flow expectations.

In Northern Ireland, the widely acknowledged previous political agreement consolidated the positive financial effects of peace and stability in the province, but there continues a low level of activity by those not allied to the peace process. There remains continued uncertainty about a return to the power sharing agreement, which is further complicated by arrangements made with one of the political parties in Northern Ireland lending its support to the UK governing party. There has been an increase in political antipathy against gold mining companies, based upon opinions regarding the use of cyanide reagents. Galantas does not utilise cyanide reagents and has therefore not suffered the same level of opprobrium.

Potential delays related to Brexit issues may cause some interruption to supplies. These have been minimised in advance as much as possible. No tariff issues on the company's products is anticipated.

Risks and Uncertainties

Galantas operates in a sector – mineral production and exploration – which carries inherent risks only some of which are within management's ability to reduce or remove. The main sector risk is always metal price. An investment in the securities of the Company is highly speculative and involves numerous and significant risks. It should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's MD&A for the fiscal year ended December 31, 2018, available on SEDAR at ***www.sedar.com***. There have been no significant changes to such risk factors since the date thereof.

Qualified Person Statement

The financial components of this disclosure has been reviewed by Leo O' Shaughnessy (Chief Financial Officer) and the production, exploration and permitting components by Roland Phelps C.Eng. MIMMM (President & CEO), both Qualified Persons under the meaning of NI. 43-101 and AIM rules. The information in this disclosure is based upon local production and financial data prepared under their supervision. The statement of mineral resource estimates is based upon a report announced 28th July 2014 and prepared by the Galantas Geological and Mining Team under Mr. Phelps' supervision.