GALANTAS GOLD CORPORATION

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited)
Three and Six Months Ended June 30, 2018

NOTICE TO READER

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

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

	As at June 30, 2018	As at December 31, 2017
ASSETS		
Current assets		
Cash	$ 732,603	$ 779,758
Accounts receivable and prepaid expenses (note 4)	267,699	316,410
Inventories (note 5)	11,282	15,095
Total current assets	1,011,584	1,111,263
Non-current assets		
Property, plant and equipment (note 6)	8,818,885	8,166,752
Long-term deposit (note 8)	520,710	508,830
Exploration and evaluation assets (note 7)	5,949,095	3,948,452
Total non-current assets	15,288,690	12,624,034
Total assets	$ 16,300,274	$ 13,735,297
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 9)	$ 1,705,261	$ 1,216,332
Current portion of financing facilities (note 10)	285,667	6,182
Due to related parties (note 13)	4,273,341	3,381,357
Total current liabilities	6,264,269	4,603,871
Non-current liabilities		
Non-current portion of financing facilities (note 10)	1,006,105	19,689
Decommissioning liability (note 8)	570,042	551,680
Derivative financial liability	-	10,000
Total non-current liabilities	1,576,147	581,369
Total liabilities	7,840,416	5,185,240
Capital and reserves		
Share capital (note 11(a)(b))	39,759,172	39,759,172
Reserves	8,792,996	7,658,187
Deficit	(40,092,310)	(38,867,302)
Total equity	8,459,858	8,550,057
Total equity and liabilities	$ 16,300,274	$ 13,735,297

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

Going concern (note 1)
Contingency (note 15)

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenues				
Gold sales	**$ 57,040**	$ 16,607	**$ 57,040**	$ 19,341
Cost and expenses of operations				
Cost of sales	**34,150**	111,605	**58,216**	175,021
Depreciation (note 6)	**77,980**	50,887	**142,229**	90,942
	112,130	162,492	**200,445**	265,963
Loss before general administrative and other (incomes) expenses	**(55,090)**	(145,885)	**(143,405)**	(246,622)
General administrative expenses				
Management and administration wages (note 13)	**216,565**	158,014	**373,417**	304,742
Other operating expenses	**57,081**	98,247	**104,177**	121,261
Accounting and corporate	**17,107**	16,191	**30,360**	30,090
Legal and audit	**17,452**	47,451	**64,203**	80,737
Stock-based compensation (note 11(d)(i)(ii))	**69,772**	80,506	**145,855**	301,087
Shareholder communication and investor relations	**66,312**	61,991	**105,630**	100,172
Transfer agent	**5,477**	5,605	**6,127**	7,580
Director fees (note 13)	**8,250**	8,500	**13,250**	13,500
General office	**2,041**	1,949	**4,422**	3,910
Accretion expenses (notes 8 and 10)	**77,618**	2,717	**80,397**	5,307
Loan interest and bank charges (note 13)	**78,478**	16,064	**97,205**	30,965
	616,153	497,235	**1,025,043**	999,351
Other (incomes) expenses				
Unrealized gain on fair value of derivative financial liability	**-**	(28,000)	**(10,000)**	(6,000)
Foreign exchange loss (gain)	**29,267**	(103,244)	**66,560**	(43,863)
	29,267	(131,244)	**56,560**	(49,863)
Net loss for the period	**$ (700,510)**	$ (511,876)	**$ (1,225,008)**	$ (1,196,110)
Basic and diluted net loss per share (note 12)	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	**187,549,186**	170,894,087	**187,549,186**	160,616,924

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

Galantas Gold Corporation
Condensed Interim Consolidated Statements of Other Comprehensive (Loss) Income
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net loss for the period	**$ (700,510)**	$ (511,876)	**$ (1,225,008)**	$ (1,196,110)
Other comprehensive (loss) income				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	**(391,688)**	56,765	**202,954**	113,470
Total comprehensive loss	**$ (1,092,198)**	$ (455,111)	**$ (1,022,054)**	$ (1,082,640)

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

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

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating activities		
Net loss for the period	**$ (1,225,008)**	$ (1,196,110)
Adjustment for:		
Depreciation (note 6)	**142,229**	90,942
Stock-based compensation (note 11(d)(i)(ii))	**145,855**	301,087
Interest expense	**93,063**	28,968
Foreign exchange gain	**11,034**	(23,576)
Accretion expenses (notes 8 and 10)	**80,397**	5,307
Unrealized gain on fair value of derivative financial liability	**(10,000)**	(6,000)
Non-cash working capital items:		
Accounts receivable and prepaid expenses	**54,505**	(38,856)
Inventories	**4,070**	9,110
Accounts payable and other liabilities	**453,412**	124,308
Due to related parties	**173,908**	174,284
Net cash used in operating activities	**(76,535)**	(530,536)
Investing activities		
Purchase of property, plant and equipment	**(602,009)**	(371,546)
Exploration and evaluation assets	**(1,909,858)**	(305,963)
Net cash used in investing activities	**(2,511,867)**	(677,509)
Financing activities		
Proceeds of private placement	**-**	2,446,299
Share issue costs	**-**	(134,854)
Advances from related parties	**549,193**	-
Proceeds from financing facilities (note 10)	**2,021,280**	-
Financing charges related to financing liabilities	**(41,806)**	-
Repayment of financing facilities (note 10)	**(3,022)**	(1,842)
Net cash provided by financing activities	**2,525,645**	2,309,603
Net change in cash	**(62,757)**	1,101,558
Effect of exchange rate changes on cash held in foreign currencies	**15,602**	23,176
Cash, beginning of period	**779,758**	557,005
Cash, end of period	**$ 732,603**	$ 1,681,739

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

Galantas Gold Corporation
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital	Reserves: Warrants reserve	Reserves: Equity settled share-based payments reserve	Reserves: Foreign currency translation reserve	Deficit	Total
Balance, December 31, 2016	**$ 36,331,577**	**$ -**	**$ 6,575,109**	**$ 450,948**	**$ (36,789,163)**	**$ 6,568,471**
Shares issued in private placement (note 11(b)(i))	2,446,299	-	-	-	-	2,446,299
Share issue costs	(134,854)	-	-	-	-	(134,854)
Stock-based compensation (note 11(d)(i))	-	-	301,087	-	-	301,087
Net loss and other comprehensive income for the period	-	-	-	113,470	(1,196,110)	(1,082,640)
Balance, June 30, 2017	**$ 38,643,022**	**$ -**	**$ 6,876,196**	**$ 564,418**	**$ (37,985,273)**	**$ 8,098,363**
Balance, December 31, 2017	**$ 39,759,172**	**$ -**	**$ 7,038,978**	**$ 619,209**	**$ (38,867,302)**	**$ 8,550,057**
Warrants issued (note 10(ii))	-	786,000	-	-	-	786,000
Stock-based compensation (note 11(d)(i)(ii))	-	-	145,855	-	-	145,855
Net loss and other comprehensive income for the period	-	-	-	202,954	(1,225,008)	(1,022,054)
Balance, June 30, 2018	**$ 39,759,172**	**$ 786,000**	**$ 7,184,833**	**$ 822,163**	**$ (40,092,310)**	**$ 8,459,858**

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

1. Going Concern

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

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

a. Securing sufficient financing to fund ongoing operational activity and the development of the underground mine.
b. Obtaining consent for an underground mine which is currently subject to a judicial review process.

Should the Company be unsuccessful in securing the above, there would be significant uncertainty over the Company’s ability to continue as a going concern. The Company is currently in discussions with a number of potential financiers.

As at June 30, 2018, the Company had a deficit of $40,092,310 (December 31, 2017 - $38,867,302). Management is confident that it will be able to secure the required financing to enable the Company to continue as a going concern. However, this is subject to a number of factors including market conditions.

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

2. Incorporation and Nature of Operations

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

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

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

2. Incorporation and Nature of Operations (Continued)

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

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

3. Significant Accounting Policies

Statement of compliance

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 22, 2018 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2017, 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, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

New accounting standard adopted

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

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

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

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

3. Significant Accounting Policies (Continued)

New accounting standard adopted (continued)

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables (amortized cost)	Amortized cost
Long-term deposit	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and other liabilities	Other financial liabilities (amortized cost)	Amortized cost
Financing facilities	Other financial liabilities (amortized cost)	Amortized cost
Due to related parties	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

Financial assets

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

i. Financial assets recorded at FVTPL

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

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

ii. Amortized cost

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

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

Financial liabilities

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

i. Amortized cost

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

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

3. Significant Accounting Policies (Continued)

New accounting standard adopted (continued)

Financial liabilities (continued)

ii. Financial liabilities recorded FVTPL

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

Transaction costs

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

Subsequent measurement

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

Derecognition

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

Expected credit loss impairment model

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

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

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

New accounting standards not yet effective

(i) On June 7, 2017, the IASB issued IFRIC 23 - Uncertainty Over Income Tax Treatments. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company does not expect the interpretation to have a material impact on the consolidated financial statements.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (Continued)

New accounting standards not yet effective (continued)

(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 ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its consolidated financial statements for the period beginning on January 1, 2019. The Company is evaluating the impact of adoption and expects to report more detailed information in its consolidated financial statements as the effective date approaches.

4. Accounts Receivable and Prepaid Expenses

	As at June 30, 2018	As at December 31, 2017
Sales tax receivable - Canada	**$ 6,539**	$ 3,600
Valued added tax receivable - Northern Ireland	**204,611**	274,963
Accounts receivable	**3,211**	3,180
Prepaid expenses	**53,338**	34,667
	$ 267,699	$ 316,410

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

The following is an aged analysis of receivables:

	As at June 30, 2018	As at December 31, 2017
Less than 3 months	**$ 211,863**	$ 279,302
More than 12 months	**2,498**	2,441
Total accounts receivable	**$ 214,361**	$ 281,743

5. Inventories

	As at June 30, 2018	As at December 31, 2017
Concentrate inventories	**$ 11,282**	$ 11,025
Finished goods	**-**	4,070
	$ 11,282	$ 15,095

(Expressed in Canadian Dollars)

6. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2016	$ 2,283,400	$ 4,851,419	$ 109,598	$ 102,011	$ 14,783,628	**$ 22,130,056**
Additions	2,092	510,561	29,139	-	202,765	**744,557**
Foreign exchange adjustment	54,729	115,606	2,627	2,445	354,329	**529,736**
Balance, December 31, 2017	2,340,221	5,477,586	141,364	104,456	15,340,722	**23,404,349**
Additions	-	434,295	9,460	18,478	139,776	**602,009**
Foreign exchange adjustment	54,639	127,100	3,301	2,439	358,170	**545,649**
Balance, June 30, 2018	$ 2,394,860	$ 6,038,981	$ 154,125	$ 125,373	$ 15,838,668	**$ 24,552,007**

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2016	$ 1,850,486	$ 4,217,673	$ 78,242	$ 84,397	$ 8,449,267	**$ 14,680,065**
Depreciation	13,684	176,311	10,915	2,521	-	**203,431**
Foreign exchange adjustment	44,550	102,951	2,032	2,059	202,509	**354,101**
Balance, December 31, 2017	1,908,720	4,496,935	91,189	88,977	8,651,776	**15,237,597**
Depreciation	6,161	127,069	6,896	2,103	-	**142,229**
Foreign exchange adjustment	44,486	102,719	2,041	2,051	201,999	**353,296**
Balance, June 30, 2018	$ 1,959,367	$ 4,726,723	$ 100,126	$ 93,131	$ 8,853,775	**$ 15,733,122**

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2017	$ 431,501	$ 980,651	$ 50,175	$ 15,479	$ 6,688,946	**$ 8,166,752**
Balance, June 30, 2018	$ 435,493	$ 1,312,258	$ 53,999	$ 32,242	$ 6,984,893	**$ 8,818,885**

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets

Exploration and evaluation assets are expenditures for the underground mining operations in Omagh. The proposed underground mine is dependent on the ability of the Company to obtain the necessary planning permission. On June 11, 2015, the Company announced that it had obtain planning consent (the "Consent") for an underground gold mine at the Omagh site. In February 2017, the planning permission was subject to a Judicial Review. The Consent includes operating and environmental conditions. On March 13, 2017, the Company announced that underground development had commenced on the Omagh mine. On April 24, 2017, the Company announced that the underground development has been put on hold and on May 15, 2017, the Company announced that the underground development would continue. On September 29, 2017, the Company announced that it received the judgement for the Judicial Review. The third party's request for a quashing of the Consent was denied. Underground development is underway and the Company has a detailed plan to accelerate progress, in line with the confirmed Consent.

On January 18, 2018, the Company announced that a date has been set up by the Court of Appeal for a hearing into a third party appeal against a positive Judicial Review of the Company's Consent. The hearing is anticipated for February 6, 2018. On February 6, 2018, the Company announced a date change for the third party appeal against a positive Judicial Review of its Consent. Due to the illness of the third party, who is a litigant in person, the date of the hearing of the appeal has been postponed until February 15, 2018. The hearing may continue on February 16, 2018, if the Court so determines. On February 16, 2018, the Company announced that it was advised that an appeal brought by a third party against its planning consent has completed the hearing stage. The Court of Appeal at the Royal Courts of Justice in Belfast, Northern Ireland heard the appeal against a judicial review decision that upheld the Department for Environment Northern Ireland (now Department of Infrastructure) grant of planning consent for an underground mine on the former open-pit gold-mine site. The Court will deliver its judgement at a later date, currently unknown.

Cost	**Exploration and evaluation assets**
Balance, December 31, 2016	$ 2,294,254
Additions	1,600,652
Foreign exchange adjustment	53,546
Balance, December 31, 2017	3,948,452
Additions	1,909,858
Foreign exchange adjustment	90,785
Balance, June 30, 2018	$ 5,949,095

Carrying value	**Exploration and evaluation assets**
Balance, December 31, 2017	$ 3,948,452
Balance, June 30, 2018	$ 5,949,095

(Expressed in Canadian Dollars)

8. Decommissioning Liability

The Company's decommissioning liability is a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at June 30, 2018 based on a risk-free discount rate of 1% (December 31, 2017 - 1%) and an inflation rate of 1.50% (December 31, 2017 - 1.50%). The expected undiscounted future obligations allowing for inflation are GBP 330,000 and based on management's best estimate the decommissioning is expected to occur over the next 5 to 10 years. On June 30, 2018, the estimated fair value of the liability is $570,042 (December 31, 2017 - $551,680). Changes in the provision during the six months ended June 30, 2018 are as follows:

	As at June 30, 2018	As at December 31, 2017
Decommissioning liability, beginning of period	**$ 551,680**	$ 528,305
Accretion	**5,552**	10,560
Foreign exchange	**12,810**	12,815
Decommissioning liability, end of period	**$ 570,042**	$ 551,680

As required by the Crown in Northern Ireland, the Company is required to provide a bond for reclamation related to the Omagh mine in the amount of GBP 300,000 (December 31, 2017 - GBP 300,000), of which GBP 300,000 was funded as of June 30, 2018 (GBP 300,000 was funded as of December 31, 2017) and reported as long-term deposit of $520,710 (December 31, 2017 - $508,830).

9. Accounts Payable and Other Liabilities

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

	As at June 30, 2018	As at December 31, 2017
Accounts payable	**$ 1,140,034**	$ 641,608
Accrued liabilities	**565,227**	574,724
Total accounts payable and other liabilities	**$ 1,705,261**	$ 1,216,332

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

	As at June 30, 2018	As at December 31, 2017
Less than 3 months	**$ 990,241**	$ 568,981
3 to 12 months	**359,180**	288,435
12 to 24 months	**19,559**	49,877
More than 24 months	**336,281**	309,039
Total accounts payable and other liabilities	**$ 1,705,261**	$ 1,216,332

(Expressed in Canadian Dollars)

10. Financing Facilities

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

	As at June 30, 2018	As at December 31, 2017
Financing facilities, beginning of period (i)	**$ 19,689**	$ 25,265
Financing facilities received (US$1,600,000) (ii)	**2,021,280**	-
Less bonus warrants issued (ii)	**(786,000)**	-
Less financing costs (ii)	**(41,806)**	-
Less current portion	**(285,667)**	(6,182)
Repayment of financing facilities	**(3,022)**	(4,350)
Accretion	**74,845**	-
Foreign exchange adjustment	**6,786**	4,956
Financing facilities - long term portion	**$ 1,006,105**	$ 19,689

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

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

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

As consideration for the loan facility, the United Kingdom based company received 15,000,000 bonus warrants of Galantas. Each bonus warrant is exercisable into one common share of Galantas and is subject to an initial four months plus one day hold period from the date of issuance of the bonus warrants. The bonus warrants have a maximum life of two years (the "Expiry Time"). On April 19, 2018, the 15,000,000 bonus warrants were granted. In the event that the weighted average closing price per common share of the Company is more than $0.20 per share for more than five consecutive trading days, the Company shall be entitled to accelerate the Expiry Time to a date that is 30 days from the date on which the Company announces the accelerated Expiry Time by press release.

The fair value of the 15,000,000 bonus warrants was estimated at $786,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 113.55%, risk-free interest rate - 1.91% and an expected average life of 2 years.

During the three and six months ended June 30, 2018, the Company recorded accretion expense of $74,845 in the unaudited condensed interim consolidated statements of loss.

(Expressed in Canadian Dollars)

11. Share Capital and Reserves

a) Authorized share capital

At June 30, 2018, the authorized share capital consisted of an unlimited number of common and preference shares issuable in Series.

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

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

b) Common shares issued

At June 30, 2018, the issued share capital amounted to $39,759,172. The change in issued share capital for the periods presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2016	**137,800,830**	**$ 36,331,577**
Shares issued in private placement (i)	33,093,257	2,446,299
Share issue costs	-	(134,854)
Balance, June 30, 2017	**170,894,087**	**$ 38,643,022**
Balance, December 31, 2017 and June 30, 2018	**187,549,186**	**$ 39,759,172**

(i) On February 27, 2017, the Company completed the first part of a private placement. It consisted of 27,371,035 common shares of no par value. United Kingdom placees have subscribed at a price of GBP 0.045 per common share. Canadian placees have subscribed at a price of $0.0725 per common share. Receipts attached to the first part of the placement total $2,021,501.

On March 2, 2017, the Company completed the second part of a private placement. It consisted of 5,722,222 common shares of no par value for receipt of $424,798. United Kingdom placees have subscribed at a price of GBP 0.045 per common share.

Melquart Ltd, ("Melquart") a UK based investment institution, subscribed for a total of 22,222,222 common shares and Melquart's staked increased to 13% of the Company's issued common shares.

Ross Beaty subscribed for 3,326,170 common shares and after closing of the private placement Ross Beaty owns 32,151,567 common shares of the Company or approximately 18.8% of the outstanding common shares.

(Expressed in Canadian Dollars)

11. Share Capital and Reserves (Continued)

c) Warrant reserve

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

	Number of warrants		Weighted average exercise price
Balance, December 31, 2016 and June 30, 2017	**636,000**	**$**	**0.07**
Balance, December 31, 2017	**636,000**	**$**	**0.07**
Issued (note 10(ii))	15,000,000		0.16
Expired	(636,000)		0.07
Balance, June 30, 2018	**15,000,000**	**$**	**0.16**

The following table reflects the actual warrants issued and outstanding as of June 30, 2018:

Expiry date	Number of warrants	Grant date fair value ($)	Exercise price
April 19, 2020	15,000,000	786,000	0.1575

d) Stock options

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

	Number of options		Weighted average exercise price
Balance, December 31, 2016	**3,700,000**	**$**	**0.11**
Granted (i)	4,900,000		0.14
Balance, June 30, 2017	**8,600,000**	**$**	**0.12**
Balance, December 31, 2017	**8,600,000**	**$**	**0.12**
Granted (ii)	1,000,000		0.11
Expired	(750,000)		0.14
Balance, June 30, 2018	**8,850,000**	**$**	**0.12**

(Expressed in Canadian Dollars)

11. Share Capital and Reserves (Continued)

d) Stock options (continued)

(i) On March 25, 2017, 4,900,000 stock options were granted to directors, officers, consultants and key employees of the Company to purchase common shares at a price of $0.135 per share until March 25, 2022. The options will vest as to one third on March 25, 2017 and one third on each of the following two anniversaries. The fair value attributed to these options was $645,820 and was expensed in the unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and six months ended June 30, 2018, included in stock-based compensation is $26,835 and $102,918, respectively (three and six months ended June 30, 2017 - $80,506 and $301,087, respectively) related to the vested portion of these options.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 201%; risk-free interest rate - 1.12% and an expected life of 5 years.

(ii) On April 19, 2018, 1,000,000 stock options were granted to key employees and consultants of the Company to purchase common shares at a price of $0.11 per share until April 19, 2023. The options will vest as to one third on April 19, 2018 and one third on each of the following two anniversaries. The fair value attributed to these options was $99,400 and was expensed in the unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and six months ended June 30, 2018, included in stock-based compensation is $42,937 (three and six months ended June 30, 2017 - $nil) related to the vested portion of these options.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 172%; risk-free interest rate - 2.16% and an expected life of 5 years.

The following table reflects the actual stock options issued and outstanding as of June 30, 2018:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
June 1, 2020	0.105	1.92	3,550,000	3,550,000	-
June 12, 2020	0.105	1.96	150,000	150,000	-
March 25, 2022	0.135	3.74	4,150,000	2,766,667	1,383,333
April 19, 2023	0.110	4.81	1,000,000	333,333	666,667
	0.120	3.10	8,850,000	6,800,000	2,050,000

12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2018 was based on the loss attributable to common shareholders of $700,510 and $1,225,008, respectively (three and six months ended June 30, 2017 - $511,876 and $1,196,110, respectively) and the weighted average number of common shares outstanding of 187,549,186 and 187,549,186, respectively (three and six months ended June 30, 2017 - 170,894,087 and 160,616,924, respectively) for basic and diluted loss per share. Diluted loss did not include the effect of 15,000,000 warrants (three and six months ended June 30, 2017 - 636,000) and 8,850,000 options (three and six months ended June 30, 2017 - 8,600,000) for the three and six months ended June 30, 2018, as they are anti-dilutive.

(Expressed in Canadian Dollars)

13. Related Party Disclosures

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

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

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

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	**2018**	**2017**	**2018**	**2017**
Interest on related party loans	(i)	**$ 76,934**	$ 14,691	**$ 94,269**	$ 28,284

(i) G&F Phelps, a company controlled by a director of the Company, had amalgamated loans to the Company of $2,837,460 (GBP 1,634,764) (December 31, 2017 - $2,236,060 - GBP 1,318,354) included with due to related parties bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. In April 2018, the interest increased to 6.75% + USD 12 month LIBOR. Interest accrued on related party loans is included with due to related parties. As at June 30, 2018, the amount of interest accrued is $485,802 (GBP 279,888) (December 31, 2017 - $383,778 - GBP 226,271).

(ii) See note 11(b)(i).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Salaries and benefits [1]	**$ 115,996**	$ 114,051	**$ 228,106**	$ 219,316
Stock-based compensation	**6,572**	19,716	**25,205**	73,736
	$ 122,568	$ 133,767	**$ 253,311**	$ 293,052

[1] Salaries and benefits include director fees. As at June 30, 2018, due to directors for fees amounted to $150,000 (December 31, 2017 - $136,750) and due to key management, mainly for salaries and benefits accrued amounted to $800,079 (GBP 460,955) (December 31, 2017 - $624,769 - GBP 368,356), and is included with due to related parties.

(c) As of June 30, 2018, Ross Beaty owns 35,066,526 common shares of the Company or approximately 18.70% of the outstanding common shares. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 34,576,262 common shares of the Company or approximately 18.44% of the outstanding common shares of the Company. Melquart owns, directly and indirectly, 28,319,783 common shares of the Company or approximately 15.10% of the outstanding common shares of the Company. The remaining 47.76% of the shares are widely held, which includes various small holdings which are owned by directors of the Company. These holdings can change at anytime at the discretion of the owner.

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

(Expressed in Canadian Dollars)

14. Segment Disclosure

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

June 30, 2018	United Kingdom	Canada	Total
Current assets	$ 909,154	$ 102,430	**$ 1,011,584**
Non-current assets	15,223,799	64,891	**15,288,690**

December 31, 2017	United Kingdom	Canada	Total
Current assets	$ 410,064	$ 701,199	**$ 1,111,263**
Non-current assets	12,558,310	65,724	**12,624,034**

15. Contingency

During the year ended December 31, 2010, the Company’s subsidiary Omagh received a payment demand from Her Majesty’s Revenue and Customs in the amount of $528,156 (GBP 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company’s subsidiary Omagh intends to vigorously defend itself against this claim. The hearing started at the beginning of March 2017 but a further two days hearing was scheduled in January 2018. The January 2018 hearing was adjourned to the week commencing August 13, 2018 when it was completed. The Appeals Tribunal Judgement will deliver its judgement at a later date, currently unknown. No provision has been made for the claim in the unaudited condensed interim consolidated financial statements.