



# **GALANTAS GOLD CORPORATION**

## **Management's Discussion and Analysis**

**Three Months Ended**

**March 31, 2017**

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

The Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Galantas Gold Corporation ("Galantas" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2016 and 2015, together with the notes thereto and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017 together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The 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 by IFRS. Information contained herein is presented as May 24, 2017 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; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) or at the Company's website [www.galantas.com](http://www.galantas.com).

## **Cautionary Note Regarding Forward-Looking Information**

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

Forward-looking information	Assumptions	Risk factors
<p>Potential of the Company's properties to contain economic deposits of base metals and other metals.</p>	<p>Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration activities will be favourable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.</p>	<p>Metal price volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for future exploration and development of the Company's properties; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.</p>
<p>The Company's ability to obtain planning consent from the Planning Services, Northern Ireland to allow it develop the underground mine at its Omagh property.</p>	<p>The Company has received planning consent, subject to a judicial review hearing completed in February 2017 with judgement awaited, which is currently considered acceptable to the Company to 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</p>	<p>Delays in receiving operating permits (following construction) for the development of the underground mine; onerous planning conditions (currently not recognised) that will negatively impact on the development of the underground mine; availability of financing; metal price, interest rate, exchange rate volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that</p>

	<p>be able to attract skilled staff; all requisite regulatory and governmental approvals for the underground project will be received on a timely basis upon terms acceptable to the Company; applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.</p>	<p>future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; changes in economic and political conditions; the Company's ability to attract skilled staff; the potential for a third party to have planning consent quashed by judicial review.</p>
<p>The Company's ability to meet its working capital needs at the current level for the year ending March 31, 2018.</p>	<p>The operating and exploration activities of the Company for the year ending March 31, 2018 and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company.</p>	<p>Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.</p>
<p>Management's outlook regarding future trends.</p>	<p>Financing will be available for the Company's exploration, development and operating activities; the price of applicable metals, interest rates and exchange rates will be favourable to the Company.</p>	<p>Metal price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>

<p>Asset values for the first quarter of fiscal year 2017.</p>	<p>Management's belief that no write-down is required for its property and equipment resulting from continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programs on the Company's projects.</p>	<p>If the Company does not obtain equity or debt financing on terms favorable to the Company or at all, a decline in asset values that could be deemed to be other than temporary, may result in impairment losses.</p>
<p>Sensitivity analysis of financial instruments.</p>	<p>The Company has no significant interest rate risk due to low interest rates on its cash balances.</p>	<p>Changes in debt and equity markets; interest rate and exchange rate fluctuations.</p>
<p>Prices and price volatility for metals.</p>	<p>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.</p>	<p>Changes in debt and equity markets and the spot prices of metals; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>

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 May 24, 2017.

## Overview – Strategy - Description of Business

### Company Overview

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

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

- Following the receipt of the planning permit obtain additional funding to allow it to continue the expanded exploration programme and the further development of its underground mine;
- Recommence production at the mine and processing plant
- Continue to explore and develop extensions to the Kearney, Kerr, Joshua and nearby known deposits so as to expand minable reserves and increase gold production in stages;
- Explore the Company's prospecting licences which aggregate 766.5 square kilometres, focusing on the more than 60 gold targets identified to date;

### Reserves and Resources

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

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

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

### Mining Project

The project embraced an open pit mine which supplied ore to a crushing-grinding-froth flotation plant. The plant was commissioned in 2007 and designed to produce a gold and silver rich sulphide flotation concentrate for sale to a commercial smelter. In early 2013 there was a shift in operations from mining and processing ore from open pits to operating from lower grade stock already mined which impacted negatively on production levels. Later in 2013 the processing of low grade ore was suspended.

The granting of planning consent during the second quarter of 2015 for an underground operation at the Omagh site will permit the continuation and expansion of gold mining. This planning consent was subject to a judicial review hearing which commenced in September 2016 and was then adjourned to February 2017. The adjourned judicial review hearing was subsequently completed in February and Galantas are presently awaiting judgement for which there no date has been advised. The underground mine will utilize the same processing methods and will be the first underground gold mine, of any scale, in Ireland. The strategy is to establish the underground mine as soon as finance is available and look for further expansion of gold resources on the property, which has many undrilled targets.

Galantas announced In December 2016 that subject to suitable financing, it intends to commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. Following the closure of a part-brokered private placement during the first quarter of 2017 for aggregate gross proceeds of \$ 2,446,299 (approximately UK£ 1,482,875) the Company announced that underground development had commenced on the Omagh gold property. The initial works were completed and include the formation of a portal (initial tunnel entry area) in the western side wall at the base of the Kearney open pit. However in April 2017 Galantas reported that underground development at the Omagh mine has been put on hold following the receipt of notification that the Police Service of Northern Ireland (PSNI) will not provide its required anti-terrorism cover in regard to blasting operations required for mine development at the Omagh Gold Mine. The Company subsequently announced in May that underground mine development operations are shortly expected to commence following notification that the PSNI had been able to increase availability of its required anti-terrorism cover in regard to blasting operations, sufficient for underground mine development to start. The current project investment program is being cautiously re-opened pending a review of available PSNI cover after a period of operation.

### Underground Mine Plan

In June 2015 the Minister of Environment, Northern Ireland granted planning consent for the underground gold mine at the Omagh site. This planning consent will permit the continuation and expansion of gold mining. The positive decision is the result of 3 years of examination of environmental and other factors regarding the application. Included were environmental studies by NIEA (Northern Ireland Environment Agency) and independent specialists. The consent includes operating and environmental conditions, which the Company has reviewed. A number of conditions precedent to development are required to be satisfied and the Company is carrying those out. During the first quarter of 2016 Galantas confirmed that a third party had obtained leave from Belfast High Court to bring a judicial review challenging the actions of the Department of Environment Northern Ireland (DOENI) in granting planning permission for underground mining beneath the existing open pit. The judicial review hearing commenced in late September when the Company was notified of an extension for the time required for the hearing beyond the September listing dates. Galantas were subsequently advised that the continuation of the review hearing had been listed for February 2017 when the adjourned judicial review hearing was completed. Galantas are presently awaiting judgement for which no date has been advised.

## Gold Jewellery Business

During 2014 Galantas restructured its jewellery operations. This 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 Galantas Omagh Mine. The agreement, with TJH Ltd has resulted in Irish gold from the Galantas Omagh Mine, being sold to TJH Ltd. who are an established jewellery marketer and manufacturer, having developed other brands, including Irish oriented brands, previously. The Irish gold is sold at a premium and with a reserved percentage of wholesale sales. The Irish gold supplied was drawn from available stocks.

## Management and Staff

Overall management is exercised by one Executive Director along with a General Manager in charge of operations in Omagh where the mine, plant, exploration and administration employed 14 personnel as of March 31, 2017.

## Key Performance Driver

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

## Overview of First Quarter 2017

There was minimal production at, or shipments from, the Omagh mine during the three months ended March 31, 2017 following the suspension of the processing of low grade ore during in late 2013. Galantas incurred a net loss of \$ 684,234 for the three months ended March 31, 2017 compared with a net loss of \$ 373,345 for the three months ended March 31, 2016. 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 to \$ 394,599 for the three months ended March 31, 2017 compared with a cash loss from operations of \$ 373,142 for the corresponding period of 2016.

The Company had cash balances at March 31, 2017 of \$ 2,310,653 compared to \$ 557,005 at December 31, 2016. The working capital deficit at March 31, 2017 amounted to \$ 1,395,866 which compared with a working capital deficit of \$ 3,095,124 at December 31, 2016.

During the first quarter Galantas completed a part brokered private placement in two parts for aggregate gross proceeds of \$ 2,446,299 (approximately UK£1,482,875). The placement comprised of the issue of 33,093,258 common shares. UK placees subscribed for a total of 27,087,778 shares at a price of UK£ 0.045 per share. Canadian placees subscribed for a total of 6,005,480 shares at a price of \$ 0.0725 per shares.

In 2016 Galantas reported that a third party had obtained leave from Belfast High Court to bring a judicial review challenging the actions of the DOENI in granting planning permission for underground mining beneath the existing open pit. The judicial review hearing commenced in late September when it was adjourned to February 2017. The adjourned judicial review hearing was completed in February and Galantas are presently awaiting judgement for which there no date has been advised.

Galantas announced In December 2016 that it intended, subject to suitable financing, to commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. On the basis of legal advice received, the Board of Directors have decided to press ahead with immediate implementation of underground mining. It is anticipated that a phased start-up of that plan will deliver early positive cash flow for a relatively modest capital expenditure. The phased arrangement, in terms of mine access



dimensions, will allow for rapid expansion of production as additional capital becomes available. A budget of £ 2,000,000 for the first phase of underground mining has been estimated. During the first quarter and following the closure of a part-brokered private placement for aggregate gross proceeds of \$ 2,446,299 (approximately UK£ 1,482,875) the Company announced that underground development on the Omagh gold property had commenced. In April 2017 and subsequent to March 31 Galantas reported that underground development at the Omagh mine has been put on hold following the receipt of notification that the Police Service of Northern Ireland (PSNI) will not provide its required anti-terrorism cover in regard to blasting operations required for mine development at the Omagh Gold Mine. The Company subsequently announced in May 2017 that underground mine development operations are shortly expected to commence following notification that the PSNI had been able to increase availability of its required anti-terrorism cover in regard to blasting operations, sufficient for underground mine development to start. The current project investment program is being cautiously re-opened pending a review of available PSNI cover after a period of operation.

## Review of Financial Results

### Three Months Ended March 31, 2017

The net loss for the three months ended March 31, 2017 amounted to \$ 684,234 compared to a net loss of \$ 373,345 for the three months ended March 31, 2016 as summarized below.

	<b>Quarter Ended March 31,2017 \$</b>	<b>Quarter Ended March 31,2016 \$</b>
<b>Revenues</b>	<b>2,734</b>	<b>28,073</b>
Production costs	(61,776)	(107,581)
Inventory movement	(1,640)	(13,950)
<b>Cost of sales</b>	<b>(63,416)</b>	<b>(121,531)</b>
<b>(Loss) before the undernoted</b>	<b>(60,682)</b>	<b>(93,458)</b>
Depreciation	(40,055)	(47,551)
General administrative expenses	(502,116)	(336,111)
Unrealized (loss) gain on fair value of derivative financial liability	(22,000)	79,000
Foreign exchange (loss) gain	(59,381)	24,775
<b>Net (Loss) for the Quarter</b>	<b>\$ (684,234)</b>	<b>\$ (373,345)</b>

Revenues for the three months ended March 31, 2017 consisting of jewellery sales, amounted to \$ 2,734 compared to revenues of \$ 28,073 for three months ended March 31, 2016. Following the suspension of production during the fourth quarter of 2013 there were no concentrate sales from the mine during both quarters.

Cost of sales include production costs at the mine and inventory movements and totalled \$ 63,416 for the three months ended March 31, 2017 compared to \$ 121,531 for corresponding quarter of 2016. A summary of cost of sales is set out on Note 13 of the March 31, 2017 consolidated financial statements.

Production costs for the three months ended March 31, 2017 amounted to \$ 61,776 compared to \$ 107,581 for the three months ended March 31, 2016. Production costs at the mine, the majority of which are incurred in UK£, include wages, oil and fuel, equipment hire, repairs and servicing, environmental monitoring and

royalties. Production costs were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site. The inventory movement of \$ 1,640 for the first quarter of 2017 compared to \$ 13,950 for the first quarter of 2016 reflects a reduction in inventory at March 31 when compared to inventory levels at the beginning of the year.

This has resulted in a net operating loss of \$ 60,682 before depreciation, general administrative expenses, unrealized loss/gain on fair value of derivative financial liability, and foreign exchange loss/gain for three months ended March 31, 2017 compared to a net operating loss of \$ 93,458 for the three months ended March 31, 2016.

Depreciation of property, plant and equipment excluding mine development costs during the three months ended March 31, 2017 totalled \$ 40,055 which compared with \$ 47,551 for the corresponding period of 2016. Depreciation of mine development costs for the three months ended March 31, 2017 which is calculated on the unit of production basis, amounted to \$ Nil compared to \$ Nil for 2015 following the suspension of production.

General administrative expenses for the three months ended March 31, 2017 amounted to \$ 502,116 compared to \$ 336,111 for 2016. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 24 and 25 of the MD&A.

The unrealized loss on fair value of derivative financial liability for the three months ended March 31, 2017 amounted to \$ 22,000 compared to an unrealized gain of \$ 79,000 for 2016. The unrealized loss/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 \$ 59,381 for three months ended March 31, 2017 which compared with a foreign exchange gain of \$ 24,775 for 2016.

This has resulted in a net loss of \$ 684,234 for the three months ended March 31, 2017 compared to a net loss of \$ 373,345 for three months ended March 31, 2016. The cash outflow from operating activities amounted to \$ 394,599 for the three months ended March 31, 2017 compared to a cash outflow of \$ 373,142 for the corresponding period of 2016. The cash outflow from operating activities after changes in non-cash working capital items amounted to \$ 382,573 for the three months ended March 31, 2017 compared to a cash outflow of \$ 589,857 for the corresponding period of 2016.

Foreign currency translation gain, which is included in Condensed Interim Consolidated Statements of Other Comprehensive Loss amounted to \$ 56,705 for the three months ended March 31, 2017 and compared to a foreign currency translation loss of \$ 635,873 for 2016. This resulted in a Total comprehensive loss of \$ 627,529 for the three months ended March 31, 2016 compared to a Total comprehensive loss of \$ 1,009,218 for the three months ended March 31, 2016. The foreign currency translation gain during the first quarter of 2016 arose as a result of the net assets of the Company's UK subsidiaries, all of which are denominated in UK£, being translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate weakened against UK£ at March 31, 2017 when compared to December 31, 2016 which has resulted in an increase in the Canadian dollar value of these net assets at March 31, 2017 when compared to December 31, 2016 resulting in the foreign currency translation gain. Conversely, during the first quarter of 2016, the Canadian dollar exchange rate strengthened against UK£ at March 31, 2016 when compared to December 31, 2015 which resulted in a decrease in the Canadian dollar value of these net assets at March 31, 2016 resulting in the foreign currency translation loss.

Total assets at March 31, 2017 amounted to \$ 12,880,669 compared to \$ 10,928,754 at December 31, 2016. Cash at March 31, 2017 was \$ 2,310,653 compared to \$ 557,005 at December 31, 2016. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to \$ 73,962 at March 31, 2017 compared to \$ 106,732 December 31, 2016. Inventories at March 31, 2017 amounted to \$ 22,378 compared with an inventory of \$ 23,852 at December 31, 2016. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business.

Property, plant and equipment totalled \$ 7,573,651 compared to \$ 7,449,991 at December 31, 2016. Exploration and evaluation assets, consisting of exploration and development expenditures for the underground mine, totalled \$ 2,399,025 at March 31, 2017 compared to \$ 2,294,254 at the end of 2016. Long term deposit at March 31, 2017, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to \$ 501,000 compared to \$ 496,920 at December 31, 2016.

Current liabilities at March 31, 2017 amounted to \$ 3,802,859 compared to \$ 3,782,713 at the end of 2016. The working capital deficit at March 31, 2017 amounted to \$ 1,395,866 compared to a working capital deficit of \$ 3,095,124 at December 31, 2016. Accounts payable and other liabilities totalled \$ 799,971 compared to \$ 893,570 at December 31, 2016. The current portion of a financing facility totaled \$ 5,269 at March 31, 2017 compared to \$ 4,956 at December 31, 2016. Amounts due to related parties at March 31, 2017 amounted to \$ 2,997,619 compared to \$ 2,884,187 at the end of 2016.

The decommissioning liability at March 31, 2017 amounted to \$ 535,280 compared to \$ 528,305 at December 31, 2016. The non-current portion of the financing facility totaled \$ 24,053 at March 31, 2017 compared to \$ 25,265 at December 31, 2016. The derivative financial liability at March 31, 2017 amounted to \$ 46,000 compared to \$ 24,000 at the end of 2016. The derivative financial liability arose as a result of the exercise price of the warrants issued in 2014 and 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability as set out in Note 11(c) of the consolidated financial statements.

## **Review of Operations**

### **2017 Financing Activities**

During the first quarter Galantas completed a part brokered private placement in two parts for aggregate gross proceeds of \$ 2,446,299 (approximately UK£1,482,875). The placement comprised of the issue of 33,093,258 common shares. United Kingdom placees subscribed for a total of 27,087,778 shares at a price of UK£ 0.045 per share. Canadian placees subscribed for a total of 6,005,480 shares at a price of \$ 0.0725 per shares. A four month hold period will apply to the shares. The shares will rank pari passu with the existing shares in issue of the Company. The net proceeds raised by the placing are intended to be used for working capital purposes and to commence development of the underground mine on the Omagh property. Melquart Ltd, a UK based investment institution, subscribed for 22,222,222 Common Shares, which has resulted in a holding of 13% of the Company's issued common shares. In addition Mr. Ross Beaty subscribed for an additional 3,326,170 common shares in the placing. As a consequence of the placing, Mr. Beaty now has an interest in 32,151,567 common shares or 18.8% of the Company's issued common shares.

### **Production**

Production at the Omagh mine remains suspended since the fourth quarter of 2013. The main production focus during 2013 had been on the processing of ore from the low grade stockpile as mining from the Kearney pit had become totally restricted as a result of the surplus rock stockpile on the site having reached capacity levels arising from the quashing of the planning consent for the removal of surplus rock. This ongoing limitation resulted in production being from low grade sources up until the suspension of production later in 2013 which resulted in further cost reduction measures being implemented at the Omagh mine including the laying off of the majority of its operatives. However the granting of planning consent during the

second quarter of 2015 for an underground operation at the Omagh site, now subject to a judicial review hearing which commenced in September 2016 and was adjourned to February 2017 when the hearing was completed, will permit the continuation and expansion of gold mining. The underground mine will utilize the same processing methods and will be the first underground gold mine, of any scale, in Ireland. The strategy is to establish the underground mine as soon as additional finance is available and look for further expansion of gold resources on the property, which has many undrilled targets.

Galantas announced in December 2016 that subject to suitable financing, it intends to commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. The Company, under the planning consent which it can implement, has been carrying out pre-conditions attaching to the planning consent and is ready for the next phase of implementation. On the basis of legal advice received, the Board of Directors decided to press ahead with immediate implementation of underground mining, to a plan as outlined in a NI 43-101 economic study (reported 4th September 2014). It is anticipated that a phased start-up of that plan will deliver early positive cash flow for a relatively modest capital expenditure. The phased arrangement, in terms of mine access dimensions, will allow for rapid expansion of production as additional capital becomes available. The mill has now been re-commissioned in anticipation of a restarting of concentrate shipments, subject to suitable financing. A budget of £ 2,000,000 (excluding lease finance) for the first phase of underground mining has been estimated. The Company is at an advanced stage of negotiation with a provider of lease finance, which will provide funding for additional mine equipment (see press release dated December 6, 2016). During the first quarter of 2017 and following the closure of a part-brokered private placement for aggregate gross proceeds of \$ 2,446,299 (approximately UK£ 1,482,875) the Company announced that underground development has commenced on the Omagh gold property. The initial works were for the formation of a portal (initial tunnel entry area) in the western side wall at the base of the Kearney open pit. The portal works were completed in mid-April 2017, the underground development will continue in order to access ore beneath a crown pillar retained in the base of the open pit, though is subject to the ongoing arrangements with the Police Service of Northern Ireland ("PSNI").

Subsequent to March 31, 2017 Galantas reported that the underground development at the Omagh mine has been put on hold following the receipt of notification that the Police Service of Northern Ireland (PSNI) will not provide its required anti-terrorism cover in regard to blasting operations required for mine development (see press release dated April 24, 2017). The Company has been told that, due to PSNI resource constraints and competing priorities, PSNI is currently only prepared to provide anti-terrorism cover for a maximum of a 2 hour period, 2 days per week which is insufficient to sustain the development or operation of the mine. The PSNI will also require a cost recovery agreement. The Company disagreed with the principle of costs recovery for anti-terrorism policing but advised the PSNI that the Company was prepared to enter into a costs recovery agreement, without prejudice to its legal remedies in that respect, for a 2 hour period, 5 days per week. Although PSNI provided the costs analysis for the 5 day and 2 hour period anti-terrorism cover, which was agreed without prejudice, the PSNI has refused to provide the cover, citing competing priorities. The Company subsequently reported on May 15 that underground mine development operations were shortly expected to commence at the Omagh gold mine. This followed notification that the PSNI had been able to increase availability of its required anti-terrorism cover in regard to blasting operations, sufficient for underground mine development to start. The PSNI has now agreed to cover blasting operations at the mine for 3 days per week, 2 hours per day. Whilst insufficient to sustain the development or operation of the Omagh Gold Mine on more than a short term basis, it will form the basis for the PSNI and the Company to review matters after a period of operation. The current project investment program is being cautiously re-opened pending a review of available PSNI cover after a period of operation (see press release dated May 15, 2017).

## **Permitting**

In June 2015 the Company reported that the Minister of Environment, Northern Ireland had granted planning consent for an underground gold mine at the Omagh site. The planning consent will permit the

continuation and expansion of gold mining and is expected to create hundreds of jobs locally. The positive decision is the result of 3 years of examination of environmental and other factors regarding the application. Included were environmental studies by NIEA (Northern Ireland Environment Agency) and independent specialists. The consent includes operating and environmental conditions, which the Company has reviewed. A number of conditions precedent to development are required to be satisfied and the Company is carrying those out.

During the first quarter of 2016 Galantas reported that a third party had obtained leave from Belfast High Court to bring a judicial review challenging the actions of the DOENI in granting planning permission for underground mining beneath the existing open pit. The judicial review hearing commenced in late September when the Company was notified of an extension for the time required for the hearing beyond the September listing dates. The hearing was subsequently listed for February 2017. Most of the Applicant's evidence was heard during the September listing dates. The judicial review hearing was completed in February and Galantas is presently awaiting judgement for which no date has been advised.

### Reserves and Resources

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

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

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

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

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

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

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

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

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

At a gold price of UK£750 / US\$ 1,260 oz, the pre-tax operating surplus after capital expenditure estimates an Internal Rate of Return of 72% and, at an 8% discount rate, a net present value of approximately UK£ 14.5m (CDN\$ 26.6m) and a cash cost of production of UK£394 per ounce (USD\$ 662 at \$1.68/UK£). At a gold price of UK£700 per oz. the study estimated an Internal Rate of Return of 50%. The study scheduled approximately 36% of the combined resources identified on the Kearney and Joshua veins. The Company also filed the complete Technical Report on SEDAR in September 2014, as required by NI 43-101. It is noted that, subsequent to the report, UK£ sterling has weakened materially. The UK£ 750 per ounce gold price quoted above has been exceeded for most of the first quarter of 2016, with a price of approx. £850 per ounce for the end of quarter.

## Exploration

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

Detailed face mapping at the base of the open pit was completed during late January. Key structural observations were recorded and sent to Avoca Geotec Ltd, who are providing specialist geotechnical advice in regard to support criteria. The current Micromine resource block model was sliced to show grade intervals along the development drives, these plans will be used for back mapping during underground excavation.

Following approval of exploration plans by Department for the Economy (Northern Ireland), two soil grids were completed in a central area of licence OM4 during September 2016. A total of 102 soil samples were collected. This extends the original (2013) grid 1.2 km to the west and 400 m to the east, incorporating two major NE-SW trending faults within Southern Highland and Argyll group lithologies. Geochemical results for the OM4 2016 samples were finalised during the first quarter of 2017. These show minor Ag anomalies (0.2, 0.3 and 0.8 g/t) in clustered soils within 200 m of the Derg Fault, the central soil also contains raised Pb (2210 g/t), Zn (192 g/t) and trace Au (0.03 g/t). Raised Zinc is common throughout the gridded area with seven samples yielding >150 g/t and peaks of 637 g/t and 1030 g/t recorded for sites <100 m apart. Raised zinc was also reported historically by Amax for Lower Limestone localities to the east and south, close to Crawfordstown and Ederny. In these areas vein, disseminated and fault/joint associated accumulations of galena, sphalerite, fluorite and pyrite were recorded but deemed uneconomic at the time (Woodham, 1987). The raised Zn and Pb reported within this Magheranageerah grid are, however, associated with older Dalradian lithologies, lying approximately 8 km west of the closest historic finds. We are currently investigating the hypothesis that these Carboniferous mineral occurrences are re-worked from underlying Dalradian host rocks.

At the end of 2016 geologists examined an area of PL 3135 associated with strong magnetic and conductivity signals. Earlier work in the vicinity showed high Cr and Ni values associated with a possible ultramafic intrusion (see press release 5<sup>th</sup> November, 2015). New results for sediments and heavy mineral concentrates extracted from nearby streams indicate low level Mo (0.2-3.1 g/t) and As (<238 g/t) with an important gold component (0.01 – 2.13 g/t). Gold in stream sediments was previously reported for samples

in close proximity to a similar, but larger, ultramafic intrusion in bordering licence 4034. The centralisation of all our exploration data to a single GIS master project was completed during Q1. Follow up fieldwork in Republic of Ireland PL areas 3234, 4034 and 3135, is planned for the second quarter 2017.

A presentation summarising the exploration potential within Galantas-held licence areas was given at the 2017 PDAC convention. An exploration report was submitted to the Department for the Economy (DfE) towards the end of the first quarter, this summarised all exploration activities carried out within the OM4 licence over a two year period beginning January 2015. The OM4 exploration licence, which expired in December 2016, awaits renewal by DfE. All relevant application paperwork was completed and submitted to the Department in August 2016. Galantas continues to hold a current option for the exploration of precious metals in OM4, as issued by the Crown Estate Commissioners.

## Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the first quarter of 2017 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
March 31, 2017	IFRS	\$ 2,734	\$ (684,234)	\$ (0.00)
December 31, 2016	IFRS	\$ 45,353	\$ (336,910)	\$ (0.00)
September 30, 2016	IFRS	\$ (1,006)	\$ (257,214)	\$ (0.00)
June 30, 2016	IFRS	\$ 1,648	\$ (645,829)	\$ (0.01)
March 31, 2016	IFRS	\$ 28,073	\$ (373,345)	\$ (0.00)
December 31, 2015	IFRS	\$ 28,830	\$ (260,341)	\$ (0.00)
September 30, 2015	IFRS	\$ 37,262	\$ (409,880)	\$ (0.00)
June 30, 2015	IFRS	\$ 13,774	\$ (708,757)	\$ (0.01)

The results for the Quarter ended March 31, 2017 are discussed under Review of Financial Results on pages 8 and 9 of the MD&A. Revenues are primarily from the sale of jewellery. The net loss for the quarter ended March 31, 2017 totaling \$ 684,234 consisted of sales revenues \$ 2,734, cost of sales \$ 63,416, depreciation \$ 40,055, general administrative expenses \$ 502,116, unrealized loss on fair value of derivative financial liability \$ 22,000 and foreign exchange loss \$ 59,381.

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

For the quarter ended September 30, 2016 the net loss of \$ 257,214 consisted of sales revenues credit \$ (1,006), cost of sales \$ 45,780, depreciation \$ 37,932, general administrative expenses \$ 174,816, unrealized gain on fair value of derivative financial liability \$ 1,000 and foreign exchange gain \$ 1,320.

For the quarter ended June 30, 2016 the net loss of \$ 645,829 consisted of sales revenues \$ 1,648, cost of sales \$ 88,572, depreciation \$ 42,732, general administrative expenses \$ 419,506, gain on disposal of property, plant and equipment \$ 5,479, unrealized gain on fair value of derivative financial liability \$ 1,000 and foreign exchange loss \$ 103,146.

For the quarter ended March 31, 2016 the net loss of \$ 373,345 consisted of sales revenues \$ 28,073, cost of sales \$ 121,531, depreciation \$ 47,551, general administrative expenses \$ 336,111, unrealized gain on fair value of derivative financial liability \$ 79,000 and foreign exchange gain \$ 24,775.



For the quarter ended December 31, 2015 the net loss of \$ 260,341 consisted of sales revenues \$ 28,830, cost of sales \$ 70,312, depreciation \$ 51,571, general administrative expenses \$ 284,450, unrealized gain on fair value of derivative financial liability \$ 95,000, foreign exchange gain \$ 3,473 and sundry income \$ 18,689.

For the quarter ended September 30, 2015 the net loss of \$ 409,880 consisted of sales revenues \$ 37,262, cost of sales \$ 101,871, depreciation \$ 54,166, general administrative expenses \$ 291,525, unrealized gain on fair value of derivative financial liability \$ 70,000 and foreign exchange loss \$ 69,580.

For the quarter ended June, 2015 the net loss of \$ 708,757 consisted of sales revenues \$ 13,774, cost of sales \$ 114,656, depreciation \$ 49,881, general administrative expenses \$ 624,852 which included a stock-based compensation charge of \$ 338,000 in connection with stock options granted during the quarter which vested immediately, unrealized gain on fair value of derivative financial liability \$ 95,000 and foreign exchange loss \$ 28,142.

## Liquidity and Financial Position

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

Galantas reported a working capital deficit of \$ 1,395,866 at March 31, 2017 which compared with a working capital deficit of \$ 3,095,124 at December 31, 2016. The Company had cash balances of \$ 2,310,653 at March 31, 2017 compared with cash balances of \$ 557,005 at December 31, 2016. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to \$ 73,962 at March 31, 2017 compared to \$ 106,732 at December 31, 2016. Inventory at March 31, 2017 amounted to \$ 22,378 compared with an inventory of \$ 23,852 at December 31, 2016.

Accounts payable and other liabilities amounted to \$ 799,971 at March 31, 2017 compared with \$ 893,570 at December 31, 2016. The current portion of a financing facility totaled \$ 5,269 at March 31, 2017 compared to \$ 4,956 at December 31, 2016. Amounts due to related parties at March 31, 2017 amounted to \$ 2,997,619 compared to \$ 2,884,187 at the end of 2016. In addition Galantas has a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of \$ 508,164 (UK£ 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit and had appealed the assessment. The appeal hearing was recently scheduled for March 2017 and adjourned. A further two day hearing is to be scheduled but dates have not yet been determined. No provision has been made for the claim in the consolidated financial statements

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

During the first quarter Galantas completed a part brokered private placement in two parts for aggregate gross proceeds of \$ 2,446,299 (approximately UK£1,482,875). The placement comprised of the issue of 33,093,258 common shares. United Kingdom placees subscribed for a total of 27,087,778 shares at a price of UK £0.045 per share. Canadian placees subscribed for a total of 6,005,480 shares at a price of \$ 0.0725 per shares. The net proceeds raised by the placing are intended to be used for working capital purposes and to commence development of the underground mine on the Omagh property.

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

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the March 31, 2017 consolidated financial statements. The Company's ongoing viability has been dependent on obtaining planning consent for the development of an underground mine at Omagh and in securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

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

### **Off-Balance Sheet Arrangements**

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

### **Related Party Transactions**

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

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

The Company has entered into the following transactions with related parties:

Director fees totalled \$ 5,000 for the three months ended March 31, 2017 (\$ 5,000 for the three months ended March 31, 2016). Stock-based compensation for these directors totalled \$ 22,509 for the three months ended March 31, 2017 (\$ Nil for the three months ended March 31, 2016).

Remuneration accrued for the President/CEO totalled \$ 82,015 (UK£ 50,000) for the three months ended March 31, 2017 (\$ 98,240 (UK£ 50,000) for the three months ended March 31, 2016). Stock-based compensation for the President/CEO totalled \$ 22,508 for the three months ended March 31, 2017 (\$ Nil for the three months ended March 31, 2016). Remuneration of the CFO totalled \$ 18,250 for the three months ended March 31, 2017 (\$18,246 for the three months ended March 31, 2016). Stock-based compensation for the CFO totalled \$ 9,003 for the three months ended March 31, 2017 (\$ Nil for the three months ended March 31, 2016).

At March 31, 2017 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of \$ 2,201,651 (UK£1,318,354) (December 31, 2016 \$ 2,183,722 ( UK £ 1,318,354)) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the three months ended March 31, 2017 amounted to \$ 13,593 (UK£ 8,287) (three months ended March 31, 2016 \$ 18,113 (UK£ 9,219). Interest accrued on related party loans is included under due to related parties. As at March 31, 2017, the interest accrued amounted to \$ 334,828 (UK£ 200,496) (December 31, 2016 - \$ 318,375 (UK£ 192,209)).

As at March 31, 2017 amounts due to directors for fees totalled \$ 115,250 (December 31, 2016 \$ 110,250) and due to key management, mainly for salaries and benefits accrued at March 31, 2017 amounted to \$ 345,890 (UK£ 207,120) (December 31, 2016 - \$ 271,840 (UK£ 164,115)) and are included under due to related parties.

During 2015 Galantas completed a non-brokered private placement for aggregate gross proceeds of \$ 2,400,000 (approximately UK£ 1,189,000). The majority of the placement was taken up by Mr. Ross Beaty who acquired 16,000,000 common shares resulting in an interest of 14.91% of Galantas issued and outstanding shares in 2015.

During 2016 Galantas completed a non-brokered private placement for aggregate gross proceeds of \$1,466,312. The majority of the placement was taken up by Mr. Ross Beaty, who acquired 12,825,397 common shares. As a consequence of the placing, Mr. Beaty had an interest in 28,825,397 Common Shares resulting in an interest of 20.9% of Galantas issued and outstanding shares in 2016.

In addition to this private placement, Roland Phelps, President & CEO, Galantas Gold Corporation, entered into a shares for debt exchange on the same terms as the placement, including the four month hold period which expired in October 2016. Mr. Phelps exchanged debt accruing to him, as of March 31, 2016, of \$ 935,852 for 11,883,835 common shares. Shareholder consent was received for the debt exchange by means of a written resolution, with a majority of disinterested shareholder votes consenting. Following the debt exchange, Mr. Phelps holds 33,356,750 common shares, representing a 19.52% interest of Galantas issued and outstanding shares in 2016.

During the first quarter of 2017 Galantas completed a part brokered private placement in two parts for aggregate gross proceeds of \$ 2,446,299 (approximately UK£1,482,875). The placement comprised of the issue of 33,093,258 common shares. Melquart Ltd, a UK based investment institution, subscribed for 22,222,222 Common Shares, which has resulted in a holding of 13% of the Company's issued common shares. In addition Mr. Ross Beaty subscribed for an additional 3,326,170 common shares in the placing. As a consequence of the placing, Mr. Beaty now has an interest in 32,151,567 common shares or 18.8% of the Company's issued common shares.

Excluding the Roland Phelps, Ross Beaty and Melquart Ltd. shareholdings discussed above, the remaining 48.67% 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**

Other than as set out in the Events after Reporting Period on page 25 of the MD&A there are no proposed transactions of a material nature that have been finalized by the Company.

### **Critical Accounting Estimates**

The preparation of the unaudited condensed interim 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 unaudited condensed interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are applied prospectively. These estimates are based on historical experience, current and future economic conditions

and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of exploration and evaluation assets incurred on the Omagh underground mine is dependent upon the ability to obtain planning permission and secure sufficient funding for the development of the underground mine. Following a strategic review of its business by the Company during 2014 certain assets owned by Omagh were acquired by Flintridge. This process involved a revaluation of the Company's assets to its recoverable amount based on its fair value, determined using a number of factors including liquidity and market participants view. During the year ended December 31, 2014, an aggregate impairment loss of \$ 3,170,202 was recorded in the consolidated statements of loss. 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, 2016. The calculations of the recoverable amount of CGU require the use of methods such as the discounted cash flow method, which uses assumptions to estimate future cash flows. No additional impairment was noted and management is exploring opportunities to secure financing in anticipation of approval of planning permission;
- the estimated life of the ore body based on the estimated recoverable ounces or pounds mined from proven and probable reserves of the mine development costs which impacts the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- Stock-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including volatility, which is an estimate based on historical price of the Company's share, the forfeiture rate and expected life of the instruments;
- Derivative financial liability – management is required to make a number of estimates when determining the fair value of the derivative financial liability, including volatility, the forfeiture rate and expected life of the instruments and
- Decommissioning liabilities has been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual decommissioning costs will ultimately depend on actual future settlement amount for the decommissioning costs which will reflect the market condition at the time the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning provisions may be higher or lower than currently provided for.

## Critical Accounting Judgments

- Functional Currency– the functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined its functional currency is the Canadian dollar and each subsidiary to be the UK £

Sterling. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined primary economic environment;

- Exploration and evaluation assets – The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgement and assessment of all relevant factors;
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual audited consolidated financial statements and
- Going concern assumption – Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

### Accounting Policies including Initial Adoption

The Company applies International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). 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 May 24, 2017 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as set out on Note 4 of the most recent annual consolidated financial statements as at and for the year ended December 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

### Recent Accounting Pronouncements

(i) IFRS 9 – Financial instruments was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses an incurred loss approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the expected loss approach in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In July 2014, the IASB issued the final version of IFRS 9. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 will be effective for accounting periods beginning January 1, 2018. The Company is currently assessing the impact of this pronouncement.

(ii) In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") to replace IAS 18 - Revenue and IAS 11 - Construction Contracts and the related interpretations on revenue recognition. The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The five steps are identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price and recognize revenue when the performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and improves the comparability of revenue from contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases.

The IASB issued its standard as part of a joint project with the Financial Accounting Standards Board (FASB). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied or is applied at the same time as IFRS 16.

## Financial Instruments and Related Risks

### 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 customer 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. Value 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 March 31, 2017 the Company had a working capital deficit of \$ 1,395,866 (December 31, 2016 - \$ 3,095,124). All of the Company's financial liabilities have contractual maturities of less than 30 days other than certain related party loans which are due on demand. The Company is seeking additional capital to meet its current and ongoing commitments. As at March 31, 2017, the Company was cash flow negative. The Company's ongoing viability has been dependent on obtaining planning consent for the development of an underground mine at Omagh and securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

(iii) Market risk

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

(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 and significant interest-bearing debt due to related parties. The Company is exposed to interest rate risk on certain related party loans which bear interest at variable rates.

(b) Foreign currency risk

Certain of the Company's expenses are incurred in UK£ which is the currency of Northern Ireland and the United Kingdom while the Company's primary revenues are received in the currency of United States and are therefore subject to gains and losses due to fluctuations in these currencies against the functional currency.

(c) Commodity price risk

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

## **Sensitivity analysis**

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

(i) Certain related party loans are subject to interest rate risk. As at March 31, 2017, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the three months ended March 31, 2016 would have been approximately \$ 25,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans. Similarly, as at March 31, 2017 shareholders' equity would have been approximately \$ 25,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, long-term deposit, accounts payable and other liabilities, financing liability and due to related parties that are denominated in UK£. As at March 31, 2017, had the UK£ weakened/strengthened by 5% against the CAD with all other variables held constant the Company's consolidated other comprehensive income for the three months ended March 31, 2017 would have been approximately \$ 133,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at March 31, 2017, shareholders' equity would have been approximately \$ 133,000 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 months ended March 31, 2017.

## Capital Management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit which at March 31, 2017 totalled \$ 8,472,477 (December 31, 2016 - \$ 6,568,471). 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 months ended March 31, 2017.

## 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 March 31, 2017 and March 31, 2016 are detailed below:

Expense Account	Quarter Ended March 31, 2017 \$	Quarter Ended March 31, 2016 \$
Management & administrative wages	146,728	177,943
Other operating expenses	23,014	21,557
Accounting & corporate	13,899	15,465
Legal & audit	33,286	50,402
Share-based compensation	220,581	0
Shareholder communication and investor relations	38,181	39,080
Transfer agent	1,975	1,623
Directors fees	5,000	5,000
General office	1,961	1,949
Accretion expenses	2,590	3,102
Loan interest and bank charges	14,901	19,990
<b>Total</b>	<b>\$ 502,116</b>	<b>\$ 336,111</b>

General administrative expenses for the quarter ended March 31, 2017 totalled \$ 502,116 compared to \$ 336,111 for the quarter ended March 31, 2016.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and at the Omagh mine which totalled \$ 146,728 for the quarter ended March 31, 2017 compared to \$ 177,943 for the first quarter of 2016. The lower costs in the first quarter of 2017 are mainly due to the stronger Can\$: UK£ exchange rate during the first quarter of 2017 when compared to the corresponding period of 2016. Other operating expenses, include amongst others professional fees, insurance costs and travel and amounted to \$ 23,014 for the quarter ended March 31, 2017 compared to \$ 21,557 for the corresponding period of 2016. Accounting and corporate costs for the quarter amounted to \$ 13,899 compared to \$ 15,465 for the corresponding quarter of 2016. Legal and audit costs totalled \$ 33,286 for the quarter compared to \$ 50,402 for the first quarter of 2016. Legal costs for the first quarter amounted to \$ 15,584 which compared with \$ 28,937 for the first quarter of 2016. The higher level of legal

fees in the first quarter of 2016 was due to increased legal costs in connection with the Company's affairs in Northern Ireland. Audit fees for the first quarter amounted to \$ 17,702 compared to \$ 21,465 for the first quarter of 2016. The higher level of audit fees in 2016 was due to an underprovision of audit fees at December 31, 2015 which underprovision was corrected in the first quarter of 2016.

Stock-based compensation costs for the quarter amounted to \$ 220,581 compared to \$ Nil for the first quarter of 2016. Stock based compensation costs were in connection with stock options granted during the first quarter of 2017. These options vest 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 \$ 38,181 for the first quarter of 2017 compared to \$ 39,080 for the corresponding quarter of 2016. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees. Transfer agents fees for the first quarter of 2017 amounted to \$ 1,975 compared to \$ 1,623 incurred in the corresponding period of 2016. Directors' fees for the first quarter of 2017 totalled \$ 5,000 compared to \$ 5,000 for 2016. General office expenses for the first quarter of 2017 amounted to \$ 1,961 compared to \$ 1,949 for 2016. Accretion expenses for the first quarter of 2017 amounted to \$ 2,590 which compared to \$ 3,102 for the first quarter of 2016. The accretion charge is in connection with the Company's decommissioning liability. Loan interest and bank charges, the majority of which are incurred in UK£, for the first quarter of 2017 amounted to \$ 14,901 compared to \$ 19,990 for the quarter ended March 31, 2016. The lower interest charge for the current quarter was due to the stronger Can\$:UK£ exchange rate during the quarter together with lower interest rates.

### **Disclosure of Outstanding Share Data**

At May 24, 2017 there were a total of 170,894,087 shares issued, warrants to purchase 636,000 common shares with an expiry date of February 2018 and 8,600,000 stock options with expiry dates from June 2020 to March 2022.

### **Events after the Reporting Period**

(i) On April 24, 2017, the Company announced that the underground development at the Omagh gold mine has been put on hold following the receipt of notification that the Police Service of Northern Ireland ("PSNI") will not provide its required anti-terrorism cover in regard to blasting operations required for mine development. The Company has been told that, due to PSNI resource constraints and competing priorities, PSNI is currently only prepared to provide antiterrorism cover for a maximum of 2 hours period, 2 days per week, which is insufficient to sustain the development or operation of the mine. PSNI will also require a cost recovery agreement. The Company has sought to discuss the issue at the highest levels of command in PSNI and the Northern Ireland Office, but the engagement has been denied. The Company has been given no alternative other than pursuing its legal options, which may include substantial compensation for the costs of delays.

(ii) On May 15, 2017, the Company announced that underground mine development operations are shortly expected to commence at the Omagh gold mine. This follows notification that the PSNI had been able to increase availability of its required anti-terrorism cover in regard to blasting operations, sufficient for underground mine development to start.

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

#### **Gold Price in US Dollars and UK Sterling**

The Gold concentrate output from the Omagh Mine, when operational, is sold in US dollars. Most of the value is accrued from the gold content. The following table was composed from data published by the Bank of England (BOE) of average monthly gold price in US\$ and UK £ (Sterling) per troy ounce.

During the first ten months of 2016 there was a strengthening trend in average monthly gold price particularly in mid-year following the result of the British referendum to leave the European Union (Brexit). The role of gold as a safe haven particularly in a low/negative interest rate environment has been explained as the principal trend driver. The post Brexit gold price, when expressed in UK£ (Sterling), was driven up even further by the sharp fall in the value of Sterling against the US Dollar. However the fourth quarter of 2016 showed a US\$ gold price trend which weakened in the last two months of the year, a trend which reversed early in 2017. The UK£ average quarterly gold price, which had been earlier buoyed by sterling weakness, also weakened in the closing months of 2016. Similarly to the US\$ gold price, the weakening UK£ gold price trend reversed in the first two months of 2017, seeing April above UK£1000 per oz. It has slipped back to around UK£950-£960/ounce by mid-May.

The average gold price for the three months ended March 31,2017 averaged US\$ 1,219 and UK£ 984 compared to US\$ 1,149 and UK£ 801 for the three months ended March 31,2016.

MONTH	Gold Price US \$ per oz.	Gold Price UK£ per oz.	Quarterly Average US\$	Quarterly Average UK£
OCTOBER 2016	1266.57	1027.38		
NOVEMBER 2016	1235.98	994.66		
DECEMBER 2016	1150.13	920.54	1217.56	925.39
JANUARY 2017	1192.62	966.79		
FEBRUARY 2017	1234.36	989.28		
MARCH 2017	1231.09	997.33	1219.36	984.47
APRIL 2017	1265.63	1001.23		

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

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

The following table is drawn from Bank of England data that gives the monthly average spot exchange rate of US \$ to UK£ Sterling. Sales revenues at the Omagh mine (when active) are designated in US Dollars and are converted to UK£, as operating, exploration and capital costs are designated in UK £ (Sterling). Thus a stronger US\$ / weaker UK£ is to the Company's financial benefit.

Sterling weakened against the US\$ at the beginning of 2016 and remained at these lower levels during the first half of the year. Concerns regarding the strength of the UK economy and potential for exit for UK from the European Union in the upcoming referendum were attributed by economic commentators as cause for this decline. Following the result of the British referendum in mid-year sterling weakened further and remained at the weaker levels during the second half of 2016. The dramatic post Brexit weakening of UK£ Sterling against the US\$ has been explained by economic commentators as due to concerns regarding the strength of the UK economy, the effect of Brexit and a weakening UK interest rate trend.

The weaker trend in Sterling versus the US dollar continued into the first quarter of 2017 when the US dollar averaged \$ 1.24 against sterling compared to \$ 1.43 for the first quarter of 2016. Since the end of the first quarter of 2017, Sterling has gained back a little of its lost ground, rising to \$1.27 in April and \$1.29 by mid-May.

MONTH	Average US \$ :£	Quarterly Average US\$ :£	Average Can\$:£	Quarterly Average Can\$:£
OCTOBER 2016	1.23		1.63	
NOVEMBER 2016	1.24		1.67	
DECEMBER 2016	1.25	1.24	1.66	1.66
JANUARY 2017	1.24		1.63	
FEBRUARY 2017	1.25		1.64	
MARCH 2017	1.23	1.24	1.65	1.64
APRIL 2017	1.27		1.70	

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

#### The Canadian Dollar / UK£ Sterling Currency Exchange Rate.

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

The Canadian Dollar has been on a strengthening trend which commenced in February 2016. That trend was increased further in July following the results of Brexit. The Canadian dollar appears to have strengthened further into the fourth quarter and the early months of 2017. The Canadian dollar averaged \$ 1.64 against sterling compared to \$ 1.97 for the first quarter of 2016. The trend against Sterling appears to have reversed similarly to the US\$, with April averaging Can\$ 1.70 against UK£.

#### 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 strengthened. Whilst the remaining malaise in this market sector has restricted financing opportunities, there is some evidence that funding difficulties are easing.

In Northern Ireland, the widely acknowledged political agreement consolidated the positive financial effects of peace and stability in the province, but there continues a low level of activity by those not allied to the peace process. Recent political events have prompted a general election in the Stormont Assembly and there remains some uncertainty about a return to the power sharing agreement, which is further complicated by a UK wide General Election.

#### **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, 2016, available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no significant changes to such risk factors since the date thereof.

### **Qualified Person Statement**

The technical aspects of this MD&A, including the statement of mineral resource estimates (announced by Galantas 28 July, 2014) was prepared by the Galantas Gold Corporation Geological and Mining Team under the supervision of R. Phelps C.Eng MIMMM (President & CEO, Galantas Gold Corporation), a Qualified Person for the purposes of NI 43-101 and the AIM Rules, who has reviewed and approved this release.