GALANTAS GOLD CORPORATION

Management's Discussion and Analysis

Three and Six Months Ended

June 30, 2016

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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 and six months ended June 30, 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, 2015 and 2014, together with the notes thereto and the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2016 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"). Information contained herein is presented as August 19, 2016 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*** or at the Company's website ***www.galantas.com***.

Cautionary Note Regarding Forward-Looking Information

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

Forward-looking information	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of base metals and other metals.	Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration activities will be favourable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.	Metal price volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for future exploration and development of the Company's properties; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
The Company's ability to obtain planning consent from the Planning Services, Northern Ireland to allow it develop the underground mine at its Omagh property.	The Company has received planning consent, subject to a judicial review hearing scheduled for September 2016, 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 be able to attract skilled staff; all requisite regulatory and governmental approvals for the	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 future exploration results will not be consistent with the Company's

	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.	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.
The Company's ability to meet its working capital needs at the current level for the period ending June 30, 2017.	The operating and exploration activities of the Company for the period ending June 30, 2017 and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company.	Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
Management's outlook regarding future trends.	Financing will be available for the Company's exploration, development and operating activities; the price of applicable metals, interest rates and exchange rates will be favourable to the Company.	Metal price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.
Asset values for second quarter of fiscal year 2016.	Management's belief that no write-down is required for its property and equipment resulting	If the Company does not obtain equity or debt financing on terms favorable to the Company or at

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

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

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

Date of MD&A

This MD&A was prepared on August 19, 2016.

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

Galantas reported the revised updated estimate of gold resources together with a Preliminary Economic Assessment (PEA) update during the third quarter of 2014 (see press release dated July 28, 2014). The revised estimate of resources is in compliance with the Pan European Reporting Code (PERC), Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and Canadian National Instrument (NI) 43-101. Overall there has been a 19% increase in resources since the Galantas June 2013 Resource Report and a 60% increase in resources since the July 2012 Resource Report by ACA Howe International Ltd. The increases since 2012 largely relate to the Kearney and Joshua veins, since this is where the drilling program has been concentrated. The drilling program was mainly designed to focus on increasing the quantity of Measured and Indicated resources on these two veins, to support potential 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, was restarted in September 2015 with two rigs together with a third rig introduced in October to target the Joshua vein at depth.

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. Since 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, now subject to a judicial review expected to be heard in September 2016, 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 finance is available and look for further expansion of gold resources on the property, which has many undrilled targets.

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. Some conditions require clarification but appear workable with some modifications to operating and construction methodology. A number of conditions precedent to development are required to be satisfied and the Company is carrying those out. Later in 2015 Galantas reported that they had been made aware of pre-action correspondence from an individual who intends to challenge, by judicial review, the actions of the Department of Environment Northern Ireland (DOENI) in granting planning permission for underground mining beneath the existing open pit. During the current quarter Galantas confirmed that this third party had obtained leave from Belfast High Court to bring a judicial review of the planning consent for the Company's underground mine. The review is scheduled to be heard in September 2016.

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 Mine Manager in charge of operations in Omagh where the mine, plant, exploration and administration employed 10 personnel as of June 30, 2016.

Key Performance Driver

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

Overview of Second Quarter 2016

There was minimal production at, or shipments from, the Omagh mine during the three months ended June 30, 2016 following the suspension of the processing of low grade ore during in late 2013. Galantas incurred a net loss of $ 645,829 for the three months ended June 30, 2016 compared with a net loss of $ 708,757 for the three months ended June 30, 2015. 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 $ 300,796 for the three months ended June 30, 2016 compared with a cash loss from operations of $ 457,670 for the corresponding period of 2015.

The Company had cash balances at June 30, 2016 of $ 1,312,989 compared to $ 1,518,332 at December 31, 2015. The working capital deficit at June 30, 2016 amounted to $ 2,068,440 which compared with a working capital deficit of $ 3,606,059 at December 31, 2015.

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. In October 2015 Galantas reported that it had been made aware of what purports to be pre-action correspondence from an individual who intends to challenge, by judicial review, the actions of the Department of Environment Northern Ireland (DOENI) in granting planning permission for underground mining beneath the existing open pit. Earlier in 2016 Galantas confirmed that this third party had obtained leave from Belfast High Court to bring a judicial review of the planning consent granted by Department of Environment Northern Ireland, for the Company's underground mine. The review is expected to be heard in September 2016.

During the quarter the Company announced the closing of an over-subscribed private placement.
Placing priority was given to existing shareholders, with 18,619,841 common shares issued, at a price of CDN$ 0.07875 per common share for a total of CDN $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 has an interest in 28,825,397 Common Shares or 20.9% of the Company's issued common shares and continues to have an interest in 16,000,000 warrants.

In addition to the 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, expiring October 11, 2016. Mr. Phelps exchanged debt accruing to him, as of 31st March 2016, for $ 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 24.2% of the enlarged number of common shares in issue.

Review of Financial Results

Three Months Ended March 31, 2016

The net loss for the three months ended June 30, 2016 amounted to $ 645,829 compared to a net loss of $ 708,757 for the three months ended June 30, 2015 as summarized below.

	Quarter Ended June 30, 2016 $	Quarter Ended June 30, 2015 $
Revenues	**1,648**	**13,774**
Production costs	(88,992)	(67,616)
Inventory movement	420	(47,040)
Cost of sales	**(88,572)**	**(114,656)**
Loss before the undernoted	**(86,904)**	**(100,882)**
Depreciation	(42,732)	(49,881)
General administrative expenses	(419,506)	(624,852)
Gain on disposal of property, plant and equipment	5,479	0
Unrealized gain on fair value of derivative financial liability	1,000	95,000
Foreign exchange loss	(103,146)	(28,142)
Net Loss for the Quarter	**$ (645,829)**	**$ (708,757)**

Revenues for the three months ended June 30, 2016 consisting of jewellery sales, amounted to $ 1,648 compared to revenues of $ 13,774 for three months ended June 30, 2015. 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 $ 88,572 for the three months ended June 30, 2016 compared to $ 114,656 for corresponding quarter of 2015. A summary of cost of sales is set out on Note 14 of the June 30, 2016 consolidated financial statements.

Production costs for the three months ended June 30, 2016 amounted to $ 88,992 compared to $ 67,616 for the three months ended June 30, 2015. Production costs at the mine, the majority of which are incurred in UK£, include wages, oil and fuel, equipment hire, repairs and servicing and royalties. Production costs were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site. Production costs were higher in the second quarter of 2016 due mainly to increased payroll and oil and fuel costs reflecting an increased level of activity at the mine site.

The inventory movement credit of $ 420 for the second quarter of 2016 compared to an inventory movement $ 47,040 for the second quarter of 2016.

This has resulted in a net operating loss of $ 86,904 before depreciation, general administrative expenses, gain on disposal of property, plant and equipment, unrealized gain on fair value of derivative financial liability, and foreign exchange gain/loss for three months ended June 30, 2016 compared to a net operating loss of $ 100,882 for the three months ended June 30, 2015.

Depreciation of property, plant and equipment excluding mine development costs during the three months ended June 30, 2016 totalled $ 42,732 which compared with $ 49,881 for the corresponding period of 2015.

General administrative expenses for the three months ended June 30, 2016 amounted to $ 419,506 compared to $ 624,852 for 2015. General administrative expenses for the three months ended June 30, 2015 include stock compensation costs of $ 338,000. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 26 and 27 of the MD&A.

The gain on disposal of property, plant and equipment during the three months ended June 30, 2016 amounted to $ 5,479 compared to $ Nil for the corresponding period of 2015.

The unrealized gain on fair value of derivative financial liability for the three months ended June 30, 2016 amounted to $ 1,000 compared to an unrealized gain of $ 95,000 for 2015. The unrealized gain/loss arose as a result of the exercise price of the warrants issued in 2014 and the first quarter of 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 $ 103,146 for three months ended June 30, 2016 which compared with a foreign exchange loss of $ 28,142 for 2015.

This has resulted in a net loss of $ 645,829 for the three months ended June 30, 2016 compared to a net loss of $ 708,757 for three months ended June 30, 2015. The cash outflow from operating activities amounted to $ 300,976 for the three months ended June 30, 2016 compared to a cash outflow of $ 457,670 for the corresponding period of 2015. The cash outflow from operating activities after changes in non-cash working capital items amounted to $ 574,076 for the three months ended June 30, 2016 compared to a cash outflow of $ 50,111 for the corresponding period of 2015.

Foreign currency translation loss, which is included in Condensed Interim Consolidated Statements of Comprehensive Loss amounted to $ 536,851 for the three months ended June 30, 2016 and compared to a foreign currency translation gain of $ 254,815 for 2015. This resulted in a Total comprehensive loss of $ 1,182,680 for the three months ended June 30, 2016 compared to a Total comprehensive loss of $ 453,942 for the three months ended June 30, 2015. The foreign currency translation loss during the second 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 strengthened against UK£ at June 30, 2016 when compared to March 31, 2016 which has resulted in an decrease in the Canadian dollar value of these net assets at June 30, 2016 when compared to March 31, 2016 resulting in the foreign currency translation loss. Conversely, during the second quarter of 2015, the Canadian dollar exchange rate weakened against UK£ at June 30,2015 when compared to December 31, 2014 which resulted in an increase in the Canadian dollar value of these net assets at March 31, 2015 resulting in the foreign currency translation gain.

Total assets at June 30, 2016 amounted to $ 11,651,648 compared to $ 13,482,306 at December 31, 2015. Cash at June 30, 2016 was $ 1,312,989 compared to $ 1,518,332 at December 31, 2015. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to $ 180,579 at June 30, 2016 compared to $ 249,659 at December 31, 2015. Inventories at June 30, 2016 amounted to $ 24,804 compared with an inventory of $ 43,875 at December 31, 2015. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business.

Property, plant and equipment totalled $ 7,583,541 compared to $ 8,686,902 at December 31, 2015. Exploration and evaluation assets, consisting of exploration and development expenditures for the underground mine, totalled $ 2,032,985 at June 30, 2016 compared to $ 2,371,328 at the end of 2015. Long term deposit at June 30, 2016, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to $ 516,750 compared to $ 612,210 at December 31, 2015. Property, plant and equipment, exploration and evaluation assets and long term deposit, all of which are denominated in UK£, are translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate strengthened against UK£ at June 30, 2016 when compared to March 31, 2015 and this has resulted has resulted in a decrease in the Canadian dollar value of these assets at June 30, 2016 when compared to December 31, 2015.

Current liabilities at June 30, 2016 amounted to $ 3,586,812 compared to $ 5,417,925 at the end of 2015. The working capital deficit at June 30, 2016 amounted to $ 2,068,440 compared to a working capital deficit of $ 3,606,059 at December 31, 2015. Accounts payable and other liabilities totalled $ 817,473 compared to $ 1,388,762 at December 31, 2015. The current portion of a financing facility totaled $ 7,450 at June 30, 2016 compared to $ 6,947 at December 31, 2015. Amounts due to related parties at June 30, 2016 amounted to $ 2,761,889 compared to $ 4,022,216 at the end of 2015.

The decommissioning liability at June 30, 2016 amounted to $ 543,948 compared to $ 637,988 at December 31, 2015. The non-current portion of the financing facility totaled $ 26,128 at June 30, 2016 compared to $ 31,122 at December 31, 2015. The derivative financial liability at June 30, 2016 amounted to $ 52,000 compared to $ 132,000 at the end of 2015. The derivative financial liability arose as a result of the exercise price of the warrants issued in 2014 and the first quarter of 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.

Six Months Ended June 30, 2016

The net loss for the six months ended June 30, 2016 amounted to $ 1,019,174 compared to a net loss of $ 1,122,856 for the six months ended June 30, 2015 as summarized below.

	Six Months Ended June 30, 2016 $	**Six Months Ended June 30, 2015 $**
Revenues	**29,721**	**14,897**
Production costs	(196,573)	(137,613)
Inventory movement	(13,530)	(47,040)
Cost of sales	**(210,103)**	**(184,653)**
Loss before the undernoted	**(180,382)**	**(169,756)**
Depreciation	(90,283)	(102,174)
General administrative expenses	(755,617)	(886,384)
Gain on disposal of property, plant and equipment	5,479	0
Unrealized gain on fair value of derivative financial liability	80,000	103,000
Foreign exchange loss	(78,371)	(67,542)
Net Loss for the Quarter	**$ (1,019,174)**	**$ (1,122,856)**

Revenues for the six months ended June 30, 2016 consisting of jewelry sales amounted to $ 29,721 compared to revenues of $ 14,897 for six months ended June 30, 2015. Following the suspension of production during the fourth quarter of 2013 there were no concentrate sales from the mine during both periods.

Cost of sales include production costs at the mine and inventory movements and totalled $ 210,103 for the six months ended June 30, 2016 compared to $ 184,653 for corresponding period of 2015. A summary of cost of sales is set out on Note 13 of the June 30, 2016 consolidated financial statements.

Production costs for the six months ended June 30, 2016 amounted to $ 196,573 compared to $ 137,613 for the six months ended June 30, 2015. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, consumables and royalties. There was no production during both periods and this is reflected in the lower production costs incurred which were mainly in connection with ongoing care, maintenance and restoration costs. Production costs were higher in the first half of 2016 due mainly to higher payroll and oil and fuel, costs.

The inventory movement of $ 13,530 for the first six months of 2016 which compared to $ 47,040 for the first six months of 2015 reflecting a reduction in inventory at June 30, 2016 and 2015 when compared to inventory at the beginning of the year.

This has resulted in a net operating loss of $ 180,382 before depreciation, general administrative expenses, gain on disposal of property, plant and equipment, unrealized gain on fair value of derivative financial liability, and foreign exchange loss for six months ended June 30, 2016 compared to a net operating loss of $ 169,756 for the six months ended June 30, 2015.

Depreciation of property, plant and equipment excluding mine development costs during the six months ended June 30, 2016 totalled $ 90,283 which compared with $ 102,174 for the corresponding period of 2015. Following the suspension of production there was no depreciation of mine development costs during both periods.

General administrative expenses for the six months ended June 30, 2016 amounted to $ 760,617 compared to $ 886,384 for 2015 which includes stock based compensation of $ 338,000. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 27 and 28 of the MD&A.

The gain on disposal of property, plant and equipment during the six months ended June 30, 2016 amounted to $ 5,479 compared to a gain of $ Nil for the corresponding period of 2015.

The unrealized gain on fair value of derivative financial liability for the six months ended June 30, 2016 amounted to $ 80,000 compared to $ 103,000 for 2015. The unrealized gain arose as a result of the exercise price of the warrants issued in 2014 and the first quarter of 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 $ 78,371 for six months ended June 30, 2016 which compared with a Foreign exchange loss of $ 67,542 for 2015.

This has resulted in a net loss of $ 1,019,174 for the six months ended June 30, 2016 compared to a net loss of $ 1,122,856 for six months ended June 30, 2015. 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 $ 300,796 for the six months ended June 30, 2016 compared to a cash loss from operating activities of $ 958,758 for the corresponding period of 2015 as per the Consolidated Statements of Cash Flows. The cash loss from operating activities after changes in non-cash working capital items amounted to $ 1,163,933 for the six months ended June, 2016 compared to a cash loss of $ 290,712 for the corresponding period of 2015.

Foreign currency translation loss, which is included in Condensed Interim Consolidated Statements of Other Comprehensive Loss amounted to $ 1,172,714 for the six months ended June 30, 2016 and compared to a foreign currency translation gain of $ 509,214 for 2015. This resulted in a Total comprehensive loss of $ 2,191,898 for the six months ended June 30, 2016 compared to a Total comprehensive loss of $ 613,642 for the six months ended June 30, 2015. The foreign currency translation loss during the first half 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 strengthened against UK£ at June 30, 2016 when compared to December 31, 2015 which has resulted in a decrease in the Canadian dollar value of these net assets at June 30, 2016 when compared to December 31, 2015 resulting in the foreign currency translation loss. Conversely, during the first half of 2015, the Canadian dollar exchange rate weakened against UK£ at June 30,2015 when compared to December 31, 2014 which resulted in an increase in the Canadian dollar value of these net assets at March 31, 2015 resulting in the foreign currency translation gain.

REVIEW OF OPERATIONS

2016 Financing Activities

During the second quarter the Company announced the closing of an over-subscribed private placement. Placing priority was given to existing shareholders, with 18,619,841 common shares issued, at a price of CDN$ 0.07875 per common share for a total of CDN $1,466,312. A four month hold period will apply, which expires on October 10, 2016. The shares issued pursuant to the placing will rank pari passu with the existing common shares in issue of the Company. 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 has an interest in 28,825,397 Common Shares or 20.9% of the Company's issued common shares and continues to have an interest in 16,000,000 warrants.

In addition to the 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, expiring October 11, 2016. Mr. Phelps exchanged debt accruing to him, as of 31st March 2016, for CDN$ 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 24.2% of the enlarged number of common shares in issue.

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 scheduled to be heard in September 2016, 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 finance is available and look for further expansion of gold resources on the property, which has many undrilled targets.

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. Some conditions require clarification but appear workable with some modifications to operating and construction methodology. A number of conditions precedent to development are required to be satisfied and the Company is carrying those out.

Subsequently in the fourth quarter of 2015 Galantas reported that they had been made aware of pre-action correspondence from an individual who intends to challenge, by judicial review, the actions of the Department of Environment Northern Ireland (DOENI) in granting planning permission for underground mining beneath the existing open pit. During the first quarter of 2016 Galantas confirmed that this third party had obtained leave from Belfast High Court to bring a judicial review of the planning consent granted by Department of Environment Northern Ireland, for the Company's underground mine. The review is scheduled to be heard in September 2016.

Reserves and Resources

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

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

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

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

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

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

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

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

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

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

The Company commenced exploration drilling in 2011 which was suspended in 2013 pending the availability of cash for future exploration. Prior to the suspension a total of 17,348 metres had been cored. Channel sampling was also carried out during this period, on the Joshua, Kearney and Kerr vein systems. Assay results from both the drilling and channel sampling programmes have been encouraging with significant gold intersections encountered, in particular, the thirteen mineral intersects reported for Joshua in January 2013. With additional funding becoming available, a drilling programme commenced in September 2015 to target the Joshua vein at depth. In total, 2,304 metres were drilled by the end of December. Drilling continued into the first quarter of 2016 with two drill rigs in operation and a further six holes were completed before the rigs left the site in March. During the first quarter 1,298 metres were drilled bringing the total number of metres for the programme to 3,602 m. 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. One of the drill holes completed this quarter, targeted the Kestrel vein ~80 metres north of the previous hole and hit mineralisation at a vertical depth of 73 m (3.2 g/t Au over 1.2 m true width).

Vertical longitudinal sections were constructed in Micromine for the Joshua and Kearney veins. Each intersect was categorised according to its width and grade. This enabled an evaluation of the spatial variability of mineralisation across the site and has identified key areas that should be investigated during the next drill programme. A series of new targets has been drawn up in preparation for future drilling.

In addition detailed analysis of all available historic maps and geophysical data for the eastern Lack region was conducted during the first quarter. The overall aim was to identify key areas for further study which may facilitate a better understanding of movement on the Lack and Luis shear zones, which are likely to have caused displacement of the main veins. Fieldwork was carried out in the Cornavarrow, Creeven, Corlea and Botera burns during March to assess the availability of outcrop which could be incorporated into a detailed re-mapping exercise. The re-mapping exercise was completed during the second quarter, focussing on a 2 km stretch of the Creeven Burn running directly south of the main veins. This section of the burn incorporates several known vein outcrops, the most recent exploration phase uncovered two new mineralised outcrops which were identified close to the 'Discovery' veins. Good evidence for both ductile and brittle deformation was recorded, particularly around Sharkey. Field observations and existing geophysical evidence confirm a dextral offset and support the theory that Sharkey and McCrossan veins are sheared extensions of the main Joshua vein. Structural measurements fed into the construction of a conceptual model, later tested through comparision with lithological and textural changes in logged drill core. The geological model is one of an imbricated thrust stack, the upward extension of which may have formed weak zones which were later re-activated by the Creeven Burn Shear.

The mapping exercise was extended north and detailed pit mapping was underway by the end of the second quarter. An ore microscopy study, which encompasses material from the main and minor veins systems, is ongoing. SEM analyses and microscope imagery will be used alongside structural interpretations to improve understanding of vein dislocation.

An area of PL3039 in ROI was revised during Q2. The results of earlier fieldwork had shown bedrock gold anomalies of 2.1 and 1.8 g/t, associated with significant silver. Recent excavations of the site for construction purposes now reveals narrow mineralised quartz veins along 5 m strike. Samples of these were taken for analysis.

Advanced Micromine training took place in early July. The geology team expects to remodel the Joshua vein, incorporating the results of the recent drilling programme, during Q3. Exploration plans for the OM4 licence were finalised in June, permission requests to carry out soil and stream sediment sampling were submitted to NIEA and DfE. This work is scheduled for September.

In June, DfE issued the new OM1/16 Mineral Prospecting Licence which will be effective from 19th July 2016 and run for a period of six years.

Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the first quarter of 2016 and for the seven preceding quarters are summarized below. As part of the share consolidation completed in April 2014, the calculation of basic and diluted Net income (Loss) per share has been restated to reflect this share consolidation.

Quarter Ended	Accounting Policies	Total Revenue	Net Income (Loss)	Net Income (Loss) per share & per share diluted
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)
March 31, 2015	IFRS	$ 1,123	$ (414,099)	$ (0.01)
December 31, 2014	IFRS	$ (44)	$ (955,087)	$ (0.02)
September 30,2014	IFRS	$ 8,376	$ (3,510,937)	$ (0.05)

The results for the Quarter ended June 30, 2016 are discussed under Review of Financial Results on pages 8 to 10 of the MD&A. Revenues were primarily from the sales of concentrates up to 2013. Revenues during 2014, 2015 and 2016 are primarily from the sale of jewellery. The net loss for the quarter ended March 31, 2016 totaling $ 650,829 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.

For the quarter ended March 31, 2015 the net loss of $ 414,099 consisted of sales revenues $ 1,123, cost of sales $ 69,997, depreciation $ 52,293, general administrative expenses $ 261,532, unrealized gain on fair value of derivative financial liability $ 8,000 and foreign exchange loss $ 39,400.

For the quarter ended December 31, 2014 the net loss of $ 955,087 consisted of sales revenues credit $ 44, cost of sales $ 118,422, depreciation $ 52,896, general administrative expenses which included an impairment of inventories of $ 224,605 amounted to $ 474,736, gain on disposal of property, plant and equipment $ 288, unrealized loss on fair value of derivative financial liability $ 62,000, impairment of property, plant and equipment $ 248,318 and foreign exchange gain $ 1,041.

For the quarter ended September 30, 2014 the net loss of $ 3,510,937 consisted of sales revenues $ 8,376, cost of sales $ 84,277, depreciation $ 57,654, general administrative expenses $ 253,291, loss on disposal of property, plant and equipment $ 50, unrealized loss on fair value of derivative financial liability $ 133,000, impairment of property, plant and equipment $ 2,921,884 and foreign exchange loss $ 69,157.

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 $ 2,068,440 at June 30, 2016 which compared with a working capital deficit of $ 3,606,059 at December 31, 2015. The Company had cash balances of $ 1,312,989 at June 30, 2016 compared with cash balances of $ 1,518,332 at December 31, 2015. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to $ 180,579 at June 30, 2016 compared to $ 249,659 at December 31, 2015. Inventory at June 30, 2016 amounted to $ 24,804 compared with an inventory of $ 43,875 at December 31, 2015.

Accounts payable and other liabilities amounted to $ 817,473 at June 30,, 2016 compared with $ 1,388,762 at December 31, 2015. The current portion of a financing facility totaled $ 7,450 at June 30, 2016 compared to $ 6,947 at December 31, 2015. Amounts due to related parties at June 30, 2016 amounted to $ 2,761,889 compared to $ 4,022,216 at the end of 2015. In addition Galantas has a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of $ 524,140 (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.

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 second quarter the Company announced the closing of an over-subscribed private placement. Placing priority was given to existing shareholders, with 18,619,841 common shares issued, at a price of CDN$ 0.07875 per common share for a total of CDN $1,466,312. A four month hold period will apply, which expires on October 10, 2016. The shares issued pursuant to the placing will rank pari passu with the existing common shares in issue of the Company.

In addition to the 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, expiring October 11, 2016. Mr. Phelps exchanged debt accruing to him, as of 31st March 2016, for CDN$ 935,852 for 11,883,835 common shares.

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 June 30, 2016 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 entered into the following transactions with related parties:

Director fees of $ 8,250 and $ 13,250 were accrued for the three and six months ended June 30, 2016 ($ 10,500 and $ 15,500 for the three and six months ended June 30, 2015). Stock-based compensation for these directors totalled $ Nil for the three and six months ended June 30, 2016 ($ 45,634 for the three and six months ended June 30, 2015).

Remuneration accrued for the President/CEO totalled $ 92,330 (UK£ 50,000) and $ 190,570 (UK£100,000) for the three and six months ended June 30, 2016 ($ 94,255 (UK£ 50,000) and $ 188,160 (UK£ 100,000) for the three and six months ended June 30, 2015). Stock-based compensation for the President/CEO totalled $ Nil for the three and six months ended June 30, 2016 ($ 45,633 for the three and six months ended June 30, 2015).

Remuneration of the CFO totalled $ 17,994 and $ 36,240 for the three and six months ended June 30, 2016 ($ 16,665 and $ 34,048 for the six months ended June 30, 2015). Stock based compensation for the CFO totalled $ Nil for the three and six months ended June 30, 2016 ($ 18,254 for the three and six months ended June 30, 2015).

At June 30, 2016 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of $ 2,270,866 (UK£ 1,318,354) (December 31, 2015 $ 2,690,365 (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 and six months ended June 30, 2016 amounted to $ 17,137 (UK£ 9,278) and $ 35,250 (UK£ 18,497 respectively (three and six months ended June 30, 2015 $ 17,012 (UK£8,844) and $ 33,622 (UK£ 17,868) respectively). Interest accrued on related party loans is included under due to related parties. As at June 30, 2016, the interest accrued amounted to $ 302,009 (UK£ 175,332) (December 31, 2015 - $ 320,053 (UK£ 156,835)).

As at June 30, 2016 due to directors for fees totalled $ 97,000 (December 31, 2015 $ 83,750) and due to key management, mainly for salaries and benefits accrued at June 30, 2016, amounted to $ 93,014(UK£ 54,000) (December 31, 2015 - $ 928,048 (UK£ 454,769)) and are included with 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 Units resulting in an interest before the exercise of warrants of 14.91% of Galantas issued and outstanding shares. If all the warrants under the placement were to be exercised, Mr. Beaty would have an interest in 32,000,000 common shares, which meets the definition of a control person by the TSXV.

During the second quarter of 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 has an interest in 28,825,397 Common Shares or 20.9% of the Company's issued common shares.

In addition to the 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, expiring October 11, 2016. Mr. Phelps exchanged debt accruing to him, as of 31st March 2016, for CDN$ 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 24.2% of the enlarged number of common shares in issue.

Excluding the Roland Phelps, Ross Beaty and Kenglo One Limited shareholdings discussed above, the remaining 54.9% 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

The Company presently has no planned or proposed business or asset acquisitions.

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, 2015. 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 20, 2015 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, 2015. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2016 could result in restatement of these unaudited condensed interim consolidated financial statements.

Changes in Accounting Policies

(i) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. At January 1, 2016, the Company adopted this pronouncement and there was no material impact on the Company's 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. Valued added tax receivable is collectable from the Government of Northern Ireland. Sales tax receivable is collectable from government authorities in Canada.

(ii) Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company manages liquidity risk by monitoring maturities of financial commitments and maintaining adequate cash reserves and available borrowing facilities to meet these commitments as they come due. As at June 30, 2016 the Company had a working capital deficit of $ 2,073,440 (December 31, 2015 - $ 3,606,059). 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 June 30, 2016, 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 June 30, 2016, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the three months ended June 30, 2016 would have been approximately $ 30,000 lower, /higher respectively, as a result of lower/higher interest rates from certain related party loans. Similarly, as at June 30, 2016 shareholders' equity would have been approximately $ 30,000 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 June 30, 2016, 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 June 30, 2016 would have been approximately $ 154,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at June 30, 2016, shareholders' equity would have been approximately $ 154,000 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 June 30, 2016.

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 June 30, 2016 totalled $ 7,437,760 (December 31, 2015 - $ 7,263,270). 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 June 30, 2016.

Disclosure of Internal Controls

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

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

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Disclosure of Other MD&A Requirements

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

General Administrative Expenses for the Quarters ended June 30, 2016 and June 30, 2015 are detailed below:

Expense Account	Quarter Ended June 30, 2016 $	Quarter Ended June 30, 2015 $
Management & administrative wages	165,550	130,548
Other operating expenses	22,590	11,715
Accounting & corporate	15,768	15,688
Legal & audit	97,064	19,098
Stock-based compensation	0	338,000
Shareholder communication and investor relations	78,998	67,927
Transfer agent	7,609	8,653
Directors fees	8,250	10,500
General office	1,933	1,984
Accretion expenses	2,916	2,976
Loan interest and bank charges	18,828	17,763
Total	**$ 419,506**	**$ 624,852**

General administrative expenses for the quarter ended June 31, 2016 totalled $ 419,506 compared to $ 624,852 for the quarter ended June 31, 2015.

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 $ 165,550 for the quarter ended June 30, 2016 compared to $ 130,548 for the second quarter of 2015 The increase in 2016 first quarter costs reflects the appointment of the general manager at the Omagh mine in mid-2015. Other operating expenses, the majority of which are also incurred in UK£ and include amongst others professional fees, insurance costs, and travel amounted to $ 22,590 for the quarter ended June 30, 2016 compared to $ 11,715 for the corresponding period of 2015. The low level of other operating expenses in the second quarter of 2015 is as a result of a credit of approximately $ 8,300 arising from certain costs being included in other operating expenses during the first quarter which were subsequently capitalised with the benefit reflected in reduced second quarter costs. Accounting and corporate costs for the quarter amounted to $ 15,768 compared to $ 15,688 for the corresponding quarter of 2015. Legal and audit costs totalled $ 97,064 for the quarter compared to $ 19,098 for the second quarter of 2015. Legal costs for the second quarter amounted to $ 78,896 which compared with $ 1,000 for the second quarter of 2015. The higher level of legal fees in the current quarter of 2016 was due to increased legal costs in connection with the Company's affairs in Northern Ireland in connection with the planning appeal. Audit fees for the second quarter amounted to $ 18,168 compared to $ 18,098 for the second quarter of 2015.

Stock-based compensation costs for the second quarter of 2016 amounted to $ Nil compared to $ 338,000 for the corresponding quarter of 2015. Stock based compensation costs in second quarter of 2015 were in connection with stock options granted during the second quarter which vested immediately.

Shareholder communication and investor relations costs amounted to $ 78,998 for the second quarter of 2016 compared to $ 67,927 for the corresponding quarter of 2015. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees and in the current quarter include certain costs in connection with the holding of the Company's AGM. Shareholder communication costs were higher in the second quarter of 2016 due to increased investor relations costs.

Transfer agents fees for the second quarter of 2016 amounted to $ 7,609 compared to $ 8,653 incurred in the corresponding period of 2015. Transfer agent's costs for both periods include certain costs in connection with the holding of the Company's AGM. Directors' fees for the second quarter of 2016 totalled $ 8,250 compared to $ 10,500 for 2015. General office expenses for the second quarter of 2016 amounted to $ 1,933 compared to $ 1,984 for 2015. Accretion expenses for the second quarter of 2016 amounted to $ 2,916 which compared to $ 2,966 for the second quarter of 2015. The accretion charge is in connection with the Company's decommissioning liability. Loan interest and bank charges for the second quarter of 2016 amounted to $ 18,828 compared to $ 17,763 for the quarter ended June 30, 2015.

General Administrative Expenses for the Six Months ended June 30, 2016 and June 30, 2015 are detailed below:

Expense Account	**Six Months Ended June 30, 2016 $**	**Six Months Ended June 30, 2015 $**
Management & administrative wages	343,493	261,167
Other operating expenses	44,147	45,487
Accounting & corporate	31,233	31,084
Legal & audit	147,466	40,908
Stock-based compensation	0	338,000
Shareholder communication and investor relations	118,078	98,144
Transfer agent	9,232	10,633
Directors fees	13,250	15,500
General office	3,882	3,965
Accretion expenses	6,018	5,942
Loan interest and bank charges	38,818	35,554
Total	**760,617**	**886,384**

General administrative expenses for the six months ended June 30, 2016 totalled $ 760,617 compared to $ 886,384 for the six months ended June 30, 2015.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and the Omagh mine which totalled $ 343,493 for the six months ended June 30, 2016 compared to $ 261,167 for the first half of 2015. The increase in 2016 costs reflects the appointment of the general manager at the Omagh mine in mid-2015. Other operating expenses, the majority of which are also incurred in UK£ by Omagh Minerals, and include amongst others professional fees, insurance costs, training and travel amounted to $ 44,147 for the six months ended June 30, 2016 compared to $ 45,487 for the corresponding period of 2015. Accounting and corporate costs for the first half of 2016 amounted to $ 31,233 compared to $ 31,084 for the corresponding period of 2015. Legal and audit costs totalled $ 145,466 for the six months compared to $ 40,908 for the first half of 2015. Legal costs amounted to $ 107,833 which compared with $ 4,000 for the first half of 2015**.** The higher level of legal fees in the first half of 2016 was due to increased legal in connection with its affairs in Northern Ireland in connection with the planning appeal. Audit fees for the six months amounted to $ 37,633 compared to $ 36,908 for the corresponding period of 2015. The higher level of audit fees in 2016 is due to an under provision of annual audit fees in 2015 which under provision is now reflected in 2016 costs.

Stock-based compensation costs for the first half of 2016 amounted to $ Nil compared to $ 338,000 for the corresponding period of 2015. Stock based compensation costs in 2015 were in connection with stock options granted during the second quarter of 2015 which vested immediately.

Shareholder communication and investor relations costs amounted to $ 118,338 for the first six months of 2016 compared to $ 98,144 for 2014. Shareholder communication and investor relations costs include investor relations, shareholders information, filing fees, listing fees and certain costs in connection with the holding of the Company's AGM. Shareholder communication costs in the first half of 2016 were higher than previous periods due to increased investor relations costs together with filing and listing fees relating to the private placements. Transfer agents fees amounted to $ 15,972 compared to $ 10,633 incurred in the first six months of 2015. Transfer agent's costs for both periods include certain costs in connection with the holding of the Company's AGM. Directors' fees totalled $ 13,250 compared to $ 15,500 for the first half of 2015. General office expenses for the first half of 2016 amounted to $ 3,882 compared to $ 3,965 for 2015.

Accretion expenses on the convertible loan for the first half of 2016 amounted to $ 6,018 which compared to $ 5,942 for the corresponding period of 2015. The accretion charge is in connection with the Company's decommissioning liability. Loan interest and bank charges for the first half of 2016 amounted to $ 38,818 compared to $ 35,554 for the corresponding period of 2015. The higher level of loan interest in the current period reflects the increased level of borrowings and marginally higher interest rates in 2015.

Disclosure of Outstanding Share Data

At August 19, 2016 there were a total of 137,800,830 shares issued, warrants to purchase 636,000 common shares with an expiry date of February 2018 and 4,390,000 stock options with expiry dates from September 2016 to June 2020.

Events after Reporting Period

In July 2016, 20,000,000 warrants with an exercise price of $ 0.16 expired unexercised.

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 second quarter of 2016 there was been a strengthening trend in the average monthly gold price in terms of US$, but that trend was sharply increased with the result of the British referendum to leave the European Union (Brexit). The role of gold as a safe haven, particularly in a low / negative interest rate environment has been explained as the principal trend driver. The gold price in terms of US$ averaged US$ 1,259 during the second quarter of 2016 compared to US$ 1,170 for the second quarter of 2015. The price averaged US$ 1,220 for the first six months of 2016 compared to US $ 1,195 for the first six months of 2015.Whilst still volatile, since 24th June (Brexit) the gold price appears to have stabilised, post second quarter, in the USD $1325 /$1360 range.

In UK£ (Sterling) terms, the gold price continued its upward trend during the second quarter, with a quarterly average of £878 compared to an average price for the second quarter of 2015 of £778. The price averaged UK£ 852 for the first six months of 2016 compared to UK£791 for the first six months of 2015. The post Brexit gold price, when expressed in UK£ (Sterling), has been driven upwards by the increased US$ gold price and a sharp post Brexit fall in the value of Sterling against the US$. It appears to have stabilised, post second quarter, in a range between £1010 and £1040 per ounce.

MONTH	Gold Price US $ per oz.	Gold Price UK£ per oz.	Quarterly Average US$	Quarterly Average UK£
JULY 2015	1130.04	726.07		
AUGUST 2015	1117.48	716.47		
SEPT 2015	1124.58	733.14	1124.03	725.23
OCTOBER 2015	1159.25	755.91		
NOVEMBER 2015	1085.70	714.47		
DECEMBER 2015	1067.86	712.32	1104.27	727.57
JANUARY 2016	1097.38	762.54		
FEBRUARY 2016	1199.91	840.04		
MARCH 2016	1246.34	875.76	1181.21	825.11
APRIL 2016	1242.26	867.94		
MAY 2016	1259.40	867.07		
JUNE 2016	1276.40	898.68	1259.35	877.89
JULY 2016	1337.33	1017.31		

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. The weakening trend in Sterling versus the US dollar continued into the first half of 2016 with the US Dollar averaging $ 1.43 to the UK£ in the second quarter and first six months of 2016 compared to $ 1.53 for the second quarter and first six months of 2015. The dramatic post Brexit weakening of UK£ Sterling against the US$ (which shows in the July 2016 figure of $1.31/£) 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.

MONTH	Average US $:£	Quarterly Average US$:£	Average Can$:£	Quarterly Average Can$:£
JULY 2015	1.56		2.00	
AUGUST 2015	1.56		2.05	
SEPT 2015	1.53	1.55	2.03	2.03
OCTOBER 2015	1.53		2.00	
NOVEMBER 2015	1.52		2.02	
DECEMBER 2015	1.50	1.52	2.05	2.01
JANUARY 2016	1.44		2.05	
FEBRUARY 2016	1.43		1.97	
MARCH 2016	1.43	1.43	1.89	1.97
APRIL 2016	1.43		1.84	
MAY 2016	1.45		1.88	
JUNE 2016	1.42	1.43	1.83	1.85
JULY 2016	1.31		1.71	

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 since February 2016. The Canadian dollar averaged $ 1.85 to the UK£ during the second quarter of 2016 which compared to the average rate of $ 1.88 for the second quarter of 2015. The Canadian Dollar averaged $1.91 for the first six months of 2016 compared to $ 1.88 for the first six months of 2015.

That trend was increased further in July following the results of Brexit and the Canadian dollar appears to have stabilised into a trading range between CDN$1.70 -$1.77/£.

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 has 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.

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, 2015, available on SEDAR at ***www.sedar.com***. There have been no significant changes to such risk factors since the date thereof.