



GALANTAS GOLD CORPORATION

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

**(Unaudited)
Three Months Ended March 31, 2016**

NOTICE TO READER

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

Galantas Gold Corporation

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

	As at March 31, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash	\$ 568,284	\$ 1,518,332
Accounts receivable and prepaid expenses (note 4)	135,883	249,659
Inventories (note 5)	26,859	43,875
Total current assets	731,026	1,811,866
Non-current assets		
Property, plant and equipment (note 6)	8,189,771	8,686,902
Long-term deposit (note 8)	559,560	612,210
Exploration and evaluation assets (note 7)	2,183,751	2,371,328
Total non-current assets	10,933,082	11,670,440
Total assets	\$ 11,664,108	\$ 13,482,306
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 9)	\$ 931,809	\$ 1,388,762
Current portion of financing facility (note 10)	6,454	6,947
Due to related parties (note 14)	3,805,467	4,022,216
Total current liabilities	4,743,730	5,417,925
Non-current liabilities		
Non-current portion of financing facility (note 10)	27,259	31,122
Decommissioning liability (note 8)	586,066	637,988
Derivative financial liability (note 11(c))	53,000	132,000
Total non-current liabilities	666,325	801,110
Total liabilities	5,410,055	6,219,035
Capital and reserves		
Share capital (note 11(a)(b))	33,960,190	33,960,190
Reserves	7,843,073	8,478,946
Deficit	(35,549,210)	(35,175,865)
Total equity	6,254,053	7,263,271
Total equity and liabilities	\$ 11,664,108	\$ 13,482,306

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

Going concern (note 1)

Contingency (note 16)

Events after the reporting period (note 17)



Galantas Gold Corporation

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

	Three Months Ended	
	March 31,	
	2016	2015
Revenues		
Gold sales	\$ 28,073	\$ 1,123
Cost and expenses of operations		
Cost of sales (note 13)	121,531	69,997
Depreciation (note 6)	47,551	52,293
	169,082	122,290
Loss before general administrative and other (incomes) expenses	(141,009)	(121,167)
General administrative expenses		
Management and administration wages (note 14)	177,943	130,619
Other operating expenses	21,557	33,772
Accounting and corporate	15,465	15,396
Legal and audit	50,402	21,810
Shareholder communication and investor relations	39,080	30,217
Transfer agent	1,623	1,980
Director fees (note 14)	5,000	5,000
General office	1,949	1,981
Accretion expenses (note 8)	3,102	2,966
Loan interest and bank charges (note 14)	19,990	17,791
	336,111	261,532
Other (incomes) expenses		
Unrealized gain on fair value of derivative financial liability (note 11(c))	(79,000)	(8,000)
Foreign exchange (gain) loss	(24,775)	39,400
	(103,775)	31,400
Net loss for the period	\$ (373,345)	\$ (414,099)
Basic and diluted net loss per share (note 12)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	107,297,154	81,747,570

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

Galantas Gold Corporation

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

	Three Months Ended March 31,	
	2016	2015
Net loss for the period	\$ (373,345)	\$ (414,099)
Other comprehensive (loss) income		
Items that will be reclassified subsequently to profit or loss		
Foreign currency translation differences	(635,873)	254,399
Total comprehensive loss	\$ (1,009,218)	\$ (159,700)

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

Galantas Gold Corporation

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

	Three Months Ended March 31,	
	2016	2015
Operating activities		
Net loss for the period	\$ (373,345)	\$ (414,099)
Adjustment for:		
Depreciation	47,551	52,293
Interest expense	9,920	-
Foreign exchange	354,745	(134,248)
Accretion expenses (note 8)	3,102	2,966
Unrealized gain on fair value of derivative financial liability (note 11(c))	(79,000)	(8,000)
Non-cash working capital items:		
Accounts receivable and prepaid expenses	113,776	12,952
Inventories	17,016	(4,692)
Accounts payable and other liabilities	(456,953)	15,914
Due to related parties	(226,669)	236,313
Net cash used in operating activities	(589,857)	(240,601)
Investing activities		
Purchase of property, plant and equipment	(295,050)	-
Exploration and evaluation assets	(11,191)	(17,019)
Net cash used in investing activities	(306,241)	(17,019)
Financing activities		
Proceeds of private placements	-	607,062
Share issue costs	-	(49,197)
Advances from related parties	-	45,362
Repayment of financing facility	(1,140)	-
Net cash (used in) provided by financing activities	(1,140)	603,227
Net change in cash	(897,238)	345,607
Effect of exchange rate changes on cash held in foreign currencies	(52,810)	14,898
Cash, beginning of period	1,518,332	20,259
Cash, end of period	\$ 568,284	\$ 380,764

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

Galantas Gold Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital	Reserves			Deficit	Total
		Equity settled share-based payments reserve	Warrant reserve	Foreign currency translation reserve		
Balance, December 31, 2014	\$ 31,825,575	\$ 5,471,109	\$ -	\$ 1,133,221	\$(33,382,788)	\$ 5,085,186
Shares issued in private placement (note 11(b)(i))	607,062	-	-	-	-	607,062
Warrants issued (note 11(b)(i))	(32,000)	-	-	-	-	(32,000)
Share issue costs	(49,197)	-	-	-	-	(49,197)
Net loss and other comprehensive income for the period	-	-	-	254,399	(414,099)	(159,700)
Balance, March 31, 2015	\$ 32,351,440	\$ 5,471,109	\$ -	\$ 1,387,620	\$(33,796,887)	\$ 5,451,351
Balance, December 31, 2015	\$ 33,960,190	\$ 5,809,109	\$ 766,000	\$ 1,903,837	\$(35,175,865)	\$ 7,263,271
Net loss and other comprehensive loss for the period	-	-	-	(635,873)	(373,345)	(1,009,218)
Balance, March 31, 2016	\$ 33,960,190	\$ 5,809,109	\$ 766,000	\$ 1,267,964	\$(35,549,210)	\$ 6,254,053

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

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

1. Going Concern

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

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

- a. Securing sufficient financing to fund ongoing operational activity and the development of the underground mine.
- b. Obtaining consent for an underground mine which is currently subject to a judicial review process scheduled for September 2016.

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

As at March 31, 2016, the Company had a deficit of \$35,549,210 (December 31, 2015 - \$35,175,865). Management is confident that it will be able to secure the required financing to enable the Company to continue as a going concern. However, this is subject to a number of factors including market conditions.

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

2. Incorporation and Nature of Operations

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

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



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

2. Incorporation and Nature of Operations (Continued)

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

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

The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and London Stock Exchange AIM under the symbol GAL. The primary office is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5.

3. Significant Accounting Policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. 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, 2016 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2015, except for changes noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2016 could result in restatement of these unaudited condensed interim consolidated financial statements.

Change in accounting policies

(i) IAS 1 – Presentation of Financial Statements 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.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

3. Significant Accounting Policies (Continued)

Recent accounting pronouncements

(i) IFRS 9 – Financial Instruments (“IFRS 9”) 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, has been applied, or is applied at the same date as IFRS 16.

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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

4. Accounts Receivable and Prepaid Expenses

	As at March 31, 2016	As at December 31, 2015
Sales tax receivable - Canada	\$ 5,406	\$ 3,083
Valued added tax receivable - Northern Ireland	61,015	141,976
Accounts receivable	38,496	62,725
Prepaid expenses	30,966	41,875
	<u>\$ 135,883</u>	<u>\$ 249,659</u>

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

The following is an aged analysis of receivables:

	As at March 31, 2016	As at December 31, 2015
Less than 3 months	\$ 66,422	\$ 165,666
3 to 12 months	-	1,837
More than 12 months	38,495	40,281
Total accounts receivable	<u>\$ 104,917</u>	<u>\$ 207,784</u>

5. Inventories

	As at March 31, 2016	As at December 31, 2015
Concentrate inventories	\$ 12,124	\$ 13,265
Finished goods	14,735	30,610
	<u>\$ 26,859</u>	<u>\$ 43,875</u>

Refer to note 13 for inventory movement.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

6. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2014	\$ 2,440,515	\$ 5,159,328	\$ 81,732	\$ 111,292	\$ 14,943,018	\$ 22,735,885
Additions	-	10,278	40,198	-	855,937	906,413
Foreign exchange adjustment	315,480	663,775	14,714	14,387	1,931,651	2,940,007
Balance, December 31, 2015	2,755,995	5,833,381	136,644	125,679	17,730,606	26,582,305
Additions	-	-	-	-	295,050	295,050
Foreign exchange adjustment	(237,014)	(499,264)	(11,752)	(10,809)	(1,524,831)	(2,283,670)
Balance, March 31, 2016	\$ 2,518,981	\$ 5,334,117	\$ 124,892	\$ 114,870	\$ 16,500,825	\$ 24,593,685

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2014	\$ 1,969,052	\$ 4,300,385	\$ 75,803	\$ 85,203	\$ 9,217,987	\$ 15,648,430
Depreciation	24,105	173,340	6,466	4,000	-	207,911
Foreign exchange adjustment	266,155	560,042	10,085	11,191	1,191,589	2,039,062
Balance, December 31, 2015	2,259,312	5,033,767	92,354	100,394	10,409,576	17,895,403
Depreciation	5,321	38,504	2,812	914	-	47,551
Foreign exchange adjustment	(194,569)	(432,482)	(8,085)	(8,680)	(895,224)	(1,539,040)
Balance, March 31, 2016	\$ 2,070,064	\$ 4,639,789	\$ 87,081	\$ 92,628	\$ 9,514,352	\$ 16,403,914

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2015	\$ 496,683	\$ 799,614	\$ 44,290	\$ 25,285	\$ 7,321,030	\$ 8,686,902
Balance, March 31, 2016	\$ 448,917	\$ 694,328	\$ 37,811	\$ 22,242	\$ 6,986,473	\$ 8,189,771

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

7. Exploration and Evaluation Assets

Exploration and evaluation assets are expenditures for the underground mining operations in Omagh. The proposed underground mine is dependent on the ability of the Company to obtain the necessary planning permission. On June 11, 2015, the Company announced that it had obtain planning consent for an underground gold mine at the Omagh site. However, the planning permission is subject to a judicial review which is scheduled for September 2016. The consent includes operating and environmental conditions.

Cost	Exploration and evaluation assets
Balance, December 31, 2014	\$ 2,070,772
Additions	40,636
Foreign exchange adjustment	259,920
Balance, December 31, 2015	2,371,328
Additions	11,191
Foreign exchange adjustment	(198,768)
Balance, March 31, 2016	\$ 2,183,751

Carrying value	Exploration and evaluation assets
Balance, December 31, 2015	\$ 2,371,328
Balance, March 31, 2016	\$ 2,183,751

8. Decommissioning Liability

The Company's decommissioning liability is a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at March 31, 2016 based on a risk-free discount rate of 1% (December 31, 2015 - 1%) and an inflation rate of 1.50% (December 31, 2015 - 1.50%). The expected undiscounted future obligations allowing for inflation are GBP 330,000 and based on management's best estimate the decommissioning is expected to occur over the next 5 to 10 years. On March 31, 2016, the estimated fair value of the liability is \$586,066 (December 31, 2015 - \$637,988). Changes in the provision during the three months ended March 31, 2016 are as follows:

	As at March 31, 2016	As at December 31, 2015
Decommissioning liability, beginning of period	\$ 637,988	\$ 553,544
Accretion	3,102	12,341
Foreign exchange	(55,024)	72,103
Decommissioning liability, end of period	\$ 586,066	\$ 637,988



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

8. Decommissioning Liability (Continued)

As required by the Crown in Northern Ireland, the Company is required to provide a bond for reclamation related to the Omagh mine in the amount of GBP 300,000 (December 31, 2015 - GBP 300,000), of which GBP 300,000 was funded as of March 31, 2016 (GBP 300,000 was funded as of December 31, 2015) and reported as long-term deposit of \$559,560 (December 31, 2015 - \$612,210).

9. Accounts Payable and Other Liabilities

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

	As at March 31, 2016	As at December 31, 2015
Accounts payable	\$ 364,930	\$ 756,682
Accrued liabilities	566,879	632,080
Total accounts payable and other liabilities	\$ 931,809	\$ 1,388,762

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

	As at March 31, 2016	As at December 31, 2015
Less than 3 months	\$ 394,840	\$ 680,077
3 to 12 months	91,915	220,071
12 to 24 months	50,594	67,029
More than 24 months	394,460	421,585
Total accounts payable and other liabilities	\$ 931,809	\$ 1,388,762

10. Financing Facility

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

	Interest	As at March 31, 2016	As at December 31, 2015
Financing facility, beginning of period		\$ 38,069	\$ -
Financing facility received (GBP 19,900)	6.79%	-	40,610
Less current portion		(6,454)	(6,947)
Repayment of financing facility		(1,140)	(2,541)
Foreign exchange adjustment		(3,216)	-
Financing facility - long term portion		\$ 27,259	\$ 31,122

In June 2015, the Company obtained financing in the amount of GBP 19,900 for the purchase of a vehicle. The financing is for three years at interest of 6.79% per annum with monthly principal and interest payments of GBP 377 together with a final payment in June 2018 of GBP 9,383. The financing was secured on the vehicle.



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

11. Share Capital and Reserves

a) Authorized share capital

At March 31, 2016, the authorized share capital consisted of an unlimited number of common and preference shares issuable in Series.

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

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

b) Common shares issued

At March 31, 2016, the issued share capital amounted to \$33,960,190. The change in issued share capital for the periods presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2014	76,697,155	\$ 31,825,575
Shares issued in private placement (i)	10,599,999	607,062
Warrants issued (i)	-	(32,000)
Share issue costs	-	(49,197)
Balance, March 31, 2015	87,297,154	\$ 32,351,440
<hr/>		
Balance, December 31, 2015 and March 31, 2016	107,297,154	\$ 33,960,190

(i) On February 16, 2015, the Company closed a private placement of 10,599,999 common shares at GBP 0.03 (\$0.05727) per common share for gross proceeds of GBP 316,667 (\$607,062). Commissions of \$36,424 were paid in connection with the placement and was included in the share issue costs. The agent also received 636,000 broker warrants. Each broker warrant can be exercised for one common share at an exercise price of GBP 0.045 for a period of 3 years.

The fair value of the 636,000 broker warrants was estimated at \$32,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 168.98%, risk-free interest rate - 0.43% and an expected average life of 3 years. As a result of the exercise price of the broker warrants being denominated in a currency other than the functional currency, the broker warrants are considered a derivative financial liability.

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Notes to Condensed Interim Consolidated Financial Statements
 Three Months Ended March 31, 2016
 (Expressed in Canadian Dollars)
 (Unaudited)

11. Share Capital and Reserves (Continued)

c) Warrant reserve

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2014	10,330,000	\$ 0.18
Issued (note 11(b)(i))	636,000	0.08
Balance, March 31, 2015	10,966,000	\$ 0.18
Balance, December 31, 2015 and March 31, 2016	30,966,000	\$ 0.17

The following table reflects the actual warrants issued and outstanding as of March 31, 2016:

Expiry date	Number of warrants	Grant date fair value (\$)	Exercise price	Fair value March 31, 2016 (\$)
May 7, 2016	10,330,000	383,000	0.10 ⁽¹⁾	26,000
July 24, 2016	20,000,000	766,000	0.16	766,000
February 16, 2018	636,000	32,000	0.045 ⁽¹⁾	27,000
	30,966,000	1,181,000		819,000

⁽¹⁾ Exercise price is in GBP. As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are 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 unaudited condensed interim consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

On March 31, 2016, the fair value of the warrants, denominated in a currency other than the functional currency, was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 119% to 192%; risk free interest rate of 0.54%; and an expected life of 0.10 years to 1.88 years. As a result, the fair value of the warrants was calculated to be \$53,000 and the Company recorded an unrealized gain on fair value of derivative financial liability for the three months ended March 31, 2016 of \$79,000 (three months ended March 31, 2015 - unrealized gain of \$8,000).

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Notes to Condensed Interim Consolidated Financial Statements
 Three Months Ended March 31, 2016
 (Expressed in Canadian Dollars)
 (Unaudited)

11. Share Capital and Reserves (Continued)

d) Stock options

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

	Number of options	Weighted average exercise price
Balance, December 31, 2014 and March 31, 2015	940,000	\$ 0.50
Balance, December 31, 2015	4,440,000	\$ 0.17
Expired	(50,000)	0.50
Balance, March 31, 2016	4,390,000	\$ 0.17

The following table reflects the actual stock options issued and outstanding as of March 31, 2016:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
September 6, 2016	0.50	0.44	690,000	690,000	-
June 1, 2020	0.105	4.17	3,550,000	3,550,000	-
June 12, 2020	0.105	4.21	150,000	150,000	-
	0.17	3.59	4,390,000	4,390,000	-

12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2016 was based on the loss attributable to common shareholders of \$373,345 (three months ended March 31, 2015 - \$414,099) and the weighted average number of common shares outstanding of 107,297,154 (three months ended March 31, 2015 - 81,747,570) for basic and diluted loss per share. Diluted loss did not include the effect of 30,966,000 warrants (three months ended March 31, 2015 - 10,966,000) and 4,390,000 options (three months ended March 31, 2015 - 940,000) for the three months ended March 31, 2016, as they are anti-dilutive.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

13. Cost of Sales

	Three Months Ended March 31,	
	2016	2015
Production wages	\$ 60,480	\$ 24,532
Oil and fuel	18,269	8,799
Repairs and servicing	15,398	15,167
Equipment hire	-	2,113
Royalties	-	9,236
Other costs	13,434	10,150
Production costs	107,581	69,997
Inventory movement	13,950	-
Cost of sales	\$ 121,531	\$ 69,997

14. Related Party Disclosures

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

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

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

	Note	Three Months Ended March 31,	
		2016	2015
Interest on related party loans	(i)	\$ 18,113	\$ 16,610

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of \$2,458,994 (GBP 1,318,354) (December 31, 2015 - \$2,690,365 - GBP 1,318,354) included with due to related parties bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. Interest accrued on related party loans is included with due to related parties. As at March 31, 2016, the amount of interest accrued is \$309,723 (GBP 166,054) (December 31, 2015 - \$320,053 - GBP 156,835).

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

	Three Months Ended March 31,	
	2016	2015
Salaries and benefits ⁽¹⁾	\$ 121,486	\$ 116,288

⁽¹⁾ Salaries and benefits include director fees. As at March 31, 2016, due to directors for fees amounted to \$88,750 (December 31, 2015 - \$83,750) and due to key management, mainly for salaries and benefits accrued amounted to \$948,000 (GBP 508,256) (December 31, 2015 - \$928,048 - GBP 454,769), and is included with due to related parties.

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

14. Related Party Disclosures (Continued)

(c) As of March 31, 2016, Kenglo One Limited owns 13,222,068 common shares of the Company or approximately 12.32% of the outstanding common shares of the Company. Ross Beaty owns 16,000,000 common shares of the Company or approximately 14.91% of the outstanding common shares. Roland Phelps, Chief Executive Officer ("CEO") and director, owns, directly and indirectly, 21,472,915 common shares of the Company or approximately 20.01% of the outstanding common shares of the Company. The remaining 52.76% of the shares are widely held, which includes various small holdings which are owned by directors of the Company. These holdings can change at anytime at the discretion of the owner.

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

15. Segment Disclosure

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

March 31, 2016	United Kingdom	Canada	Total
Current assets	\$ 354,655	\$ 376,371	\$ 731,026
Non-current assets	10,872,566	60,516	10,933,082
Revenues	\$ 28,073	\$ -	\$ 28,073

December 31, 2015	United Kingdom	Canada	Total
Current assets	\$ 447,691	\$ 1,364,175	\$ 1,811,866
Non-current assets	11,609,887	60,553	11,670,440

16. Contingency

During the year ended December 31, 2010, the Company's subsidiary Omagh received a payment demand from Her Majesty's Revenue and Customs in the amount of \$567,562 (GBP 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company's subsidiary Omagh intends to vigorously defend itself against this claim. A hearing date for the appeal has not yet been determined. No provision has been made for the claim in the unaudited condensed interim consolidated financial statements.

17. Events After the Reporting Period

(i) On May 7, 2016, 10,330,000 warrant with an exercise price of GBP \$0.10 expired unexercised.

(ii) On May 11, 2016, the Company announced a proposed private placement of shares and shares for debt exchange. The private placement is expected to be for 16 million shares at a price of \$0.07875 per share (the "Placing") for a total of \$1,260,000. While the Placing is expected for 16 million shares the Company may close for less than or more than this amount. A four month hold period will apply to the shares and issuance will be subject to TSXV approval. The shares will rank pari passu with the existing shares in issue of the Company.



Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

17. Events After the Reporting Period (Continued)

(ii) (continued) In addition to the Placing, Roland Phelps, President and CEO of the Company, intends to, subject to approvals, enter into a shares for debt exchange on the same terms as the Placing. Mr. Phelps will exchange debt accruing to him, as of March 31, 2016, for up to \$935,852 for up to 11,883,835 shares.