GALANTAS GOLD CORPORATION

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited)
Three and Nine Months Ended September 30, 2015

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 September 30, 2015	As at December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ **2,065,442**	$ 20,259
Accounts receivable and prepaid expenses (note 4)	**124,224**	102,213
Inventories (note 5)	**43,525**	111,137
Total current assets	**2,233,191**	233,609
Non-current assets		
Property, plant and equipment (note 6)	**7,950,988**	7,087,455
Long-term deposit (note 8)	**607,320**	542,130
Exploration and evaluation assets (note 7)	**2,341,087**	2,070,772
Total non-current assets	**10,899,395**	9,700,357
Total assets	$ **13,132,586**	$ 9,933,966
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 9)	$ **898,862**	$ 869,322
Current portion of financing facility (note 10)	**6,780**	-
Due to related parties (note 14)	**3,870,663**	3,095,983
Total current liabilities	**4,776,305**	3,965,305
Non-current liabilities		
Non-current portion of financing facility (note 10)	**32,637**	-
Decommissioning liability (note 8)	**629,696**	553,544
Derivative financial liability (note 11(c))	**227,000**	368,000
Total non-current liabilities	**889,333**	921,544
Total liabilities	**5,665,638**	4,886,849
Capital and reserves		
Share capital (note 11(a)(b))	**33,960,190**	31,825,575
Reserves	**8,422,282**	6,604,330
Deficit	**(34,915,524)**	(33,382,788)
Total equity	**7,466,948**	5,047,117
Total equity and liabilities	$ **13,132,586**	$ 9,933,966

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

Going concern (note 1)
Contingent liability (note 16)
Event after the reporting period (note 17)

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Revenues				
Gold sales	**$ 37,262**	$ 8,376	**$ 52,159**	$ 8,376
Cost and expenses of operations				
Cost of sales (note 13)	**101,871**	84,277	**286,524**	260,957
Depreciation (note 6)	**54,166**	57,654	**156,340**	184,917
	156,037	141,931	**442,864**	445,874
Loss before the undernoted	**(118,775)**	(133,555)	**(390,705)**	(437,498)
General administrative expenses				
Management and administration wages (note 14)	**150,716**	134,361	**411,883**	403,065
Other operating expenses	**23,348**	18,416	**68,835**	82,797
Accounting and corporate	**14,718**	15,186	**45,802**	45,682
Legal and audit	**27,754**	31,152	**68,662**	112,505
Stock-based compensation (note 11(d)(i)(ii))	**-**	-	**338,000**	-
Shareholder communication and investor relations	**41,305**	26,406	**139,449**	119,059
Transfer agent	**1,674**	1,700	**12,307**	29,303
Director fees (note 14)	**6,750**	6,750	**22,250**	21,000
General office	**2,177**	2,254	**6,142**	7,038
Accretion expenses (note 8)	**3,202**	2,869	**9,144**	8,650
Loan interest and bank charges (note 14)	**19,881**	14,197	**55,435**	43,901
	291,525	253,291	**1,177,909**	873,000
Other expenses				
Loss (gain) on disposal of property, plant and equipment	**-**	50	**-**	(19,810)
Unrealized (gain) loss on fair value of derivative financial liability (note 11(c))	**(70,000)**	133,000	**(173,000)**	(77,000)
Impairment of property, plant and equipment	**-**	2,921,884	**-**	2,921,884
Foreign exchange loss	**69,580**	69,157	**137,122**	174,068
	(420)	3,124,091	**(35,878)**	2,999,142
Net loss for the period	**$ (409,880)**	$ (3,510,937)	**$ (1,532,736)**	$ (4,309,640)
Basic and diluted net loss per share (note 12)	**$ (0.00)**	$ (0.05)	**$ (0.02)**	$ (0.07)
Weighted average number of common shares outstanding - basic and diluted	**102,366,406**	76,697,156	**90,441,344**	63,569,819

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 Income (Loss)
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net loss for the period	**$ (409,880)**	$ (3,510,937)	**$ (1,532,736)**	$ (4,309,640)
Other comprehensive income (loss)				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	**204,738**	(245,734)	**713,952**	116,514
Total comprehensive loss	**$ (205,142)**	$ (3,756,671)	**$ (818,784)**	$ (4,193,126)

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)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating activities		
Net loss for the period	**$ (1,532,736)**	$ (4,309,640)
Adjustment for:		
Depreciation	**156,340**	184,917
Stock-based compensation (note 11(d)(i)(ii))	**338,000**	-
Foreign exchange	**(576,915)**	(319,719)
Gain on disposal of property, plant and equipment	**-**	(19,810)
Accretion expenses (note 8)	**9,144**	8,650
Unrealized gain on fair value of derivative financial liability (note 11(c))	**(173,000)**	(77,000)
Impairment of property, plant and equipment	**-**	2,921,884
Non-cash working capital items:		
Accounts receivable and prepaid expenses	**(22,011)**	306,874
Inventories	**67,612**	227,070
Accounts payable and other liabilities	**29,540**	(368,440)
Due to related parties	**728,186**	468,556
Net cash used in operating activities	**(975,840)**	(976,658)
Investing activities		
Purchase of property, plant and equipment	**(183,335)**	(107,137)
Proceeds from sale of property, plant and equipment	**-**	33,720
Exploration and evaluation assets	**(28,532)**	(135,721)
Net cash used in investing activities	**(211,867)**	(209,138)
Financing activities		
Proceeds of private placements	**3,007,062**	968,438
Share issue costs	**(74,447)**	(23,706)
Advances from related parties	**46,494**	127,792
Proceeds from financing facility	**40,286**	-
Repayment of financing facility	**(869)**	-
Net cash provided by financing activities	**3,018,526**	1,072,524
Net change in cash and cash equivalents	**1,830,819**	(113,272)
Effect of exchange rate changes on cash held in foreign currencies	**214,364**	1,414
Cash and cash equivalents, beginning of period	**20,259**	166,617
Cash and cash equivalents, end of period	**$ 2,065,442**	$ 54,759

Supplemental information		
Shares issued to settle accounts payable and other liabilities (note 11(b)(ii))	**$ -**	$ 40,667
Shares issued to settle due to related parties (note 11(b)(ii))	**$ -**	$ 1,348,483

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)

		Reserves				
	Share capital	Equity settled share-based payments reserve	Warrant reserve	Foreign currency translation reserve	Deficit	Total
Balance, December 31, 2013	**$ 29,874,693**	**$ 5,471,109**	**$ -**	**$ 782,351**	**$ (28,118,061)**	**$ 8,010,092**
Units issued in private placement (note 11(b)(i))	968,438	-	-	-	-	968,438
Warrants issued (note 11(b)(i))	(383,000)	-	-	-	-	(383,000)
Shares issued costs (note 11(b)(i))	(23,706)	-	-	-	-	(23,706)
Common shares issued for debt (note 11(b)(ii))	1,389,150	-	-	-	-	1,389,150
Net loss and other comprehensive income for the period	-	-	-	116,514	(4,309,640)	(4,193,126)
Balance, September 30, 2014	**$ 31,825,575**	**$ 5,471,109**	**$ -**	**$ 898,865**	**$ (32,427,701)**	**$ 5,767,848**
Balance, December 31, 2014	**$ 31,825,575**	**$ 5,471,109**	**$ -**	**$ 1,133,221**	**$ (33,382,788)**	**$ 5,047,117**
Shares issued in private placements (note 11(b)(iii)(iv))	3,007,062	-	-	-	-	3,007,062
Warrants issued (note 11(b)(iii)(iv))	(798,000)	-	766,000	-	-	(32,000)
Share issue costs	(74,447)	-	-	-	-	(74,447)
Stock-based compensation (note 11(d)(i)(ii))	-	338,000	-	-	-	338,000
Net loss and other comprehensive income for the period	-	-	-	713,952	(1,532,736)	(818,784)
Balance, September 30, 2015	**$ 33,960,190**	**$ 5,809,109**	**$ 766,000**	**$ 1,847,173**	**$ (34,915,524)**	**$ 7,466,948**

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

1. Going Concern

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

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

a. Securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

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 September 30, 2015, the Company had a deficit of $34,915,524 (December 31, 2014 - $33,382,788). 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"). On April 1, 2014, Galántas amalgamated it's jewelry business with Omagh.

2. Incorporation and Nature of Operations (Continued)

As at July 1, 2007, the Company's Omagh mine began production.

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. Basis of Preparation

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 November 24, 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 compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2014. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2015 could result in restatement of these unaudited condensed interim consolidated financial statements.

Recent accounting pronouncements

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 a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules 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.

(Expressed in Canadian Dollars)

4. Accounts Receivable and Prepaid Expenses

	As at September 30, 2015	As at December 31, 2014
Sales tax receivable - Canada	**$ 7,358**	$ 1,469
Valued added tax receivable - Northern Ireland	**31,664**	14,894
Accounts receivable	**41,782**	35,999
Prepaid expenses	**43,420**	49,851
	$ 124,224	$ 102,213

The following is an aged analysis of accounts receivable:

	As at September 30, 2015	As at December 31, 2014
Less than 3 months	**$ 39,022**	$ 16,363
3 to 12 months	**1,822**	11,316
More than 12 months	**39,960**	24,683
Total accounts receivable	**$ 80,804**	$ 52,362

5. Inventories

	As at September 30, 2015	As at December 31, 2014
Concentrate inventories	**$ 13,159**	$ 11,746
Finished goods	**30,366**	99,391
	$ 43,525	$ 111,137

(Expressed in Canadian Dollars)

6. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2013	$ 2,949,209	$ 5,161,722	$ 79,723	$ 114,845	$ 64,115	$ 13,878,530	**$ 22,248,144**
Additions	2,087	-	-	2,091	-	129,840	**134,018**
Disposals	-	(131,705)	-	(4,724)	(64,115)	-	**(200,544)**
Transfer	(585,067)	-	-	-	-	585,067	**-**
Foreign exchange adjustment	74,286	129,311	2,009	(920)	-	349,581	**554,267**
Balance, December 31, 2014	2,440,515	5,159,328	81,732	111,292	-	14,943,018	**22,735,885**
Additions	-	10,154	39,712	-	-	133,469	**183,335**
Foreign exchange adjustment	293,467	617,528	11,761	13,383	-	1,796,865	**2,733,004**
Balance, September 30, 2015	$ 2,733,982	$ 5,787,010	$ 133,205	$ 124,675	$ -	$ 16,873,352	**$ 25,652,224**

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2013	$ 1,364,975	$ 4,029,181	$ 57,034	$ 59,054	$ 64,115	$ 6,573,466	**$ 12,147,825**
Depreciation	14,465	211,554	4,520	7,274	-	-	**237,813**
Disposals	-	(118,069)	-	(3,663)	(64,115)	-	**(185,847)**
Impairment	558,982	78,812	12,926	24,213	-	2,495,269	**3,170,202**
Foreign exchange adjustment	30,630	98,907	1,323	(1,675)	-	149,252	**278,437**
Balance, December 31, 2014	1,969,052	4,300,385	75,803	85,203	-	9,217,987	**15,648,430**
Depreciation	18,310	131,415	3,596	3,019	-	-	**156,340**
Foreign exchange adjustment	248,132	520,209	9,290	10,392	-	1,108,443	**1,896,466**
Balance, September 30, 2015	$ 2,235,494	$ 4,952,009	$ 88,689	$ 98,614	$ -	$ 10,326,430	**$ 17,701,236**

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2014	$ 471,463	$ 858,943	$ 5,929	$ 26,089	$ -	$ 5,725,031	**$ 7,087,455**
Balance, September 30, 2015	$ 498,488	$ 835,001	$ 44,516	$ 26,061	$ -	$ 6,546,922	**$ 7,950,988**

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets

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

Cost	**Exploration and evaluation assets**
Balance, December 31, 2013	$ 1,875,771
Additions	92,872
Foreign exchange adjustment	102,129
Balance, December 31, 2014	2,070,772
Additions	28,532
Foreign exchange adjustment	241,783
Balance, September 30, 2015	$ 2,341,087

Carrying value	**Exploration and evaluation assets**
Balance, December 31, 2014	$ 2,070,772
Balance, September 30, 2015	$ 2,341,087

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 September 30, 2015 based on a risk-free discount rate of 1% (December 31, 2014 - 1%) and an inflation rate of 1.50% (December 31, 2014 - 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 September 30, 2015, the estimated fair value of the liability is $629,696 (December 31, 2014 - $553,544). Changes in the provision during the nine months ended September 30, 2015 are as follows:

	As at September 30, 2015	**As at December 31, 2014**
Decommissioning liability, beginning of period	**$ 553,544**	$ 528,810
Accretion	**9,144**	11,489
Foreign exchange	**67,008**	13,245
Decommissioning liability, end of period	**$ 629,696**	$ 553,544

(Expressed in Canadian Dollars)

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, 2014 - GBP 300,000), of which GBP 300,000 was funded as of September 30, 2015 (GBP 300,000 was funded as of December 31, 2014) and reported as long-term deposit of $607,320 (December 31, 2014 - $542,130).

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 September 30, 2015	As at December 31, 2014
Accounts payable	**$ 299,283**	$ 306,359
Accrued liabilities	**599,579**	562,963
Total accounts payable and other liabilities	**$ 898,862**	$ 869,322

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

	As at September 30, 2015	As at December 31, 2014
Less than 3 months	**$ 162,988**	$ 240,145
3 to 12 months	**190,524**	183,164
12 to 24 months	**104,955**	120,987
More than 24 months	**440,395**	325,026
Total accounts payable and other liabilities	**$ 898,862**	$ 869,322

10. Financing Facility

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

	Interest	As at September 30, 2015	As at December 31, 2014
Financing facility (GBP 19,900)	6.79%	**$ 40,286**	$ -
Less current portion		**(6,780)**	-
Repayment of financing facility		**(869)**	-
Financing facility - long term portion		**$ 32,637**	$ -

In June 2015, the Company obtained financing in the amount of GBP 19,900 for the purchase of a vehicle. The financing of three years at 6.79% 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.

(Expressed in Canadian Dollars)

11. Share Capital and Reserves

On April 14, 2014, the Company completed the consolidation of its issued and outstanding common shares on the basis of one post-consolidated common shares for five pre-consolidated common shares. As part of the share consolidation all applicable references to the number of shares, warrants and stock options and their exercise price and per share information has been restated.

a) Authorized share capital

At September 30, 2015, 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 September 30, 2015, 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, 2013	**51,242,015**	**$ 29,874,693**
Units issued in private placement (i)	10,330,000	968,438
Warrants issued (i)	-	(383,000)
Share issue costs (i)	-	(23,706)
Common shares issued for debt (ii)	15,125,140	1,389,150
Balance, September 30, 2014	**76,697,155**	**$ 31,825,575**

Balance, December 31, 2014	**76,697,155**	**$ 31,825,575**
Shares issued in private placements (iii)(iv)	30,599,999	3,007,062
Warrants issued (iii)(iv)	-	(798,000)
Share issue costs	-	(74,447)
Balance, September 30, 2015	**107,297,154**	**$ 33,960,190**

(i) On May 7, 2014, the Company completed a private placement of 10,330,000 units at GBP 0.05 ($0.09375) per unit for gross proceeds of GBP 516,500 ($968,438). Each unit is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one further common share at GBP 0.10 per share for a period of two years. Commissions of $8,156 were paid in connection with the placement.

The fair value of the 10,330,000 warrants was estimated at $383,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 168.92%, risk-free interest rate - 1.07% and an expected average life of 2 years. 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.

11. Share Capital and Reserves (Continued)

b) Common shares issued (continued)

(ii) On May 30, 2014, the Company issued 15,125,140 common shares as settlement of accounts payable and other liabilities of GBP 21,976 ($40,667) and due to related parties of GBP 718,256 ($1,319,054) and GBP 16,025 ($29,429).

Due to related parties consisted of amounts owing to Roland Phelps (President & Chief Executive Officer) for a loan of GBP 718,256 settled for 14,365,120 common shares and Leo O'Shaughnessy (Chief Financial Officer) for a loan of GBP 16,025 settled for 320,500 common shares.

(iii) 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. 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.

(iv) On July 24, 2015, the Company closed a private placement of 20,000,000 units at $0.12 per unit for gross proceeds of $2,400,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of 12 months from closing at an exercise price of $0.16. The common share issued are subject to a four month hold period.

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 14.9% of the Company issued and outstanding common shares. If all warrants issued under the placement were to be exercised, Mr. Beaty would have an interest in 32,000,000 common shares, representing up to 25.1% of the outstanding common shares, which meets the definition of a “Control Person” by the TSXV.

The fair value of the 20,000,000 warrants was estimated at $766,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 148.97%, risk-free interest rate - 0.41% and an expected average life of 1 year.

(Expressed in Canadian Dollars)

11. Share Capital and Reserves (Continued)

c) Warrant reserve

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

	Number of warrants		Weighted average exercise price
Balance, December 31, 2013	**-**	**$**	**-**
Issued (note 11(i))	10,330,000		0.18
Balance, September 30, 2014	**10,330,000**	**$**	**0.18**

Balance, December 31, 2014	**10,330,000**	**$**	**0.18**
Issued (Note 11(b)(iii)(iv))	20,636,000		0.16
Balance, September 30, 2015	**30,966,000**	**$**	**0.17**

The following table reflects the actual warrants issued and outstanding as of September 30, 2015:

Expiry date	Number of warrants	Grant date fair value ($)	Exercise price	Fair value September 30, 2015 ($)
May 7, 2016	10,330,000	383,000	0.10 (1)	158,000
July 24, 2016	20,000,000	766,000	0.16	766,000
February 16, 2018	636,000	32,000	0.045 (1)	69,000
	30,966,000	1,181,000		993,000

(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 record in the unaudited condensed interim consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

On September 30, 2015, 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 110% to 164%; risk free interest rate of 0.52%; and an expected life of 0.60 years to 2.38 years. As a result, the fair value of the warrants was calculated to be $227,000 and the Company recorded an unrealized gain on fair value of derivative financial liability for the three and nine months ended September 30, 2015 of $70,000 and $173,000, respectively.

(Expressed in Canadian Dollars)

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, 2013 and September 30, 2014	**940,000**	**$**	**0.50**
Balance, December 31, 2014	**940,000**	**$**	**0.50**
Granted (i)(ii)	3,700,000		0.11
Balance, September 30, 2015	**4,640,000**	**$**	**0.19**

(i) On June 1, 2015, 3,550,000 stock options were granted to directors, officers, consultants and key employees of the Company to purchase common shares at a price of $0.105 per share until June 1, 2020. The options vested immediately. The fair value attributed to these options was $324,000 and was expensed in the unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and nine months ended September 30, 2015, included in stock-based compensation is $nil and $324,000, respectively related to the vested portion of these options.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 134%; risk-free interest rate - 0.90% and an expected life of 5 years.

(ii) On June 13, 2015, 150,000 stock options were granted to a consultant of the Company to purchase common shares at a price of $0.105 per share until June 12, 2020. The options vested immediately. The fair value attributed to these options was $14,000 and was expensed in the unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and nine months ended September 30, 2015, included in stock-based compensation is $nil and $14,000, respectively related to the vested portion of these options.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 133%; risk-free interest rate - 1.01% and an expected life of 5 years.

(Expressed in Canadian Dollars)

11. Share Capital and Reserves (Continued)

(d) Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of September 30, 2015:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
November 23, 2015	0.50	0.15	200,000	200,000	-
January 28, 2016	0.50	0.33	50,000	50,000	-
September 6, 2016	0.50	0.94	690,000	690,000	-
June 1, 2020	0.105	4.67	3,550,000	3,550,000	-
June 12, 2020	0.105	4.71	150,000	150,000	-
	0.19	3.88	4,640,000	4,640,000	-

12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2015 was based on the loss attributable to common shareholders of $409,880 and $1,532,736, respectively (three and nine months ended September 30, 2014 - $3,510,937 and $4,309,640, respectively) and the weighted average number of common shares outstanding of 102,366,406 and 90,441,344, respectively (three and nine months ended September 30, 2014 - 76,697,156 and 63,569,819, respectively) for basic and diluted loss per share. Diluted loss did not include the effect of warrants and options for the three and nine months ended September 30, 2015 and 2014, as they are anti-dilutive.

13. Cost of Sales

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Production wages	**$ 18,543**	$ 42,917	**$ 70,751**	$ 130,281
Oil and fuel	**8,756**	7,587	**25,643**	33,726
Repairs and servicing	**18,691**	2,075	**43,351**	11,927
Equipment hire	**3,590**	6,966	**8,764**	15,808
Consumable	**-**	-	**-**	8,055
Royalties	**10,522**	9,129	**30,655**	29,791
Other costs	**11,593**	15,603	**30,144**	31,369
Production costs	**71,695**	84,277	**209,308**	260,957
Inventory movement	**30,176**	-	**77,216**	-
Cost of sales	**$ 101,871**	$ 84,277	**$ 286,524**	$ 260,957

(Expressed in Canadian Dollars)

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 September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Interest on related party loans	(i)	**$ 18,449**	$ 13,752	**$ 52,071**	$ 41,237

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of $2,668,876 (GBP 1,318,354) (December 31, 2014 - $2,338,872 - GBP 1,294,268) 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 September 30, 2015, the amount of interest accrued is $298,947 (GBP 147,672) (December 31, 2014 - $218,113 - GBP 120,698).

(ii) See Note 11(b)(ii)(iv).

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Salaries and benefits [1]	**$ 127,453**	$ 115,621	**$ 365,161**	$ 349,769
Stock-based compensation	**-**	-	**109,521**	-
	$ 127,453	$ 115,621	**$ 474,682**	$ 349,769

[1] Salaries and benefits include director fees. As at September 30, 2015, due to directors for fees amounted to $77,250 (December 31, 2014 - $55,000) and due to key management, mainly for salaries and benefits accrued amounted to $825,590 (GBP 407,819) (December 31, 2014 - $483,998 - GBP 267,831), and is included with due to related parties.

(c) As of September 30, 2015, Kenglo One Limited ("Kenglo") 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 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.

(Expressed in Canadian Dollars)

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:

September 30, 2015	**United Kingdom**	**Canada**	**Total**
Current assets	$ 298,644	$ 1,934,547	**$ 2,233,191**
Non-current assets	10,838,800	60,595	**10,899,395**
Revenues	$ 52,159	$ -	**$ 52,159**

December 31, 2014	**United Kingdom**	**Canada**	**Total**
Current assets	$ 208,066	$ 25,543	**$ 233,609**
Non-current assets	9,639,643	60,714	**9,700,357**

16. Contingent Liability

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 $616,005 (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. Event After the Reporting Period

On October 13, 2015, the Company announced 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 in granting planning permission for underground mining beneath the existing open pit.