# GALANTAS GOLD CORPORATION

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

**(Unaudited)**
**Three Months Ended March 31, 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 March 31, 2015 | As at December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **$ 380,764** | $ 20,259 |
| Accounts receivable and prepaid expenses (note 4) | **89,261** | 102,213 |
| Inventories (note 5) | **115,829** | 111,137 |
| **Total current assets** | **585,854** | 233,609 |
| **Non-current assets** | | |
| Property, plant and equipment (note 6) | **7,324,503** | 7,087,455 |
| Long-term deposit (note 8) | **565,020** | 542,130 |
| Exploration and evaluation assets (note 7) | **2,172,688** | 2,070,772 |
| **Total non-current assets** | **10,062,211** | 9,700,357 |
| **Total assets** | **$ 10,648,065** | $ 9,933,966 |
| **EQUITY AND LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and other liabilities (note 9) | **$ 885,236** | $ 869,322 |
| Due to related parties (note 13) | **3,377,658** | 3,095,983 |
| **Total current liabilities** | **4,262,894** | 3,965,305 |
| **Non-current liabilities** | | |
| Decommissioning liability (note 8) | **579,889** | 553,544 |
| Derivative financial liability (note 10(c)) | **392,000** | 368,000 |
| **Total non-current liabilities** | **971,889** | 921,544 |
| **Total liabilities** | **5,234,783** | 4,886,849 |
| **Capital and reserves** | | |
| Share capital (note 10(a)(b)) | **32,351,440** | 31,825,575 |
| Reserves | **6,858,729** | 6,604,330 |
| Deficit | **(33,796,887)** | (33,382,788) |
| **Total equity** | **5,413,282** | 5,047,117 |
| **Total equity and liabilities** | **$ 10,648,065** | $ 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 15)

**Approved on behalf of the Board:**
"Roland Phelps" , Director "Lionel J. Gunter" , Director

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

| | Three Months Ended March 31, 2015 | 2014 |
|---|---|---|
| **Revenues** | | |
| Gold sales | **$ 1,123** | $ - |
| **Cost and expenses of operations** | | |
| Cost of sales (note 12) | **69,997** | 77,234 |
| Depreciation (note 6) | **52,293** | 65,092 |
| | **122,290** | 142,326 |
| **Loss before the undernoted** | **(121,167)** | (142,326) |
| **General administrative expenses** | | |
| Management and administration wages (note 13) | **130,619** | 138,033 |
| Other operating expenses | **33,772** | 36,904 |
| Accounting and corporate | **15,396** | 14,627 |
| Legal and audit | **21,810** | 28,942 |
| Shareholder communication and investor relations | **30,217** | 25,604 |
| Transfer agent | **1,980** | 3,076 |
| Director fees (note 13) | **5,000** | 5,000 |
| General office | **1,981** | 2,322 |
| Accretion expenses (note 8) | **2,966** | 2,883 |
| Loan interest and bank charges (note 13) | **17,791** | 14,790 |
| | **261,532** | 272,181 |
| **Other expenses** | | |
| Gain on disposal of property, plant and equipment | **-** | (548) |
| Unrealized gain on fair value of derivative financial liability (note 10(c)) | **(8,000)** | - |
| Foreign exchange loss | **39,400** | 88,141 |
| | **31,400** | 87,593 |
| **Net loss for the period** | **$ (414,099)** | $ (502,100) |
| **Basic and diluted net loss per share (note 11)** | **$ (0.01)** | $ (0.01) |
| **Weighted average number of common shares outstanding - basic and diluted** | **81,747,570** | 51,242,015 |

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 Loss and Other Comprehensive Income**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Three Months Ended March 31, 2015 | | 2014 |
|---|---|---|---|
| **Net loss for the period** | **$** | **(414,099)** | $ (502,100) |
| **Other comprehensive income** | | | |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Foreign currency translation differences | | **254,399** | 451,759 |
| **Total comprehensive loss** | **$** | **(159,700)** | $ (50,341) |

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, 2015 | 2014 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the period | **$ (414,099)** | $ (502,100) |
| Adjustment for: | | |
| Depreciation | **52,293** | 65,092 |
| Foreign exchange | **(134,248)** | (84,860) |
| Gain on disposal of property, plant and equipment | **-** | (548) |
| Accretion expenses (note 8) | **2,966** | 2,883 |
| Unrealized gain on fair value of derivative financial liability (note 10(c)) | **(8,000)** | - |
| Non-cash working capital items: | | |
| Accounts receivable and prepaid expenses | **12,952** | 151,206 |
| Inventories | **(4,692)** | (15,437) |
| Accounts payable and other liabilities | **15,914** | (93,851) |
| Due to related parties | **236,313** | 287,561 |
| **Net cash used in operating activities** | **(240,601)** | (190,054) |
| **Investing activities** | | |
| Purchase of property, plant and equipment | **-** | (33,727) |
| Proceeds from sale of property, plant and equipment | **-** | 917 |
| Exploration and evaluation assets | **(17,019)** | (9,381) |
| **Net cash used in investing activities** | **(17,019)** | (42,191) |
| **Financing activities** | | |
| Proceeds of private placement | **607,062** | - |
| Share issue costs | **(49,197)** | - |
| Advances from related parties | **45,362** | 127,792 |
| **Net cash provided by financing activities** | **603,227** | 127,792 |
| **Net change in cash** | **345,607** | (104,453) |
| Effect of exchange rate changes on cash held in foreign currencies | **14,898** | (2,548) |
| **Cash, beginning of period** | **20,259** | 166,617 |
| **Cash, end of period** | **$ 380,764** | $ 59,616 |

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 | Foreign currency translation reserve | Deficit | Total |
| **Balance, December 31, 2013** | **$ 29,874,693** | **$ 5,471,109** | **$ 782,351** | **$ (28,118,061)** | **$ 8,010,092** |
| Net loss and other comprehensive income for the period | - | - | 451,759 | (502,100) | (50,341) |
| **Balance, March 31, 2014** | **$ 29,874,693** | **$ 5,471,109** | **$ 1,234,110** | **$ (28,620,161)** | **$ 7,959,751** |
| | | | | | |
| **Balance, December 31, 2014** | **$ 31,825,575** | **$ 5,471,109** | **$ 1,133,221** | **$ (33,382,788)** | **$ 5,047,117** |
| Shares issued in private placement (note 10(b)(i)) | 607,062 | - | - | - | 607,062 |
| Warrants issued (note 10(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)** | **$ 5,413,282** |

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 is in production and reported as property, plant and equipment and an underground mine which is in the exploration stage and reported as exploration and evaluation assets. The production at the open pit mine was suspended later in 2013 due to falling grades and gold prices.

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

a. Planning permission for the development of an underground mine in Omagh; and
b. 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.

As at March 31, 2015, the Company had a deficit of $33,796,887 (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 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 May 27, 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 March 31, 2015 | As at December 31, 2014 |
|---|---|---|
| Sales tax receivable - Canada | **$ 4,493** | $ 1,469 |
| Valued added tax receivable - Northern Ireland | **12,820** | 14,894 |
| Accounts receivable | **38,871** | 35,999 |
| Prepaid expenses | **33,077** | 49,851 |
| | **$ 89,261** | $ 102,213 |

The following is an aged analysis of accounts receivable:

| | As at March 31, 2015 | As at December 31, 2014 |
|---|---|---|
| Less than 3 months | **$ 17,313** | $ 16,363 |
| 3 to 12 months | **13,146** | 11,316 |
| More than 12 months | **25,725** | 24,683 |
| Total accounts receivable | **$ 56,184** | $ 52,362 |

## 5. Inventories

| | As at March 31, 2015 | As at December 31, 2014 |
|---|---|---|
| Concentrate inventories | **$ 12,242** | $ 11,746 |
| Finished goods | **103,587** | 99,391 |
| | **$ 115,829** | $ 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** |
| Foreign exchange adjustment | 103,044 | 216,658 | 3,450 | 4,699 | - | 630,928 | **958,779** |
| Balance, March 31, 2015 | $ 2,543,559 | $ 5,375,986 | $ 85,182 | $ 115,991 | $ - | $ 15,573,946 | **$ 23,694,664** |

| 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 | 6,245 | 44,647 | 385 | 1,016 | - | - | **52,293** |
| Foreign exchange adjustment | 92,892 | 180,541 | 3,201 | 3,600 | - | 389,204 | **669,438** |
| Balance, March 31, 2015 | $ 2,068,189 | $ 4,525,573 | $ 79,389 | $ 89,819 | $ - | $ 9,607,191 | **$ 16,370,161** |

| 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, March 31, 2015 | $ 475,370 | $ 850,413 | $ 5,793 | $ 26,172 | $ - | $ 5,966,755 | **$ 7,324,503** |

**(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.

| **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 | 17,019 |
| Foreign exchange adjustment | 84,897 |
| Balance, March 31, 2015 | $ 2,172,688 |

| **Carrying value** | **Exploration and evaluation assets** |
|---|---|
| Balance, December 31, 2014 | $ 2,070,772 |
| Balance, March 31, 2015 | $ 2,172,688 |

## 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, 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 March 31, 2015, the estimated fair value of the liability is $579,889 (December 31, 2014 - $553,544). Changes in the provision during the three months ended March 31, 2015 are as follows:

| | **As at March 31, 2015** | **As at December 31, 2014** |
|---|---|---|
| Decommissioning liability, beginning of period | **$ 553,544** | $ 528,810 |
| Accretion | **2,966** | 11,489 |
| Foreign exchange | **23,379** | 13,245 |
| Decommissioning liability, end of period | **$ 579,889** | $ 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 March 31, 2015 (GBP 300,000 was funded as of December 31, 2014) and reported as long-term deposit of $565,020 (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 March 31, 2015 | As at December 31, 2014 |
|---|---|---|
| Accounts payable | **$ 279,247** | $ 306,359 |
| Accrued liabilities | **605,989** | 562,963 |
| Total accounts payable and other liabilities | **$ 885,236** | $ 869,322 |

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

| | As at March 31, 2015 | As at December 31, 2014 |
|---|---|---|
| Less than 3 months | **$ 209,801** | $ 240,145 |
| 3 to 12 months | **169,372** | 183,164 |
| 12 to 24 months | **145,974** | 120,987 |
| More than 24 months | **360,089** | 325,026 |
| Total accounts payable and other liabilities | **$ 885,236** | $ 869,322 |

## 10. 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 March 31, 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.

**(Expressed in Canadian Dollars)**

## 10. Share Capital and Reserves (Continued)

### b) Common shares issued

At March 31, 2015, the issued share capital amounted to $32,351,440. The change in issued share capital for the periods presented is as follows:

| | Number of common shares | Amount |
|---|---|---|
| **Balance, December 31, 2013 and March 31, 2014** | **51,242,015** | **$ 29,874,693** |
| **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** |

(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). The common share issued are subject to a four month hold period. 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. A four month hold period applies from date of issue of the broker warrant, expiring June 17, 2015.

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.

### 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 and March 31, 2014** | **-** | **$ -** |
| **Balance, December 31, 2014** | **10,330,000** | **$ 0.18** |
| Issued (Note 10(b)(i)) | 636,000 | 0.08 |
| **Balance, March 31, 2015** | **10,966,000** | **$ 0.18** |

**(Expressed in Canadian Dollars)**

**10. Share Capital and Reserves (Continued)**

**c) Warrant reserve (continued)**

The following table reflects the actual warrants issued and outstanding as of March 31, 2015:

| Expiry date | Number of warrants | Grant date fair value ($) | Exercise price (GBP) | Fair value March 31, 2015 ($) |
|---|---|---|---|---|
| May 7, 2016 | 10,330,000 | 383,000 | 0.10 | 330,000 |
| February 16, 2018 | 636,000 | 32,000 | 0.045 | 62,000 |
| | 10,966,000 | 415,000 | 0.10 | 392,000 |

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 March 31, 2015, the fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 157.47% to 165.40%; risk free interest rate of 0.50%; and an expected life of 1.10 years to 2.88 years. As a result, the fair value of the warrants was calculated to be $392,000 and the Company recorded an unrealized gain on fair value of derivative financial liability for the three months ended March 31, 2015 of $8,000.

**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 March 31, 2014** | **940,000** | **$ 0.50** |
| **Balance, December 31, 2014 and March 31, 2015** | **940,000** | **$ 0.50** |

There were no stock-based compensation for the three months ended March 31, 2015 and 2014.

**(Expressed in Canadian Dollars)**

### 10. Share Capital and Reserves (Continued)

#### (d) Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of March 31, 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 | 0.65 | 200,000 | 200,000 | - |
| January 28, 2016 | 0.50 | 0.83 | 50,000 | 50,000 | - |
| September 6, 2016 | 0.50 | 1.43 | 690,000 | 690,000 | - |
| | 0.50 | 1.24 | 940,000 | 940,000 | - |

### 11. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2015 was based on the loss attributable to common shareholders of $414,099 (three months ended March 31, 2014 - $502,100) and the weighted average number of common shares outstanding of 81,747,570 (three months ended March 31, 2014 - 51,242,015) for basic and diluted loss per share. Diluted loss did not include the effect of warrants and options for the three months ended March 31, 2015 and 2014, as they are anti-dilutive.

### 12. Cost of Sales

| | Three Months March 31, 2015 | 2014 |
|---|---|---|
| Production wages | **$ 24,532** | $ 40,463 |
| Oil and fuel | **8,799** | 11,558 |
| Repairs and servicing | **15,167** | 6,324 |
| Equipment hire | **2,113** | 319 |
| Royalties | **9,236** | 8,978 |
| Other costs | **10,150** | 9,592 |
| **Cost of sales** | **$ 69,997** | $ 77,234 |

**(Expressed in Canadian Dollars)**

## 13. Related Party Disclosures

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

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

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

| | Note | Three Months March 31, 2015 | 2014 |
|---|---|---|---|
| Interest on related party loans | (i) | **$ 16,610** | $ 13,592 |

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of $2,482,988 (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 March 31, 2015, the amount of interest accrued is $243,979 (GBP 129,542) (December 31, 2014 - $218,113 - GBP 120,698).

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

| | Three Months March 31, 2015 | 2014 |
|---|---|---|
| Salaries and benefits (1) | **$ 116,288** | $ 114,798 |

(1) Salaries and benefits include director fees. As at March 31, 2015, due to directors for fees amounted to $60,000 (December 31, 2014 - $55,000) and due to key management, mainly for salaries and benefits accrued amounted to $590,691 (GBP 313,630) (December 31, 2014 - $483,998 - GBP 267,831), and is included with due to related parties.

(c) As of March 31, 2015, Kenglo One Limited (“Kenglo”) owns 13,222,068 common shares of the Company or approximately 15.15% of the outstanding common shares of the Company. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 21,472,915 common shares of the Company or approximately 24.60% of the outstanding common shares of the Company. The remaining 60.25% of the shares are widely held, which includes various small holdings which are owned by directors of the Company. These holdings can change at anytime at the discretion of the owner.

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

**(Expressed in Canadian Dollars)**

## 14. Segment Disclosure

The Company has determined that it has one reportable segment. The Company's operations are substantially all related to its investment in Cavanacaw and its subsidiaries, Omagh and Galántas. 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, 2015 | United Kingdom | Canada | Total |
|---|---|---|---|
| Current assets | $ 412,229 | $ 173,625 | **$ 585,854** |
| Non-current assets | 10,001,535 | 60,676 | **10,062,211** |
| Revenues | $ 1,123 | $ - | **$ 1,123** |

| 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** |

## 15. 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 $573,100 (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.