# GALANTAS GOLD CORPORATION

## Management's Discussion and Analysis

## Three Months Ended

## March 31, 2015

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## MANAGEMENT DISCUSSION AND ANALYSIS

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### Introduction

The Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Galantas Gold Corporation ("Galantas" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2015. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2014 and 2013, together with the notes thereto and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as May 27, 2015 unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Galantas's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. Additional information about the Company is available on SEDAR at ***www.sedar.com*** or at the Company's website ***www.galantas.com***.

### Cautionary Note Regarding Forward-Looking Information

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

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

| | | |
|---|---|---|
| | project will be received on a timely basis upon terms acceptable to the Company; applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties | be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; changes in economic and political conditions; the Company's ability to attract skilled staff |
| The Company's ability to meet its working capital needs at the current level for the year ending December 31, 2015 | The operating and exploration activities of the Company for the year ending December 31, 2015, and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company | Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions |
| Management's outlook regarding future trends | Financing will be available for the Company's exploration, development and operating activities; the price of applicable metals, interest rates and exchange rates will be favourable to the Company | Metal price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions |
| Asset values for the first quarter of fiscal year 2015 | Management's belief that no write- down is required for its property and equipment resulting | If the Company does not obtain equity or debt financing on terms favorable to the Company or at |

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

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

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

## Date of MD&A

This MD&A was prepared on May 27, 2015.

## Overview – Strategy - Description of Business

**Company Overview**

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

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

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

Reserves and Resources

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

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

The Company also filed the complete updated Technical Report on SEDAR during 2014, as required by NI 43-101.

Mining Project

The project currently embraces an open pit mine which supplied ore to a crushing-grinding-froth flotation plant. The plant was commissioned in 2007 and designed to produce a gold and silver rich sulphide flotation concentrate for sale to a commercial smelter. Since early 2013 year there was a shift in operations from mining and processing ore from open pits to operating from lower grade stock already mined which impacted negatively on production levels. Later in 2013 the processing of low grade ore was suspended as a result of a reduction in the concentrate gold grade coupled with falling gold prices. Subsequently the Company completed tests with regards to continuing production on a limited scale through the processing of tailing cells filled during the earlier operation of the mine. However a subsequent investigation of process economics suggested that this proposed operation may best be carried out in conjunction with processing ore from the underground mine.

Underground Mine Plan

During 2012 the planning application for an underground mine was submitted to the Planning Services of Northern Ireland. The Company has been advised that officials at the Northern Ireland Department of Environment (Planning) have now completed consultations, finalised its report and submitted it to the Minister of Environment for determination. The Company understands that the report contains a recommendation to approve the Company's application, though the Minister is not bound by the recommendation. The Company understands a decision is imminent. However it should be noted that the timeline for delivery of the determination is not within the control of the Company.

Gold Jewellery Business

During 2014 Galantas restructured its jewelry operations. This involved the transfer to Flintridge Resources Limited of the trade formerly carried out by Galantas Irish Gold. Galantas continues to review joint venture opportunities related to its gold jewellery business as management focus is now entirely on the mine operation.

Management and Staff

Overall management is exercised by one Executive Director along with a Deputy General Manager in charge of operations in Omagh where the mine, plant, exploration and administration employed 5 personnel as of March 31,2015.

Key Performance Driver

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

## Overview of First Quarter 2015

There was minimal production at, or shipments from, the Omagh mine during the three months ended March 31, 2015 following the suspension of the processing of low grade ore during in late 2013 as a result of a reduction in the concentrate gold grade coupled with lower gold prices.

Galantas incurred a net loss of $ 414,099 for the three months ended March 31, 2015 compared with a net loss of $ 502,100 for the three months ended March 31, 2014. When the net loss is adjusted for non cash items before changes in non-cash working capital the cash loss from operating activities amounted to $ 501,088 for three months ended March 31, 2015 compared with a cash loss from operations of $ 519,533 for the corresponding period of 2014. The cash loss from operating activities after changes in non-cash working capital items amounted to $ 240,601 for three months ended March 31, 2015 compared to a cash loss of $ 190,094 for the corresponding period of 2014.

The Company had cash balances at March 31, 2015 of $ 380,764 compared to $ 20,259 at December 31, 2014. The working capital deficit at March 31, 2015 amounted to $ 3,677,040 which compared with a working capital deficit of $ 3,731,696 at December 31, 2014.

Galantas completed a private placement financing for aggregate gross proceeds of UK£ 316,677 during the first quarter of 2015. Pursuant to the offering, an aggregate of 10,599,999 units were sold at a price of UK£ 0.03/ $ 0.05727 per common share. Commissions of 6% of the gross proceeds totalling $ 36,424 were paid in connection with the placing together with the issue of 636,000 share purchase warrants. Each warrant will entitle the holder to acquire a further common share of the Company at a price of UK£ 0.045 per share for a period three years from the date the subscription was closed.

With regards to the planning application for an underground mine the Company has been advised that officials at the Northern Ireland Department of Environment (Planning) have now completed consultations, finalised its report and submitted it to the Minister of Environment for determination. The Company understands that the report contains a recommendation to approve the Company's application, though the Minister is not bound by the recommendation. The Company understands a decision is imminent. However it should be noted that the timeline for delivery of the determination is not within the control of the Company.

## Review of Financial Results

### Three Months Ended March 31, 2015

The net loss for the three months ended March 31, 2015 amounted to $ 414,099 compared to a net loss of $ 502,100 for the three months ended March 31, 2014 as summarized below.

| | **Quarter Ended March 31, 2015 $** | **Quarter Ended March 31, 2014 $** |
|---|---|---|
| **Revenues** | **1,123** | **0** |
| Production costs | 69,997 | 77,234 |
| Inventory movement | 0 | 0 |
| **Cost of sales** | **69,997** | **77,234** |
| **(Loss) before the undernoted** | **(68,874)** | **(77,234)** |
| Depreciation | 52,293 | 65,092 |
| General administrative expenses | 261,532 | 272,181 |
| (Gain) on disposal of property, plant and equipment | 0 | (548) |
| Unrealized (gain) on fair value of derivative financial liability | (8,000) | 0 |
| Foreign exchange loss | 39,400 | 88,141 |
| **Net (Loss) for the Quarter** | **$ (414,099)** | **$ (502,100)** |

Revenues for the three months ended March 31, 2015,which consisted of jewelry sales, amounted to $ 1,123 compared to revenues of $ Nil for three months ended March 31, 2014. Following the suspension of production during the fourth quarter of 2013 there were no concentrate sales from the mine during both quarters.

Cost of sales include production costs at the mine and inventory movements and totalled $ 69,997 for the three months ended March 31, 2015 compared to $ 77,234 for corresponding period 2014. A summary of cost of sales is set out on Note 12 of the March 31, 2015 consolidated financial statements.

Production costs for the three months ended March 31, 2015 amounted to $ 69,997 compared to $ 77,234 for the three months ended March 31, 2014. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, consumables and royalties. There was no production during both periods and this is reflected in the lower production costs incurred and which were mainly in connection with ongoing care and maintenance costs. Production costs were lower in the first quarter of 2015 due mainly to lower payroll costs which reduction was partially offset by increased repairs and maintenance costs.

There was an inventory movement of $ Nil in both quarters.

This has resulted in a net operating loss of $ 68,874 before depreciation, general administrative expenses, gain on disposal of property, plant and equipment, unrealized gain on fair value of derivative financial liability, and foreign exchange loss for three months ended March 31, 2015 compared to a net operating loss of $ 77,234 for the three months ended March 31, 2014.

Depreciation of property, plant and equipment excluding mine development costs during the three months ended March 31, 2015 totalled $ 52,293 which compared with $ 65,092 for the corresponding period of 2014. The decrease is due to both the lower asset values of property, plant and equipment following the impairment during 2014 together with the depreciation charge being calculated on the reducing balance basis. Depreciation of mine development costs for the three months ended March 31, 2015 which is calculated on the unit of production basis, amounted to $ Nil compared to $ Nil for 2014. Following the suspension of production there was no depreciation of mine development costs during both periods.

General administrative expenses for the three months ended March 31, 2015 amounted to $ 261,532 compared to $ 272,181 for 2014. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 20 and 21 of the MD&A.

The gain on disposal of property, plant and equipment during the three months ended March 31, 2015 amounted to $ Nil compared to a gain of $ 548 for the corresponding period of 2014.

The unrealized gain on fair value of derivative financial liability for the three months ended March 31, 2015 amounted to $ 8,000 compared to $ Nil for 2014. The unrealized gain arose as a result of the exercise price of the warrants issued in 2014 and the first quarter of 2014 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being recorded in the consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

There was a Foreign exchange loss of $ 39,400 for three months ended March 31, 2015 which compared with a Foreign exchange loss of $ 88,141 for 2014.

This has resulted in a net loss of $ 414,099 for the three months ended March 31, 2015 compared to a net loss of $ 502,100 for three months ended March 31, 2014. When the Net Loss is adjusted for non-cash items before changes in non-cash working capital items the cash loss from operating activities amounted to $ 501,088 for the three months ended March 31, 2015 compared to a cash loss from operating activities of $ 519,533 for the corresponding period of 2014 as per the Consolidated Statements of Cash Flows. The cash loss from operating activities after changes in non-cash working capital items amounted to $ 240,601 for the three months ended March 31, 2015 compared to a cash loss of $ 190,054 for the corresponding period of 2014.

Foreign currency translation gain, which is included in Condensed Interim Consolidated Statements of Comprehensive Loss amounted to $ 254,399 for the three months ended March 31, 2015 and compared to a foreign currency translation gain of $ 451,759 for 2014. This resulted in a Total comprehensive loss of $ 159,700 for the three months ended March 31, 2015 compared to a Total comprehensive loss of $ 50,341 for the three months ended March 31, 2014. The foreign currency translation gain during both periods arose as a result of the net assets of the Company's UK subsidiaries, all of which are denominated in UK, being translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate had weakened against UK£ at March 31,2015 and 2014 when compared to January 1, 2015 and 2014 which has resulted in an increase in the Canadian dollar value of these net assets at March 31, 2015 and 2014 resulting in the foreign currency translation gain in both periods.

Total assets at March 31, 2015 amounted to $ 10,648,065 compared to $ 9,933,966 at December 31, 2014. Cash at March 31, 2015 was $ 380,764 compared to $ 20,259 at December 31, 2014. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to $ 89,261 at March 31, 2015 compared to $ 102,213 at December 31, 2014. Inventories at March 31, 2015 amounted to $ 115,829 compared with an inventory of $ 111,137 at December 31, 2014. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business.

Property, plant and equipment totalled $ 7,324,503 compared to $ 7,087,455 at December 31, 2014. Exploration and evaluation assets, consisting of exploration and development expenditures for the underground mine, totalled $ 2,172,688 at March 31, 2015 compared to $ 2,070,772 at the end of 2014. Long term deposit at March 31, 2015, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to $ 565,020 compared to $ 542,130 at December 31, 2014. Property, plant and equipment, exploration and evaluation assets and long term deposit, all of which are denominated in UK, are translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate weakened against UK£ at March 31, 2015 when compared to December 31, 2014 and this has resulted has resulted in the increase in the Canadian dollar value of these assets at March 31, 2015 when compared to December 31, 2014.

Current liabilities at March 31, 2015 amounted to $ 4,262,894 compared to $ 3,965,305 at the end of 2014. The working capital deficit at March 31, 2015 amounted to $ 3,677,040 compared to a working capital deficit of $ 3,731,696 at December 31, 2014. Accounts payable and other liabilities totalled $ 885,236 compared to $ 869,322 at December 31, 2014. Amounts due to related parties at March 31, 2015 amounted to $ 3,377,658 compared to $ 3,095,583 at the end of 2014. The decommissioning liability at March 31, 2015 amounted to $ 579,889 compared to $ 553,544 at December 31, 2014.

The derivative financial liability at March 31, 2015 amounted to $ 392,000 compared to $ 368,000 at the end of 2014. The derivative financial liability arose as a result of the exercise price of the warrants issued in 2014 and the first quarter of 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability.

## REVIEW OF OPERATIONS

### 2015 Financing Activities

Galantas completed a private placement financing for aggregate gross proceeds of UK£ 316,677 during the first quarter. Pursuant to the offering, an aggregate of 10,599,999 units were sold at a price of UK£ 0.03/ $ 0.05727 per common share. Commissions of 6% of the gross proceeds totalling $ 36,424 were paid in connection with the placing together with the issue of 636,000 share purchase warrants. Each warrant will entitle the holder to acquire a further common share of the Company at a price of UK£ 0.045 per share for a period three years from the date the subscription was closed.

Additional loan advances from G&F Phelps Limited, a related party, during the first quarter totalled $ 45,362.

### Production

There was minimal production at the Omagh mine during the quarter ended March 31, 2015.

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

During the first half of 2014 the Company carried out pilot tests with regards to the processing of tailing cells filled during the earlier operation of the mine. The results of these tests indicated that it was possible to successfully process the tailing cells. However a subsequent investigation of process economics suggested that the operation may best be carried out in conjunction with processing ore from the underground mine.

**Permitting**

During 2012 the planning application for an underground mine together with the Environmental Impact Study in connection with the proposed underground development were submitted to the Planning Services. The Company has been advised that officials at the Northern Ireland Department of Environment (Planning) have now completed consultations, finalised its report and submitted it to the Minister of Environment for determination. The Company understands that the report contains a recommendation to approve the Company’s application, though the Minister is not bound by the recommendation. The Company understands a decision is imminent. However it should be noted that the timeline for delivery of the determination is not within the control of the Company.

**Reserves and Resources**

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

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

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

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

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

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

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

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

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

At a gold price of UK£750 / US$ 1,260 oz, the pre-tax operating surplus after capital expenditure estimates an Internal Rate of Return of 72% and, at an 8% discount rate, a net present value of approximately UK£ 14.5m (CDN$ 26.6m) and a cash cost of production of UK£394 per ounce (USD$ 662 at $1.68/UK£). The study scheduled approximately 36% of the combined resources identified on the Kearney and Joshua veins.

The Company also filed the complete Technical Report on SEDAR during 2014, as required by NI 43-101.

**Exploration**

The Company has not carried out any exploration drilling following the suspension of drilling during 2013 pending the availability of cash for future exploration. In total, 17,348 metres were drilled following the commencement of the programme in March 2011. Channel sampling was also carried out, during this period, on the Joshua, Kearney and Kerr vein systems. Assay results released to date from both the drilling and channel sampling programmes have been encouraging with significant gold intersections being identified, in particular the assays from the ten drill holes on Joshua released in January 2013 with thirteen significant mineral intersects. Once additional funding becomes available the programme will continue and up to a further 1,000 metres of drilling are planned. The technical report containing all data related to the drilling programme was published on SEDAR during the third quarter of 2014. The Pan European Reporting Code (PERC) and Canadian National Instrument (NI) 43-101 compliant report, detailed a significant increase in the resource as shown in the Reserves and Resources section above (see press release dated 4th September 2014). Following the scale back of drilling in 2013, more time was dedicated to logging remaining drill cores, the sealing off of all accessible drill holes, updating databases and progressing towards abovementioned resource estimate using the Micromine geological modelling computer program.

The granting of a further two prospecting licences in the Republic of Ireland (ROI) during 2014 brought the total number of licences held in both Northern Ireland and the Republic of Ireland to eleven covering a total area to 766.5 square kilometres. Exploration work during 2014, which included detailed mapping and sampling, focused on four broad exploration targets which were identified based on the potential for mineralisation with consideration given to land accessibility and suitable exposure. Three of the target areas were within the original ROI licence block (Lough Derg) with the fourth being in the OM4 licence within Northern Ireland. During the first quarter of 2015 fieldwork commenced within three more recently acquired ROI licences. In addition results received from fieldwork on the OM4 licence were evaluated and formed the basis of the DETI licence report submitted later in the quarter.

Also during 2014 detailed sampling took place in an area close to the mine site where, thirty years ago, initial exploration carried out by RioFinex uncovered visible vein outcrops (‘Discovery’ and ‘Sharkey’) in the banks of a neighbouring burn. Attention and resources were subsequently diverted towards drilling the Kearney vein, following its discovery in the late 1980’s. However, recent resource modelling and underground mine planning activities prompted a re-investigation of the burn veins when water levels were unusually low during the third quarter of 2014. Two in-situ quartz veins were identified 18 m west and 35 m west of the Rio ‘Discovery’ vein together with a completely isolated zone of sulphide rich clay gouge which was also uncovered 70 m east of ‘Discovery’. In addition to these outcrops, several high grade boulders (float) were discovered over 40 metres from the Rio ‘Sharkey’ vein. These boulders are comparatively large in size and are likely to be derived from a local source (see press release dated October 6, 2014). The presence of these strong gold anomalies found near to the southern boundary of the recently operating Omagh mine site instigated a detailed investigation of new and a re-evaluation of existing targets. Further fieldwork is planned during the summer months when it is expected water levels are expected to be lower.

## Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the first quarter of 2015 and for the seven preceding quarters are summarized below. As part of the share consolidation completed in April 2014, the calculation of basic and diluted Net income (loss) per share has been restated to reflect this share consolidation.

| Quarter Ended | Accounting Policies | Total Revenue | Net Income (Loss) | Net Income (Loss) per share & per share diluted |
|---|---|---|---|---|
| March 31, 2015 | IFRS | $ 1,123 | $ (414,099) | $ (0.01) |
| December 31, 2014 | IFRS | $ (44) | $ (955,087) | $ (0.02) |
| September 30,2014 | IFRS | $ 8,376 | $ (3,510,937) | $ (0.05) |
| June 30,2014 | IFRS | $ 0 | $ (296,603) | $ (0.00) |
| March 31,2014 | IFRS | $ 0 | $ (502,100) | $ (0.01) |
| December 31, 2013 | IFRS | $ 169,273 | $ (782,394) | $ (0.01) |
| September 30, 2013 | IFRS | $ 473,668 | $ (363,744) | $ (0.01) |
| June 30,2013 | IFRS | $ 523,856 | $ (357,663) | $ (0.01) |

The results for the Quarter ended March 31, 2015 are discussed under Review of Financial Results on pages 7 to 9 of the MD&A. Revenues are primarily from the sales of concentrates. There were no shipments of concentrate during the first quarter of 2015 when revenues consisted of jewellery sales. The net loss for the quarters ended September 30, 2014 and December 31, 2015 includes asset impairment losses of $ 2,921,884 and $ 248,318 respectively. Low metal production together with weakening gold prices during the second, third and fourth quarters of 2013 resulted in significant losses for those quarters.

## Liquidity and Financial Position

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

Galantas reported a working capital deficit of $ 3,677,040 at March 31, 2015 which compared with a deficit of $ 3,731,696 at December 31, 2014. The Company had cash balances of $ 380,764 at March 31, 2015 compared with cash balances of $ 20,259 at December 31, 2014. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to $ 89,261 at March 31, 2015 compared to $ 102,213 at December 31, 2014. Inventory at March 31, 2015 amounted to $ 115,829 compared with an inventory of $ 111,137 at December 31, 2014. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business.

Accounts payable and other liabilities amounted to $ 885,236 at March 31, 2015 compared with $ 869,322 at December 31, 2014. Amounts due to related parties at March 31, 2015 amounted to $ 3,377,658 compared to $ 3,095,983 at the end of 2014. In addition Galantas has a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of $ 573,100 (UK£ 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit.

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

Galantas completed a private placement financing for aggregate gross proceeds of UK£ 316,677 during the first quarter of 2015. Pursuant to the offering, an aggregate of 10,599,999 units were sold at a price of UK£

0.03/ $0.05727 per common share. Commissions of 6% of the gross proceeds totalling $ 36,424 were paid in connection with the placing together with the issue of 636,000 share purchase warrants. Each warrant will entitle the holder to acquire a further common share of the Company at a price of UK£ 0.045 per share for a period three years from the date the subscription was closed. The net proceeds raised by the placing will be used for working capital purposes and to finance the Company's continued commitments in regard to its underground planning application.

Additional advances from G&F Phelps, a related party, during the first quarter of 2015 totalled $ 45,362.

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

The consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the March 31, 2015 consolidated financial statements. The Company's ongoing viability is dependent on obtaining planning consent for the development of an underground mine at Omagh and securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

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

## Off-Balance Sheet Arrangements

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

## Related Party Transactions

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

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

The Company entered into the following transactions with related parties:

Director fees of $ 5,000 were accrued for the three months ended March 31, 2015 ($ 5,000 for the three months ended March 31, 2014).

Remuneration accrued for the President/CEO totalled $ 93,905 (UK£ 50,000) for the three months ended March 31, 2015 ($ 91,280 (UK£ 50,000) for the three months ended March 31, 2014). Remuneration of the CFO totalled $ 17,383 for the three months ended March 31, 2015 ($ 18,518 for the three months ended March 31, 2014).

At March 31, 2015 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of $ 2,482,988 (UK£1,318,354) (December 31, 2014 $ 2,338,872 ( UK £ 1,294,268)) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the three months ended March 31, 2015 amounted to $ 16,610 (UK£ 8,844) (three months ended March 31, 2014 $ 13,592 (UK£ 7,445).

Interest accrued on related party loans is included under due to related parties. As at March 31, 2015, the interest accrued amounted to $ 243,979 (UK£ 129,542) (December 31, 2014 - $ 218,113 (UK£ 120,698)).

As at March 31, 2015 amounts due to directors for fees totalled $ 60,000 (December 31, 2014 $ 55,000) and due to key management, mainly for salaries and benefits accrued at March 31, 2015, amounted to $ 590,691 (UK£ 313,630) (December 31, 2014 - $ 483,998 (UK£ 267,831)) and are included under due to related parties.

During the second quarter of 2014 Galantas completed a private placement financing for aggregate gross proceeds of approximately UK£ 516,500. Pursuant to the offering, an aggregate of 10,330,000 units were sold at a price of UK£ 0.05/$ 0.09375 per common share. Kenglo, a related party, subscribed for 5,000,000 units for a sum of £250,000. As of March 31, 2015 Kenglo hold 13,222,068 shares and 5,000,000 warrants in Galantas representing 15.15% of the Galantas issued share capital, on a diluted basis. These holdings can change at any time at the discretion of the owner.

Also during the second quarter of 2014, and following the share consolidation and completion of the private placement, Roland Phelps (President& Chief Executive) exchanged a loan of UK £718,256 for 14,365,120 new common shares and Leo O'Shaughnessy (Chief Financial Officer) exchanged a loan of UK £16,025 for 320,500 new common shares under a shares for debt exchange as approved by shareholders earlier in 2014 and subsequently by the TSX Venture Exchange.

As of March 31,2015 and subsequent to the share consolidation and share for debt exchange Roland Phelps, Chief Executive Officer and director, owned, directly and indirectly, 21,472,925 common shares or approximately 24.6% of the outstanding common shares. Excluding the Kenglo One Limited shareholdings discussed above, the remaining shares are widely held, which include various small holdings which are owned by the other directors of the Company.

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

## Proposed Transactions

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

## Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reported period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of exploration and evaluation assets incurred on the Omagh underground mine is dependent upon the ability to obtain planning permission and secure sufficient funding for the

development of the underground mine. Drilling has now been suspended, pending the availability of cash for future exploration. The Omagh underground mine and the open pit mine are considered as one Cash generating unit ("CGU") and were tested for impairment at December 31, 2014. No impairment was noted and management is exploring opportunities to secure financing in anticipation of approval of planning permission;

- the estimated life of the ore body based on the estimated recoverable ounces or pounds mined from proven and probable reserves of the mine development costs which impacts the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- Stock-based payments – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments;
- Derivative financial liability – management is required to make a number of estimates when determining the fair value of the derivative financial liability, including the forfeiture rate and expected life of the instruments;
- Functional currency – the functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined its functional currency is the Canadian dollar and each subsidiary to be the UK £ Sterling. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined primary economic environment and
- Decommissioning liabilities has been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual decommissioning costs will ultimately depend on actual future settlement amount for the decommissioning costs which will reflect the market condition at the time the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning provisions may be higher or lower than currently provided for.

## Critical Accounting Judgments

- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual audited consolidated financial statements;

- Going concern assumption – Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

## Accounting Policies including Initial Adoption

The Company applies International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of May 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 set out on Note 4 of 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 - classification and measurement

IFRS 9 – Financial instruments was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses 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.

## Financial Instruments and Related Risks

Property risk
The Company's significant project is the Omagh mine. Unless the Company acquires or develops additional significant projects, the Company will be solely dependent upon the Omagh mine. If no additional projects are acquired by the Company, any adverse development affecting the Omagh mine would have a material effect on the Company's consolidated financial condition and results of operations.

Financial risk
The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk and sales concentration
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, accounts receivable and long-term deposit. Cash and long-term deposit are held with financial institutions and the United Kingdom Crown, respectively, from

which management believes the risk of loss to be minimal. All the revenues from sales are from one customer and the accounts receivable consist mainly of a trade account receivable from one customer, value added tax receivable and sales tax receivable. The Company is exposed to concentration of credit and sales risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. Valued added tax receivable is collectable from the Government of Northern Ireland. Sales tax receivable is collectable from government authorities in Canada.

(ii) Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company manages liquidity risk by monitoring maturities of financial commitments and maintaining adequate cash reserves and available borrowing facilities to meet these commitments as they come due. As at March 31, 2015 the Company had a working capital deficit of $ 3,677,040 (December 31, 2014 - $ 3,731,696). All of the Company's financial liabilities have contractual maturities of less than 30 days other than certain related party loans which are due on demand. The Company is seeking additional capital to meet its current and ongoing commitments. As at March 31, 2015, the Company was cash flow negative. The Company's ongoing viability is dependent on obtaining planning consent for the development of an underground mine at Omagh and securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

Galantas completed a private placement financing during the first quarter of 2015 for aggregate gross proceeds of UK£ 316,677. Pursuant to the offering, an aggregate of 10,599,999 units were sold at a price of UK£ 0.03/ $0.05727 per common share.

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

(a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and significant interest-bearing debt due to related parties. The Company is exposed to interest rate risk on certain related party loans which bear interest at variable rates.
(b) Foreign currency risk
Certain of the Company's expenses are incurred in UK£ which is the currency of Northern Ireland and the United Kingdom while the Company's revenues are received in the currency of United States and are therefore subject to gains and losses due to fluctuations in these currencies against the functional currency.
(c) Commodity price risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to gold to determine the appropriate course of action to be taken by the Company.

**Sensitivity analysis**

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

(i)Certain related party loans are subject to interest rate risk. As at March 31, 2015, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss on an annualized basis would have been approximately $ 25,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans. Similarly, as at December 31, 2014, shareholders' equity would have been

approximately $ 25,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans.
(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and advances, long-term deposit, accounts payable and other liabilities and due to related parties that are denominated in UK£. As at March 31, 2015, had the UK£ weakened/strengthened by 5% against the CAD with all other variables held constant, the Company's other consolidated comprehensive income for the three months ended March 31, 2015 would have been approximately $ 132,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at March 31, 2015, shareholders' equity would have been approximately $ 132,000 lower/higher had the UK£ weakened/strengthened by 5% against the CAD as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments.
(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce production of its mineral resources, which could have a material and adverse effect on the Company's value. Net income would be impacted by changes in average realized gold prices. Sensitivity to a plus or a minus 10% change in average realized gold prices on the inventories would affect net loss/income and shareholders' equity by approximately $ 12,000.

## Capital Management

The Company manages its capital with the following objectives:

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

- to maximize shareholder return.

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

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit which at March 31, 2015 totalled $ 5,413,282 (December 31, 2014 - $ 5,047,117). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on its exploration activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2015. The Company is not subject to any capital requirements imposed by a lending institution.

## Disclosure of Internal Controls

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

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

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

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

## Disclosure of Other MD&A Requirements

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

**General Administrative Expenses for the Quarters ended March 31, 2015 and March 31, 2014 are detailed below:**

| **Expense Account** | **Quarter Ended March 31, 2015 $** | **Quarter Ended March 31, 2014 $** |
|---|---|---|
| Management & administrative wages | 130,619 | 138,033 |
| Other operating expenses | 33,772 | 36,904 |
| Accounting & corporate | 15,396 | 14,627 |
| Legal & audit | 21,810 | 28,942 |
| Stock-based compensation | 0 | 0 |
| Shareholder communication and investor relations | 30,217 | 25,604 |
| Transfer agent | 1,980 | 3,076 |
| Directors fees | 5,000 | 5,000 |
| General office | 1,981 | 2,322 |
| Accretion expenses | 2,966 | 2,883 |
| Loan interest and bank charges | 17,791 | 14,790 |
| **Total** | **$ 261,532** | **$ 272,181** |

General administrative expenses for the quarter ended March 31, 2015 totalled $ 261,532 compared to $ 272,181 for the quarter ended March 31, 2014.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and at the Omagh mine which totalled $ 130,619 for the quarter ended March 31, 2015 compared to $ 138,033 for the first quarter of 2014 reflecting reduced personnel numbers during the current quarter. Other operating expenses, the majority of which are also incurred in UK£ and include amongst others professional fees, insurance costs, health and safety and travel amounted to $ 33,772 for the quarter ended March 31, 2015 compared to $ 36,904 for the corresponding period of 2014 reflecting the reduced activity during the current quarter. Accounting and corporate costs for the quarter amounted to $ 15,396 compared to $ 14,627 for the corresponding quarter of 2014. Legal and audit costs totalled $ 21,810 for the quarter compared to $ 28,942 for the first quarter of 2014. Legal costs for the first quarter amounted to $ 3,000 which compared with $ 14,365 for the first quarter of 2014**.** The higher level of legal fees in the first quarter of 2014 was due to increased legal costs with the Company's affairs in Northern Ireland. Audit fees for the first quarter amounted to $ 18,810 compared to $ 14,577 for the first quarter of 2014. The lower level of audit fees in the first quarter of 2014 was due to an overprovision of audit fees in 2013 which overprovision was corrected in the first quarter of 2014. Stock based compensation costs were $ Nil in both quarters due to all options being fully vested.

Shareholder communication and investor relations costs amounted to $ 30,217 for the first quarter of 2015 compared to $ 25,604 for the corresponding quarter of 2014. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees. The increase in costs in the first quarter of 2015 was mainly due to higher investor relations costs. Transfer agents fees for the first quarter of 2015 amounted to $ 1,980 compared to $ 3,076 incurred in the corresponding period of 2014. The higher level of fees in the first quarter of 2014 arose from costs incurred in connection with a shareholders meeting held in January 2014. Directors' fees for the first quarter of 2015 totalled $ 5,000 compared to $ 5,000 for the first quarter of 2014. General office expenses for the first quarter of 2015 amounted to $ 1,981 compared to $ 2,322 for 2013. Accretion expenses for the first quarter of 2015 amounted to $ 8,000 which compared to $ Nil for the first quarter of 2014. The accretion charge is in connection with the Company's decommissioning liability. Loan interest and bank charges for the first quarter of 2015 amounted to $ 17,791 compared to $ 14,790 for the quarter ended March 31, 2014. The higher level of loan interest in the current quarter reflects the increased level of borrowings in 2015 when compared to the first quarter of 2014.

**Disclosure of Outstanding Share Data**

At May 27, 2015, and following the share consolidation, the shares for debt exchange and the private placement, there were a total of 87,297,154 shares issued, warrants to purchase 10,966,000 common shares with expiry dates from May 2016 to February 2018 and 940,000 stock options with expiry dates from November 2015 to September 2016.

## Trends Affecting the Company's Business

<u>Gold Price in US Dollars and UK Sterling</u>

The Gold concentrate output from the Omagh Mine, which also contains silver and lead credits, is sold in US dollars. Most of the value is accrued from the gold content. The following table is composed from data published by the Bank of England of average monthly gold price in US$ and UK £ (Sterling) per troy ounce. The gold price pushed higher during January 2015 and whilst the price has fallen back, the average for the first quarter of 2015 at US$ 1,219/UK£ 804 was slightly above that of the last quarter of 2014 and compared to US$ 1,294/UK£ 782 for the first quarter of 2014.

| MONTH | Gold Price US $ per oz | Gold Price UK£ per oz | Quarterly Average US$ | Quarterly Average UK£ |
|---|---|---|---|---|
| JANUARY 2014 | 1244.80 | 755.98 | | |
| FEBRUARY 2014 | 1300.98 | 785.45 | | |
| MARCH 2014 | 1336.08 | 803.81 | 1293.95 | 781.74 |
| APRIL 2014 | 1299.00 | 775.79 | | |
| MAY 2014 | 1287.53 | 764.40 | | |
| JUNE 2014 | 1279.10 | 756.69 | 1288.54 | 765.63 |
| JULY 2014 | 1310.97 | 767.94 | | |
| AUGUST 2014 | 1295.99 | 775.7 | | |
| SEPT 2014 | 1238.82 | 759.37 | 1281.92 | 767.67 |
| OCTOBER 2014 | 1222.49 | 760.64 | | |
| NOVEMBER 2014 | 1176.30 | 745.61 | | |
| DECEMBER 2014 | 1201.20 | 767.82 | 1200.00 | 758.03 |
| JANUARY 2015 | 1251.85 | 826.34 | | |
| FEBRUARY 2015 | 1227.19 | 800.78 | | |
| MARCH 2015 | 1178.63 | 785.98 | 1219.22 | 804.37 |
| APRIL 2015 | 1197.91 | 795.34 | | |

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

The US Dollar / UK£ Sterling Currency Exchange Rate

The following table is drawn from Bank of England data that gives the monthly average spot exchange rate of US $ to UK£ Sterling. Sales revenues at the Omagh mine are designated in US Dollars and are converted to UK£, as operating, exploration and capital costs are designated in UK £ (Sterling). Thus a stronger US$/weaker UK£ is to the Company's financial benefit. A trend to a stronger US$ exhibited in the second half of 2014 continued into the first quarter of 2015 when the US$ averaged $ 1.51 compared to $ 1.66 for the first quarter of 2014.

| MONTH | Average US $ :£ | Quarterly Average US$ :£ | Average Can$:£ | Quarterly Average Can$:£ |
|---|---|---|---|---|
| JANUARY 2014 | 1.65 | | 1.80 | |
| FEBRUARY 2014 | 1.66 | | 1.83 | |
| MARCH 2014 | 1.66 | 1.66 | 1.85 | 1.83 |
| APRIL 2014 | 1.67 | | 1.84 | |
| MAY 2014 | 1.68 | | 1.84 | |
| JUNE 2014 | 1.69 | 1.68 | 1.83 | 1.84 |
| JULY 2014 | 1.71 | | 1.83 | |
| AUGUST 2014 | 1.67 | | 1.83 | |
| SEPT 2014 | 1.63 | 1.67 | 1.79 | 1.82 |
| OCTOBER 2014 | 1.61 | | 1.80 | |
| NOVEMBER 2014 | 1.58 | | 1.79 | |
| DECEMBER 2014 | 1.56 | 1.58 | 1.80 | 1.80 |
| JANUARY 2015 | 1.51 | | 1.83 | |
| FEBRUARY 2015 | 1.53 | | 1.92 | |
| MARCH 2015 | 1.50 | 1.51 | 1.89 | 1.88 |
| APRIL 2015 | 1.50 | | 1.85 | |

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

The Canadian Dollar / UK£ Sterling Currency Exchange Rate.

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

In common with the US dollar, the Canadian Dollar slightly weakened against the Sterling in the first half of 2014, a trend which reversed slightly during the second half of 2014. Post year end, the trend towards a weaker Canadian dollar was restored, peaking at an average of $1.92 in February 2015, since when it has marginally strengthened. The Canadian dollar averaged $ 1.88 for the first quarter of 2015 compared to $ 1.83 for the first quarter of 2014.

Financing Trends

Difficulties in the Western credit markets have impacted on all companies entering into banking credit arrangements. However, the Company has entered into early stage discussions with banking lenders and other institutions as to the availability of suitable finance in regard to underground mine development.

The relative weakness of the Canadian and UK equity markets for junior mining companies continues and the malaise in this market sector has restricted financing opportunities.

Political Trends

In Northern Ireland, the widely acknowledged political agreement has consolidated the positive financial effects of peace and stability in the province, but there continues a low level of activity by those not allied to the peace process.

There appears to be a good appreciation of the employment opportunities within the Company's operations. This has been strengthened by continued dialogue with political representatives at local and senior level.

## Risks and Uncertainties

Galantas operates in a sector – mineral production and exploration – which carries inherent risks only some of which are within management's ability to reduce or remove. The main sector risk is always metal price. An investment in the securities of the Company is highly speculative and involves numerous and significant risks. It should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's MD&A for the fiscal year ended December 31, 2014, available on SEDAR at ***www.sedar.com***. There have been no significant changes to such risk factors since the date thereof.