# GALANTAS GOLD CORPORATION

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

**(Unaudited)**
**Three Months Ended March 31, 2014**

## 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, 2014 | As at December 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **$ 59,616** | $ 166,617 |
| Accounts receivable and prepaid expenses (note 5) | **253,918** | 405,124 |
| Inventories (note 6) | **354,302** | 338,865 |
| **Total current assets** | **667,836** | 910,606 |
| **Non-current assets** | | |
| Property, plant and equipment (note 7) | **10,527,989** | 10,100,319 |
| Long-term deposit (note 9) | **488,395** | 467,116 |
| Exploration and evaluation assets (note 8) | **1,967,753** | 1,875,771 |
| Total non-current assets | **12,984,137** | 12,443,206 |
| **Total assets** | **$ 13,651,973** | $ 13,353,812 |
| **EQUITY AND LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and other liabilities (note 10) | **$ 1,123,509** | $ 1,217,360 |
| Due to related parties (note 14) | **4,012,903** | 3,597,550 |
| **Total current liabilities** | **5,136,412** | 4,814,910 |
| **Non-current liabilities** | | |
| Decommissioning liability (note 9) | **555,810** | 528,810 |
| **Total liabilities** | **5,692,222** | 5,343,720 |
| **Capital and reserves** | | |
| Share capital (note 11) | **29,874,693** | 29,874,693 |
| Reserves | **6,705,219** | 6,253,460 |
| Deficit | **(28,620,161)** | (28,118,061) |
| **Total equity** | **7,959,751** | 8,010,092 |
| **Total equity and liabilities** | **$ 13,651,973** | $ 13,353,812 |

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

Going concern (note 1)
Contingent liability (note 16)
Events after the reporting period (note 18)

**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, 2014 | 2013 |
|---|---|---|
| **Revenues** | | |
| Gold sales | $ - | $ 364,676 |
| **Cost and expenses of operations** | | |
| Cost of sales (note 13) | 77,234 | 397,588 |
| Depreciation | 65,092 | 124,606 |
| | 142,326 | 522,194 |
| **Loss before the undernoted** | (142,326) | (157,518) |
| **General administrative expenses** | | |
| Management and administration wages (note 14) | 138,033 | 125,648 |
| Other operating expenses | 36,904 | 70,378 |
| Accounting and corporate | 14,627 | 10,730 |
| Legal and audit | 28,942 | 26,913 |
| Stock-based compensation (note 11(d)) | - | 13,090 |
| Shareholder communication and investor relations | 25,604 | 29,750 |
| Transfer agent | 3,076 | 2,017 |
| Director fees (note 14) | 5,000 | 5,000 |
| General office | 2,322 | 2,113 |
| Accretion expenses (note 9) | 2,883 | - |
| Loan interest and bank charges | 14,790 | 11,420 |
| | 272,181 | 297,059 |
| **Other expenses** | | |
| Gain on disposal of property, plant and equipment | (548) | - |
| Foreign exchange loss (gain) | 88,141 | (14,023) |
| | 87,593 | (14,023) |
| **Net loss for the period** | $ (502,100) | $ (440,554) |
| **Basic and diluted net loss per share (note 12)** | $ (0.01) | $ (0.01) |
| **Weighted average number of common shares outstanding - basic and diluted** | 51,242,016 | 51,242,016 |

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 Comprehensive Loss**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Three Months Ended March 31, 2014 | Three Months Ended March 31, 2013 |
|---|---|---|
| **Net loss for the period** | **$ (502,100)** | $ (440,554) |
| **Other comprehensive income (loss)** | | |
| **Items that will be reclassified subsequently to profit or loss** | | |
| Foreign currency translation differences | **451,759** | (430,811) |
| **Total comprehensive loss** | **$ (50,341)** | $ (871,365) |

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, 2014 | Three Months Ended March 31, 2013 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the period | **$ (502,100)** | $ (440,554) |
| Adjustment for: | | |
| Depreciation | **65,092** | 124,606 |
| Stock-based compensation (note 11(d)) | **-** | 13,090 |
| Foreign exchange | **(84,860)** | 62,951 |
| Gain on disposal of property, plant and equipment | **(548)** | - |
| Accretion expenses (note 9) | **2,883** | - |
| Non-cash working capital items: | | |
| Accounts receivable and prepaid expenses | **151,206** | 248,001 |
| Inventories | **(15,437)** | (26,851) |
| Accounts payable and other liabilities | **(93,851)** | (66,478) |
| Due to related parties | **287,561** | - |
| **Net cash used in operating activities** | **(190,054)** | (85,235) |
| **Investing activities** | | |
| Purchase of property, plant and equipment | **(33,727)** | (48,566) |
| Proceeds from sale of property, plant and equipment | **917** | - |
| Exploration and evaluation assets | **(9,381)** | (215,291) |
| **Net cash used in investing activities** | **(42,191)** | (263,857) |
| **Financing activities** | | |
| Repayment of related party loan | **-** | (32,278) |
| Advances from related parties | **127,792** | - |
| **Net cash provided by (used in) financing activities** | **127,792** | (32,278) |
| **Net change in cash** | **(104,453)** | (381,370) |
| Effect of exchange rate changes on cash held in foreign currencies | **(2,548)** | 40,163 |
| **Cash, beginning of period** | **166,617** | 1,164,868 |
| **Cash, end of period** | **$ 59,616** | $ 823,661 |

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

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

| | Share capital | Reserves: Equity settled share-based payments reserve | Reserves: Warrant reserve | Reserves: Foreign currency translation reserve | Deficit | Total |
|---|---|---|---|---|---|---|
| **Balance, December 31, 2012** | **$ 29,874,693** | **$ 4,477,699** | **$ 957,450** | **$ 5,047** | **$ (26,173,706)** | **$ 9,141,183** |
| Stock-based compensation (note 11(d)) | - | 13,090 | - | - | - | 13,090 |
| Net loss and other comprehensive loss for the period | - | - | - | (430,811) | (440,554) | (871,365) |
| **Balance, March 31, 2013** | **$ 29,874,693** | **$ 4,490,789** | **$ 957,450** | **$ (425,764)** | **$ (26,614,260)** | **$ 8,282,908** |
| | | | | | | |
| **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** |

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 Omagh Minerals Limited (“Omagh”) which is engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland. Omagh 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, 2014, the Company had a deficit of $28,620,161 (December 31, 2013 - $28,118,061). Management is confident that it will be able to secure the required financing to enable the Company to continue as a going concern (see note 18(ii)). However, this is subject to a number of factors including market conditions.

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

## 2. Incorporation and Nature of Operations

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

The Company entered into an agreement on April 17, 2000, approved by shareholders on June 26, 2000, whereby Cavanacaw, a private Ontario corporation, acquired Omagh. Cavanacaw has established an open pit mine to extract the Company's gold deposit near Omagh. Cavanacaw also has developed a premium jewellery business founded on the gold produced under the name Galántas Irish Gold Limited ("Galántas").

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

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

## 2. Incorporation and Nature of Operations (Continued)

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 ["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 22, 2014 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, 2013. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2014 could result in restatement of these unaudited condensed interim consolidated financial statements.

## 4. Significant Accounting Policies

*Change in accounting policies*

IAS 32 - Financial Instruments, Presentation ("IAS 32") was effective for annual periods beginning on or after January 1, 2014. IAS 32 was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. At January 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's 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. 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)**

## 5. Accounts Receivable and Prepaid Expenses

| | As at March 31, 2014 | As at December 31, 2013 |
|---|---|---|
| Sales tax receivable - Canada | **$ 8,013** | $ 21,866 |
| Valued added tax receivable - Northern Ireland | **8,458** | 10,752 |
| Accounts receivable | **78,648** | 202,205 |
| Prepaid expenses | **158,799** | 170,301 |
| | **$ 253,918** | $ 405,124 |

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

The following is an aged analysis of accounts receivable:

| | As at March 31, 2014 | As at December 31, 2013 |
|---|---|---|
| Less than 3 months | **$ 16,471** | $ 138,839 |
| 3 to 12 months | **41,934** | 59,177 |
| More than 12 months | **36,714** | 36,807 |
| Total accounts receivable | **$ 95,119** | $ 234,823 |

## 6. Inventories

| | As at March 31, 2014 | As at December 31, 2013 |
|---|---|---|
| Concentrate inventories | **$ 11,980** | $ 11,458 |
| Finished goods | **342,322** | 327,407 |
| | **$ 354,302** | $ 338,865 |

Refer to note 13 for inventory movement.

**(Expressed in Canadian Dollars)**

## 7. Property, Plant and Equipment

| Cost | Freehold land | Buildings | Plant and machinery | Motor vehicles | Office equipment | Moulds | Mine development costs | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2012 | $ 2,315,212 | $ 391,563 | $ 5,996,937 | $ 84,171 | $ 105,396 | $ 58,844 | $ 12,422,216 | **$ 21,374,339** |
| Additions | - | - | - | - | - | - | 343,588 | **343,588** |
| Disposals | - | - | (1,369,832) | (11,986) | - | - | - | **(1,381,818)** |
| Foreign exchange adjustment | 207,365 | 35,069 | 534,617 | 7,538 | 9,449 | 5,271 | 1,112,726 | **1,912,035** |
| Balance, December 31, 2013 | 2,522,577 | 426,632 | 5,161,722 | 79,723 | 114,845 | 64,115 | 13,878,530 | **22,248,144** |
| Additions | - | - | - | - | - | - | 33,727 | **33,727** |
| Disposals | - | - | (3,686) | - | - | - | - | **(3,686)** |
| Foreign exchange adjustment | 114,916 | 19,437 | 233,868 | 3,632 | 5,232 | 2,920 | 632,238 | **1,012,243** |
| Balance, March 31, 2014 | $ 2,637,493 | $ 446,069 | $ 5,391,904 | $ 83,355 | $ 120,077 | $ 67,035 | $ 14,544,495 | **$ 23,290,428** |

| Accumulated depreciation | Freehold land | Buildings | Plant and machinery | Motor vehicles | Office equipment | Moulds | Mine development costs | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2012 | $ 911,702 | $ 328,444 | $ 3,987,043 | $ 54,149 | $ 45,164 | $ 58,844 | $ 5,962,024 | **$ 11,347,370** |
| Depreciation | - | 12,573 | 400,922 | 7,475 | 8,993 | - | 70,793 | **500,756** |
| Disposals | - | - | (750,631) | (10,143) | - | - | - | **(760,774)** |
| Foreign exchange adjustment | 81,657 | 30,599 | 391,847 | 5,553 | 4,897 | 5,271 | 540,649 | **1,060,473** |
| Balance, December 31, 2013 | 993,359 | 371,616 | 4,029,181 | 57,034 | 59,054 | 64,115 | 6,573,466 | **12,147,825** |
| Depreciation | - | 2,850 | 58,605 | 1,470 | 2,167 | - | - | **65,092** |
| Disposals | - | - | (3,317) | - | - | - | - | **(3,317)** |
| Foreign exchange adjustment | 45,251 | 16,958 | 182,932 | 2,612 | 2,711 | 2,920 | 299,455 | **552,839** |
| Balance, March 31, 2014 | $ 1,038,610 | $ 391,424 | $ 4,267,401 | $ 61,116 | $ 63,932 | $ 67,035 | $ 6,872,921 | **$ 12,762,439** |

| Carrying value | Freehold land | Buildings | Plant and machinery | Motor vehicles | Office equipment | Moulds | Mine development costs | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2013 | $ 1,529,218 | $ 55,016 | $ 1,132,541 | $ 22,689 | $ 55,791 | $ - | $ 7,305,064 | **$ 10,100,319** |
| Balance, March 31, 2014 | $ 1,598,883 | $ 54,645 | $ 1,124,503 | $ 22,239 | $ 56,145 | $ - | $ 7,671,574 | **$ 10,527,989** |

**(Expressed in Canadian Dollars)**

## 8. 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, 2012 | $ 1,399,254 |
| Additions | 357,061 |
| Foreign exchange adjustment | 119,456 |
| Balance, December 31, 2013 | 1,875,771 |
| Additions | 9,464 |
| Foreign exchange adjustment | 82,518 |
| Balance, March 31, 2014 | $ 1,967,753 |

| **Carrying value** | **Exploration and evaluation assets** |
|---|---|
| Balance, December 31, 2013 | $ 1,875,771 |
| Balance, March 31, 2014 | $ 1,967,753 |

## 9. Decommissioning Liability

The Company's decommissioning liability is as a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at March 31, 2014 based on a risk-free discount rate of 1% (December 31, 2013 - 1%) and an inflation rate of 1.50% (December 31, 2013 - 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, 2014, the estimated fair value of the liability is $555,810 (December 31, 2013 - $528,810). Changes in the provision during the period ended March 31, 2014 are as follows:

| | **As at March 31, 2014** | **As at December 31, 2013** |
|---|---|---|
| Decommissioning liability, beginning of period | **$ 528,810** | $ 404,450 |
| Revision due to change in estimate | **-** | 109,680 |
| Accretion | **2,883** | 14,680 |
| Foreign exchange | **24,117** | - |
| Decommissioning liability, end of period | **$ 555,810** | $ 528,810 |

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 301,579 (December 31, 2013 - GBP 300,000), of which GBP 265,000 was funded as of March 31, 2014 and reported as long-term deposit of $488,395 (December 31, 2013 - $467,116).

**(Expressed in Canadian Dollars)**

### 10. 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, 2014 | As at December 31, 2013 |
|---|---|---|
| Accounts payable | **$ 476,339** | $ 545,557 |
| Accrued liabilities | **647,170** | 671,803 |
| Total accounts payable and other liabilities | **$ 1,123,509** | $ 1,217,360 |

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

| | As at March 31, 2014 | As at December 31, 2013 |
|---|---|---|
| Less than 3 months | **$ 375,841** | $ 376,400 |
| 3 to 12 months | **345,904** | 361,376 |
| 12 to 24 months | **85,119** | 122,183 |
| More than 24 months | **316,645** | 357,401 |
| Total accounts payable and other liabilities | **$ 1,123,509** | $ 1,217,360 |

### 11. Share Capital and Reserves

As part of the share consolidation completed on April 14, 2014 (see note 18(i)), 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, 2014, 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)**

## 11. Share Capital and Reserves (Continued)

### b) Common shares issued

At March 31, 2014, the issued share capital amounted to $29,874,693. The change in issued share capital for the periods presented is as follows:

| | Number of common shares | Amount |
|---|---|---|
| **Balance, December 31, 2012 and March 31, 2013** | **51,242,016** | **$ 29,874,693** |
| **Balance, December 31, 2013 and March 31, 2014** | **51,242,016** | **$ 29,874,693** |

### 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, 2012 and March 31, 2013** | **4,910,000** | **$ 0.50** |
| **Balance, December 31, 2013 and March 31, 2014** | **-** | **$ -** |

As at March 31, 2014, there were no warrants outstanding.

### d) Stock options

The Company has a stock option plan (the "Plan"), the purpose of which is to attract, retain and compensate qualified persons as directors, senior officers and employees of, and consultants to the Company and its affiliates and subsidiaries by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Company. The number of shares reserved for issuance under the Plan cannot be more than a maximum of 10% of the issued and outstanding shares at the time of any grant of options. The period for exercising an option shall not extend beyond a period of five years following the date the option is granted.

Insiders of the Company are restricted on an individual basis from holding options which when exercised would entitle them to receive more than 5% of the total issued and outstanding shares at the time the option is granted. The exercise price of options granted in accordance with the Plan must not be lower than the closing price of the shares on the Exchange immediately preceding the date on which the option is granted and in no circumstances may it be less than the permissible discounting in accordance with the Corporate Finance Policies of the Exchange.

**(Expressed in Canadian Dollars)**

## 11. Share Capital and Reserves (Continued)

### d) Stock options (continued)

The Company records a charge to the consolidated statements of comprehensive loss using the Black-Scholes option pricing model. The valuation is dependent on a number of inputs and estimates, including the strike price, exercise price, risk-free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to the historic traded daily closing share price at the date of issue.

Option pricing models require the inputs including the expected price volatility. Changes in the inputs can materially affect the fair value estimate.

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

| | Number of options | Weighted average exercise price |
|---|---|---|
| **Balance, December 31, 2012 and March 31, 2013** | **1,990,000** | **$ 0.50** |
| **Balance, December 31, 2013 and March 31, 2014** | **940,000** | **$ 0.50** |

Stock-based compensation includes $nil (three months ended March 31, 2013 - $13,090) relating to stock options granted in previous years that vested during the periods.

The following table reflects the actual stock options issued and outstanding as of March 31, 2014:

| 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 | 1.65 | 200,000 | 200,000 | - |
| January 28, 2016 | 0.50 | 1.83 | 50,000 | 50,000 | - |
| September 6, 2016 | 0.50 | 2.44 | 690,000 | 690,000 | - |
| | 0.50 | 2.24 | 940,000 | 940,000 | - |

## 12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2014 was based on the loss attributable to common shareholders of $502,100 (three months ended March 31, 2013 - $440,554) and the weighted average number of common shares outstanding of 51,242,016 (three months ended March 31, 2013 - 51,242,016) 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, 2014 and 2013, as they are anti-dilutive.

**(Expressed in Canadian Dollars)**

## 13. Cost of Sales

| | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| Production wages | **$ 40,463** | $ 151,586 |
| Oil and fuel | **11,558** | 173,845 |
| Repairs and servicing | **6,324** | 45,675 |
| Equipment hire | **319** | 15,032 |
| Consumable | **-** | 32,098 |
| Royalties | **8,978** | 8,509 |
| Carriage | **-** | 6,058 |
| Other costs | **9,592** | (8,364) |
| **Production costs** | **77,234** | 424,439 |
| **Inventory movement** | **-** | (26,851) |
| **Cost of sales** | **$ 77,234** | $ 397,588 |

## 14. Related Party Disclosures

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

Related party transactions conducted in the normal course of operations are measured at the fair value (the amount established and agreed to by the related parties) 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:

| | Notes | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|---|
| Interest on related party loans | (i) | **$ 13,592** | $ 9,788 |

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of $2,237,896 (GBP 1,214,268) (December 31, 2013 - $2,017,000 - GBP 1,144,268) 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, 2014, the amount of interest accrued is $180,113 (GBP 97,728) (December 31, 2013 - $159,144 - GBP 90,284). See note 18(ii).

**(Expressed in Canadian Dollars)**

### 14. Related Party Disclosures (Continued)

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

| | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| Salaries and benefits [(1)] | **$ 114,798** | $ 99,505 |
| Stock-based compensation | **-** | 7,705 |
| | **$ 114,798** | $ 107,210 |

[(1)] Salaries and benefits include director fees. As at March 31, 2014, due to directors for fees amounted to $32,750 (December 31, 2013 - $27,750) and due to key management, mainly for salaries and benefits accrued amounted to $1,562,144 (GBP 847,609) (December 31, 2013 - $1,393,656 - GBP 790,637), and is included with due to related parties. See note 18(ii).

(c) As of March 31, 2014, Kenglo One Limited ("Kenglo") owns 13,222,068 common shares of the Company or approximately 25.8% of the outstanding common shares of the Company. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 7,107,796 common shares of the Company or approximately 13.9% of the outstanding common shares of the Company. The remaining 60.3% of the shares are widely held, which includes various small holdings which are owned by directors of the Company. These holdings can change at anytime at the discretion of the owner.

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

### 15. Segment Disclosure

The Company has determined that it has two 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 follow:

| March 31, 2014 | United Kingdom | Canada | Total |
|---|---|---|---|
| Current assets | $ 637,267 | $ 30,569 | **$ 667,836** |
| Non-current assets | 12,923,434 | 60,703 | **12,984,137** |
| Revenues | $ - | $ - | **$ -** |

### 16. Contingent Liability

During the year ended December 31, 2010, the Company's subsidiary Omagh received a payment demand from Her Majesty's Revenue and Customs in the amount of $560,806 (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. No provision has been made for the claim in the unaudited condensed interim consolidated financial statements.

## 17. Comparative Figures

Certain of the prior period's numbers have been reclassified and item descriptions changed to conform to the current period's presentation.

## 18. Events After the Reporting Period

(i) On April 8, 2014, the Company announced that the Board is seeking regulatory approval of documents relating to the consolidation of the Company's issued and outstanding share capital, exchange of shares for debt and the private placement of shares .

The TSX Venture Exchange has approved the consolidation and effective at opening on the TSX Venture Exchange and AIM on April 14, 2014, the existing issued share capital was cancelled and replaced by the new common shares in consolidated form on the basis of one (1) post-consolidated common shares for five (5) pre-consolidated common shares.

(ii) On May 8, 2014, the Company announced the completion of the private placement of 10,330,000 units at GBP 0.05 per unit for gross proceeds of GBP 516,500. Each unit is comprised of 1 new ordinary share and 1 warrant (the "Placement"). Each warrant will entitle the holder to purchase 1 further new ordinary share at GBP 0.10 per share for a period of two years from the date on which the subscription is closed. The new ordinary shares issued pursuant to the Placement are subject to a four month hold period. Commissions of $8,156 were paid in connection with the Placement. Final documentation in respect of the Placement has been submitted to the TSX Venture Exchange.

Kenglo has subscribed for 5,000,000 units for a sum of £250,000. Post the closing of the transaction and the share for debt exchange detailed below, the Company is advised that Kenglo will hold 13,222,068 shares and 5,000,000 warrants in Galantas representing 20.9% of the enlarged Galantas issued share capital, on a diluted basis. As a result, Kenglo is deemed to be a related party of Galantas by virtue of being a Substantial Shareholder in the Company (as defined in the AIM Rules for Companies). As a consequence, the directors consider, having consulted with their nominated adviser, Charles Stanley Securities, that the terms of the subscription by Kenglo, are fair and reasonable insofar as shareholders are of concerned.

An application for a shares for debt exchange (the "Debt Exchange"), as approved by shareholders on January 16, 2014, is being made to the TSX Venture Exchange. As announced previously, Roland Phelps (President & CEO) has agreed to exchange a loan of GBP 716,256 for 14,365,120 new ordinary shares. Leo O'Shaughnessy (Chief Financial Officer) has agreed to exchange a loan of €16,025 for 320,500 new ordinary shares. Amounts due to certain other third party creditors have also agreed to settlement of amounts owed totalling GBP 21,976, through the issue of 439,520 new ordinary shares. Following the Debt Exchange and the Placement, Mr. Phelps and Mr. O'Shaughnessy will hold 24.7% and 0.4% of the Galantas enlarged issued share capital respectively. No warrants will be attached to the new ordinary shares issued in relation to any of the Debt Exchange. This Debt Exchange remains subject to the final approval of the TSX Venture Exchange.

Subject to TSX Venture Exchange approval of the transactions, application has been made for the 10,330,000 common shares, subject to the Placement, and 15,125,140 common shares, subject to the Debt Exchange, to trading on AIM and admission is expected during May 2014.