



GALANTAS GOLD CORPORATION

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

Years Ended December 31, 2021 and 2020



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Galantas Gold Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Galantas Gold Corporation (the Company), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$5,409,261 during the year ended December 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 29, 2022

Galantas Gold Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31,	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,069,751	\$ 612,094
Accounts receivable and prepaid expenses (note 8)	1,279,935	594,960
Inventories (note 9)	108,788	81,169
Total current assets	2,458,474	1,288,223
Non-current assets		
Property, plant and equipment (note 10)	25,688,836	21,158,103
Long-term deposit (note 12)	513,960	521,430
Exploration and evaluation assets (note 11)	1,574,183	750,741
Total non-current assets	27,776,979	22,430,274
Total assets	\$ 30,235,453	\$ 23,718,497
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (notes 13 and 23)	\$ 3,013,999	\$ 1,350,142
Current portion of financing facilities (note 14)	-	2,186,272
Due to related parties (note 21)	124,317	5,461,893
Leases (note 16)	416,040	-
Total current liabilities	3,554,356	8,998,307
Non-current liabilities		
Non-current portion of financing facilities (note 14)	4,247,488	-
Due to related parties (note 21)	2,444,376	-
Decommissioning liability (note 12)	600,525	598,275
Total non-current liabilities	7,292,389	598,275
Total liabilities	10,846,745	9,596,582
Equity		
Share capital (note 17(a)(b))	57,783,570	52,933,594
Reserves	15,435,369	9,734,121
Deficit	(53,830,231)	(48,545,800)
Total equity	19,388,708	14,121,915
Total equity and liabilities	\$ 30,235,453	\$ 23,718,497

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

Going concern (note 1)
Incorporation and nature of operations (note 2)
Contingency (note 23)
Events after the reporting period (note 24)

Galantas Gold Corporation

Consolidated Statements of Loss

(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2021	2020
Revenues		
Sales of concentrate (note 19)	\$ -	\$ -
Cost and expenses of operations		
Cost of sales	255,901	127,868
Depreciation (note 10)	547,991	355,196
	803,892	483,064
Loss before general administrative and other expenses	(803,892)	(483,064)
General administrative expenses		
Management and administration wages (note 21)	454,594	565,440
Other operating expenses	200,507	246,587
Accounting and corporate	155,615	63,364
Legal and audit	123,005	118,068
Stock-based compensation (note 17(d))	2,035,878	9,802
Shareholder communication and investor relations	419,590	198,513
Transfer agent	20,165	67,590
Director fees (note 21)	99,417	35,000
General office	31,026	13,666
Accretion expenses (notes 12, 14 and 15)	382,178	711,871
Loan interest and bank charges less deposit interest (notes 14, 15 and 21)	410,890	575,376
	4,332,865	2,605,277
Other expenses		
Foreign exchange loss	154,798	92,621
Gain on disposal of property, plant and equipment	(7,124)	-
Impairment of exploration and evaluation assets (note 11)	-	47,490
	147,674	140,111
Net loss for the year	\$ (5,284,431)	\$ (3,228,452)
Basic and diluted net loss per share (note 18)	\$ (0.08)	\$ (0.09)
Weighted average number of common shares outstanding		
- basic and diluted	64,122,021	34,034,582

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

Galantas Gold Corporation

Consolidated Statements of Comprehensive Loss (Expressed in Canadian Dollars)

	Year Ended December 31,	
	2021	2020
Net loss for the year	\$ (5,284,431)	\$ (3,228,452)
Other comprehensive (loss) income		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(124,830)	215,985
Total comprehensive loss	\$ (5,409,261)	\$ (3,012,467)

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

Galantas Gold Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Year Ended
December 31,
2021 2020

Operating activities

Net loss for the year	\$ (5,284,431)	\$ (3,228,452)
Adjustment for:		
Depreciation (note 10)	547,991	355,196
Stock-based compensation (note 17(d))	2,035,878	9,802
Accrued interest (notes 14 and 21)	321,824	321,630
Foreign exchange loss	91,973	282,374
Accretion expenses (notes 12, 14 and 15)	345,808	711,871
Impairment of exploration and evaluation assets (note 11)	-	47,490
Gain on disposal of property, plant and equipment	(7,124)	-
Non-cash working capital items:		
Accounts receivable and prepaid expenses	(701,573)	(171,310)
Inventories	(29,200)	(9,874)
Accounts payable and other liabilities	918,974	(795,025)
Due to related parties	37,256	367,480
Net cash and cash equivalents used in operating activities	(1,722,624)	(2,108,818)

Investing activities

Net (purchase) receipts of property, plant and equipment	(4,426,696)	146,863
Proceeds from sale of property, plant and equipment	8,562	-
Exploration and evaluation assets	(834,193)	(129,031)
Lease payments (note 16)	(260,743)	-
Net cash and cash equivalents used in investing activities	(5,513,070)	17,832

Financing activities

Proceeds of private placements (note 17(b)(i)(ii))	7,998,980	637,454
Share issue costs	(775,137)	(67,428)
Proceeds from exercise of warrants	495,333	-
Proceeds from financing facilities (note 14)	-	262,460
Repayment of financing facilities (note 14)	(23,802)	(49,705)
Net cash and cash equivalents provided by financing activities	7,695,374	782,781

Net change in cash and cash equivalents	459,680	(1,308,205)
Effect of exchange rate changes on cash held in foreign currencies	(2,023)	6,879
Cash and cash equivalents, beginning of year	612,094	1,913,420
Cash and cash equivalents, end of year	\$ 1,069,751	\$ 612,094

Cash	\$ 1,069,751	\$ 612,094
Cash equivalents	-	-
Cash and cash equivalents	\$ 1,069,751	\$ 612,094

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

Galantás Gold Corporation
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Reserves						Total
	Share capital	Warrants reserve	Equity settled share-based payments reserve	Foreign currency translation reserve	Equity component of convertible debenture	Deficit	
Balance, December 31, 2019	\$ 50,123,910	\$ 786,000	\$ 7,585,580	\$ 796,754	\$ 248,078	\$ (45,317,348)	\$ 14,222,974
Shares issued in private placement (note 17(b)(i))	637,454	-	-	-	-	-	637,454
Warrants issued (note 14(i))	-	340,000	-	-	-	-	340,000
Share issue costs	(67,428)	-	-	-	-	-	(67,428)
Convertible debenture converted (note 15)	2,239,658	-	-	-	(248,078)	-	1,991,580
Stock-based compensation (note 17(d))	-	-	9,802	-	-	-	9,802
Expiry of warrants	-	(786,000)	786,000	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	215,985	-	-	215,985
Net loss for the year	-	-	-	-	-	(3,228,452)	(3,228,452)
Balance, December 31, 2020	52,933,594	340,000	8,381,382	1,012,739	-	(48,545,800)	14,121,915
Shares issued in private placement (note 17(b)(ii))	7,998,980	-	-	-	-	-	7,998,980
Warrants issued (note 17(b)(ii))	(3,258,578)	3,258,578	-	-	-	-	-
Warrants issued (note 14(ii))	-	670,000	-	-	-	-	670,000
Share issue costs	(783,920)	8,783	-	-	-	-	(775,137)
Warrant extension (note 14(ii))	-	251,000	-	-	-	-	251,000
Stock-based compensation (note 17(d))	-	-	2,035,878	-	-	-	2,035,878
Exercise of warrants	893,494	(398,161)	-	-	-	-	495,333
Exchange differences on translating foreign operations	-	-	-	(124,830)	-	-	(124,830)
Net loss for the year	-	-	-	-	-	(5,284,431)	(5,284,431)
Balance, December 31, 2021	\$ 57,783,570	\$ 4,130,200	\$ 10,417,260	\$ 887,909	\$ -	\$ (53,830,231)	\$ 19,388,708

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



Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

1. Going Concern

These 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 uncertainties related to events or conditions that may cast doubt on the Company's ability to continue as a going concern. The Company's future viability depends on the consolidated results of the Company's wholly-owned subsidiary Cavanacaw Corporation ("Cavanacaw"). Cavanacaw has a 100% shareholding in both Flintridge Resources Limited ("Flintridge") who are engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland and Omagh Minerals Limited ("Omagh") who are engaged in the exploration of gold properties, mainly in the Republic of Ireland. The Omagh mine has an open pit mine, which was in production until 2013 when production was suspended and is reported as property, plant and equipment and as an underground mine which having established technical feasibility and commercial viability in December 2018 has resulted in associated exploration and evaluation assets being reclassified as an intangible development asset and reported as property, plant and equipment.

The going concern assumption is dependent upon forecast cash flows being met and further financing currently being negotiated. Management's assumptions in relation to future levels of production, gold prices and mine operating and capital costs are crucial to forecast cash flows being achieved. Should production be significantly delayed, revenues fall short of expectations or operating costs and capital costs increase significantly, there may be insufficient cash flows to sustain day to day operations without seeking further finance.

Negotiations with current finance providers to extend short-term loans have progressed positively and the maturity dates for both the G&F Phelps Ltd. ("G&F Phelps") and Ocean Partners UK Ltd. ("Ocean Partners") loans have now been extended to December 31, 2023 (see notes 14 and 21). The Company also raised gross proceeds of \$8M through the issuance of shares to new and current investors to meet the financial requirements of the Company for the foreseeable future. Based on the financial projections prepared, the directors believe it's appropriate to prepare the consolidated financial statements on the going concern basis.

As at December 31, 2021, the Company had a deficit of \$53,830,231 (December 31, 2020 - \$48,545,800). Comprehensive loss for the year ended December 31, 2021 was \$5,409,261 (year ended December 31, 2020 - \$3,012,467). These conditions raise material uncertainties which may cast significant doubt as to whether the Company will be able to continue as a going concern. However, management is confident that it will continue as a going concern. However, this is subject to a number of factors including market conditions.

These 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.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Incorporation and Nature of Operations (Continued)

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, Northern Ireland. Cavanacaw also has developed a premium jewellery business founded on the gold produced under the name Galántas Irish Gold Limited ("Galántas"). As at July 1, 2007, the Company's Omagh mine began production and in 2013 production was suspended. On April 1, 2014, Galántas amalgamated its jewelry business with Omagh.

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

On April 17, 2020, the Company completed a share consolidation of its share capital on the basis of ten existing common shares for one new common share consolidation.

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

The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and London Stock Exchange AIM under the symbol GAL. On September 1, 2021, the Company's common shares started trading under the symbol GALKF on the OTCQX in the United States. The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

3. Basis of Preparation

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The Board of Directors approved the consolidated financial statements on April 27, 2022.

(b) *Basis of presentation*

These consolidated financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the year. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 3(e).

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. Basis of Preparation (Continued)

(c) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. An investor controls an investee if the investor has the power over the investee, has the exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The following wholly owned companies have been consolidated within the consolidated financial statements:

Company	Registered	Principal activity
Galantas Gold Corporation	Ontario, Canada	Parent company
Cavanacaw Corporation ⁽¹⁾	Ontario, Canada	Holding company
Omagh Minerals Limited ⁽²⁾⁽³⁾	Northern Ireland	Operating company
Galántas Irish Gold Limited ⁽²⁾⁽⁴⁾	Northern Ireland	Dormant company
Flintridge Resources Limited ⁽²⁾⁽⁵⁾	United Kingdom	Operating company

⁽¹⁾ 100% owned by Galantas Gold Corporation;

⁽²⁾ 100% owned by Cavanacaw Corporation;

⁽³⁾ Referred to as Omagh (as defined herein);

⁽⁴⁾ Referred to as Galántas (as defined herein); and

⁽⁵⁾ Referred to as Flintridge (as defined herein).

(d) *Functional and presentation currency*

The consolidated financial statements are presented in Canadian Dollars ("CAD"), which is the parent Company's presentation and functional currency.

Items included in the financial statements of each of the Company's operating subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the operating subsidiaries is the U.K. Pound Sterling ("GBP"). The functional currency of the subsidiary Cavanacaw, the holding company, is the CAD.

Assets and liabilities of entities with functional currencies other than CAD are translated at the year-end closing rate of exchange, and the results of their operations are translated at average rates of exchange for the period unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the results of their operations are translated at the rate prevailing on the dates of the transactions. The resulting translation adjustments are recognized as a separate component of equity.

	Year Ended December 31,	
	2021	2020
Closing rate (GBP to CAD)	1.7132	1.7381
Average for the year	1.7246	1.7199

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Basis of Preparation (Continued)

(e) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting 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 applied prospectively. 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.

Critical accounting estimates

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 property, plant and equipment in the consolidated statements of financial position. The Omagh underground mine and the open pit mine are considered as one Cash generating unit (“CGU”) and is tested for impairment when potential indicators of impairment are present. The calculations of the recoverable amount of CGU determined using the value-in-use method require the use of methods such as the discounted cash flow method, which uses assumptions to estimate future cash flows. Significant assumptions applied in the discounted cash flow calculation include: discount rate, foreign exchange rate, gold sale price, grade of ore mined, mill throughput and mill recovery rate. No impairment was noted;
- the estimated life of the Omagh underground mine 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 compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including volatility, which is an estimate based on historical price of the Company's share, the forfeiture rate and expected life of the instruments;
- warrants – management is required to make a number of estimates when determining the fair value of the warrants, including volatility and expected life of the instruments;
- convertible debenture is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue is calculated as the discounted cash flows for the convertible debenture assuming a 18% effective interest rate which was the estimated rate for a debenture without a conversion feature. The fair value of the equity component was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components. The transaction costs incurred to obtain the credit facility are pro-rated between equity and debt liability; and

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. Basis of Preparation (Continued)

(e) *Use of estimates and judgments (continued)*

Critical accounting estimates (continued)

- 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 and constructive obligations. 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

- 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. Determination of functional currency may involve certain judgments 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;
- exploration and evaluation assets - the determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors;
- 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 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; and
- Whether there are any indicators that the Company's property, plant and equipment assets and exploration and evaluation assets are impaired. Where an indicator of impairment exists for its non-current assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above.

4. Significant Accounting Policies

(a) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the operations at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognized in the consolidated statements of loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive (loss) income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

(c) Financial instruments

Under IFRS 9 - Financial Instruments ("IFRS 9"), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Below is a summary showing the classification and measurement bases of our financial instruments.

Financial instruments	Classification
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Long-term deposit	Amortized cost
Accounts payable and other liabilities	Amortized cost
Financing facilities	Amortized cost
Due to related parties	Amortized cost
Leases	Amortized cost

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

The Company's cash and cash equivalents is classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's accounts receivable and long-term deposit are classified as financial assets measured at amortized cost.

iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(c) *Financial instruments (continued)*

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and other liabilities, financing facilities, due to related parties and leases do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(c) *Financial instruments (continued)*

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(d) *Impairment of non-financial assets*

When events or circumstances indicate that the carrying value may not be recoverable, the Company reviews the carrying amounts of its non-financial assets to determine whether events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The estimated recoverable amount is determined on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the recoverable amount is estimated at the CGU level.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased up to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(e) *Property, plant and equipment*

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property, plant and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Buildings	20%	Declining balance
Plant and machinery	20%	Declining balance
Motor vehicles	25%	Declining balance
Office equipment	15%	Declining balance
Development assets		No depreciation
Assets under construction		No depreciation

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

(f) *Borrowing Costs*

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

(g) *Exploration and evaluation assets*

These assets relate to the exploration and evaluation expenditures incurred in respect to resource projects that are in the exploration and evaluation stage.

Exploration and evaluation expenditures include costs which are directly attributable to acquisition and evaluation activities, assessing technical feasibility and commercial viability. These expenditures are capitalized using the full cost method until the technical feasibility and commercial viability of extracting the mineral resource of a project are demonstrable. During the exploration period, exploration and evaluation assets are not amortized.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(g) Exploration and evaluation assets (continued)

Exploration and evaluation assets are allocated to CGU for the purpose of assessing such assets for impairment. At the end of each reporting period, the asset is reviewed for impairment indicators in accordance with IFRS 6.20:

- (i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- (iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If such indicators exist, the asset is tested for impairment and the recoverable amount of the asset is estimated. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statements of loss.

Once the technical feasibility and commercial viability of extracting a mineral resource of a project are demonstrable, the relevant exploration and evaluation asset is assessed for impairment, and any impairment loss recognized, prior to the balance being reclassified as a development asset in property, plant and equipment.

The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors. In general, technical feasibility may be demonstrable once a positive feasibility study is completed. When determining the commercial viability of a project, in addition to the receipt of a feasibility study, the Company also considers factors such as the availability of project financing, the existence of markets and/or long term contracts for the product, and the ability of obtaining the relevant operating permits.

All subsequent expenditures to ready the property for production are capitalized within development assets, other than those costs related to the construction of property, plant and equipment.

Once production has commenced, all costs included in development assets are reclassified to mine development costs.

Exploration and evaluation expenditures incurred prior to the Company obtaining mineral rights related to the property being explored are recorded as expense in the period in which they are incurred.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(h) Stripping costs

Till stripping costs involving the removal of overburden are capitalized where the underlying ore will be extracted in future periods. The Company defers these till stripping costs and amortizes them on a unit-of-production basis as the underlying ore is extracted.

(i) Inventories

Inventories are comprised of finished goods, concentrate inventory and work-in-process amounts.

All inventories are recorded at the lower of production costs on a first-in, first-out basis, and net realizable value. Production costs include costs related to mining, crushing, mill processing, as well as depreciation on production assets and certain allocations of mine-site overhead expenses attributable to the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Revenue recognition

Revenue from sales of finished goods is recognized at the time of shipment when significant risks and rewards of ownership are considered to be transferred, the terms are fixed or determinable, collection is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

Revenue from sales of gold concentrate is recognized at the time of shipment when title passes and significant risks and benefits of ownership are considered to be transferred and the amount of revenue to be receivable by the Company is known or could be accurately estimated. The final revenue figure at the end of any given period is subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes.

(k) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(l) *Share-based compensation transactions*

Share-based compensation transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based compensation transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, such as share-based payments to employees, they are measured at fair value of the share-based payment.

Share-based payments to employees of the subsidiaries are recognized as cash settled share-based compensation transactions.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in "equity settled share-based payments reserve".

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options (if any) is reflected as additional dilution in the computation of loss per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(m) Income taxes

Income tax on the consolidated statements of loss for the years presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Convertible debentures

The component parts of convertible debentures (e.g., debt issued with a conversion feature) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without conversion features. This amount is recorded as a liability on the amortized cost basis using the effective interest method until extinguished or at the instrument's maturity date.

The conversion features classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, conversion features and warrants classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the conversion feature remains unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit.

Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(o) Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, when there is a present obligation, as a result of a past event, it is probable to be settled by a future outflow of resources and a reliable estimate can be made of the obligation. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against the consolidated statements of loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits and/or inventories as extraction progresses.

(p) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years. Options and warrants are anti-dilutive and, therefore, have not been taken into account in the per share calculation.

(q) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(q) Leases (continued)

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

The Company elected to not recognize right-of-use assets and lease liabilities that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

5. Capital Risk 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, comprising share capital, reserves and deficit which at December 31, 2021 totaled \$19,388,708 (December 31, 2020 - \$14,121,915). 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 future sales revenues, operating expenditures, and other investing and financing activities. The forecast is updated based on its operating and 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 year ended December 31, 2021. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

6. Financial and Property Risk Management

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 and sales concentration, 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 and cash equivalents, 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 revenue from sales are from one customer and the accounts receivable consist mainly of a trade account receivable from one customers, 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 December 31, 2021, the Company had working capital deficit of \$1,095,882 (December 31, 2020 - working capital deficit of \$7,710,084). 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 and the financing liabilities.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rate risk, foreign exchange rate risk and commodity price risk.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

6. Financial and Property Risk Management (Continued)

(iii) Market risk (continued)

(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, significant interest-bearing debt due to related parties and financing facility. The Company is exposed to interest rate risk on certain related party loans and third party loans which bear interest at variable rates.

(b) Foreign currency risk

Certain of the Company's assets, liabilities are designated in GBP and expenses are incurred in GBP which is the currency of Northern Ireland and the United Kingdom while the Company's primary 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. The loan from third party is designated in US dollars.

(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 and a loan facility with a third party are subject to interest rate risk. As at December 31, 2021, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the year ended December 31, 2021, would have been approximately \$75,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans and a loan facility. Similarly, as at December 31, 2021, shareholders' equity would have been approximately \$75,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans and a loan facility.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, long-term deposit, accounts payable and other liabilities, financing liability, lease liability and due to related parties that are denominated in GBP. As at December 31, 2021, had the GBP weakened/strengthened by 5% against the CAD with all other variables held constant, the Company's consolidated comprehensive income (loss) for the year ended December 31, 2021 would have been approximately \$442,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2021, shareholders' equity would have been approximately \$442,000 higher/lower had the GBP 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. Management believes that the impact would be immaterial for the year ended December 31, 2021.

Galantas Gold Corporation

Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

7. Categories of Financial Instruments

As at December 31,	2021	2020
Financial assets:		
FVTPL		
Cash and cash equivalents	\$ 1,069,751	\$ 612,094
Amortized cost		
Accounts receivable	998,728	355,919
Long-term deposit	513,960	521,430
Financial liabilities:		
Amortized cost		
Accounts payable and other liabilities	3,013,999	1,350,142
Financing facilities	4,247,488	2,186,272
Due to related parties	2,568,693	5,461,893
Leases	416,040	-

As of December 31, 2021 and 2020, the fair value of all the Company's financial instruments approximates the carrying value.

8. Accounts Receivable and Prepaid Expenses

As at December 31,	2021	2020
Sales tax receivable - Canada	\$ 4,471	\$ 3,987
Valued added tax receivable - Northern Ireland	239,774	56,422
Accounts receivable	594,071	295,510
Prepaid expenses	281,207	239,041
Other debtors	160,412	-
	\$ 1,279,935	\$ 594,960

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

The following is an aged analysis of receivables:

As at December 31,	2021	2020
Less than 3 months	\$ 884,550	\$ 120,085
3 to 12 months	105,526	117,615
More than 12 months	8,652	118,219
Total accounts receivable	\$ 998,728	\$ 355,919

9. Inventories

As at December 31,	2021	2020
Concentrate inventories	\$ 108,788	\$ 81,169

Galantas Gold Corporation

Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

10. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery (i)	Motor vehicles	Office equipment	Development assets (ii)	Assets under construction	Total
Balance, December 31, 2019	\$ 2,369,610	\$ 6,866,075	\$ 160,637	\$ 189,142	\$ 19,016,904	\$ -	\$ 28,602,368
Additions	-	2,781	-	-	1,892,995	-	1,895,776
Cash receipts from concentrate sales	-	-	-	-	(1,792,209)	-	(1,792,209)
Foreign exchange adjustment	28,561	82,352	1,934	2,280	227,986	-	343,113
Balance, December 31, 2020	2,398,171	6,951,208	162,571	191,422	19,345,676	-	29,049,048
Additions	-	1,263,168	38,975	27,973	4,898,703	556,273	6,785,092
Disposals	-	(6,289)	-	-	-	-	(6,289)
Cash receipts from concentrate sales	-	-	-	-	(1,412,329)	-	(1,412,329)
Foreign exchange adjustment	(34,357)	(99,099)	(2,329)	(2,742)	(270,376)	-	(408,903)
Balance, December 31, 2021	\$ 2,363,814	\$ 8,108,988	\$ 199,217	\$ 216,653	\$ 22,561,674	\$ 556,273	\$ 34,006,619

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Development assets (i)	Assets under construction	Total
Balance, December 31, 2019	\$ 1,954,907	\$ 5,259,569	\$ 115,325	\$ 112,851	\$ -	\$ -	\$ 7,442,652
Depreciation	7,910	322,574	13,252	11,460	-	-	355,196
Foreign exchange adjustment	23,644	66,443	1,530	1,480	-	-	93,097
Balance, December 31, 2020	1,986,461	5,648,586	130,107	125,791	-	-	7,890,945
Depreciation	6,347	507,731	19,776	13,992	-	-	547,846
Disposal	-	(4,801)	-	-	-	-	(4,801)
Foreign exchange adjustment	(28,499)	(83,818)	(1,995)	(1,895)	-	-	(116,207)
Balance, December 31, 2021	\$ 1,964,309	\$ 6,067,698	\$ 147,888	\$ 137,888	\$ -	\$ -	\$ 8,317,783

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Development assets (i)	Assets under construction	Total
Balance, December 31, 2020	\$ 411,710	\$ 1,302,622	\$ 32,464	\$ 65,631	\$ 19,345,676	\$ -	\$ 21,158,103
Balance, December 31, 2021	\$ 399,505	\$ 2,041,290	\$ 51,329	\$ 78,765	\$ 22,561,674	\$ 556,273	\$ 25,688,836

(i) Right-of-use assets of \$680,520 is included in the plant and machinery.

(ii) Development assets are expenditures for the underground mining operations in Omagh.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

11. Exploration and Evaluation Assets

Cost	Exploration and evaluation assets
Balance, December 31, 2019	\$ 661,726
Additions	129,031
Impairment	(47,490)
Foreign exchange adjustment	7,474
Balance, December 31, 2020	750,741
Additions	834,193
Foreign exchange adjustment	(10,751)
Balance, December 31, 2021	\$ 1,574,183
Carrying value	
Balance, December 31, 2020	\$ 750,741
Balance, December 31, 2021	\$ 1,574,183

12. Decommissioning Liability

The Company's decommissioning liability is a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at December 31, 2021 based on a risk-free discount rate of 1% (December 31, 2020 - 1%) and an inflation rate of 1.50% (December 31, 2020 - 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 December 31, 2021, the estimated fair value of the liability is \$600,525 (December 31, 2020 - \$598,275). Changes in the provision during the year ended December 31, 2021 are as follows:

As at December 31,	2021	2020
Decommissioning liability, beginning of year	\$ 598,275	\$ 580,303
Accretion	10,892	10,863
Foreign exchange	(8,642)	7,109
Decommissioning liability, end of year	\$ 600,525	\$ 598,275

As required by the Crown in Northern Ireland, the Company is required to provide a bond for reclamation related to the Omagh mine in the amount of GBP 300,000 (December 31, 2020 - GBP 300,000), of which GBP 300,000 was funded as of December 31, 2021 (GBP 300,000 was funded as of December 31, 2020) and reported as long-term deposit of \$513,960 (December 31, 2020 - \$521,430).

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

13. 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 and professional fees activities.

As at December 31,	2021	2020
Accounts payable	\$ 1,463,316	\$ 423,630
Accrued liabilities	1,550,683	926,512
Total accounts payable and other liabilities	\$ 3,013,999	\$ 1,350,142

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

As at December 31,	2021	2020
Less than 3 months	\$ 2,246,440	\$ 432,946
3 to 12 months	98,415	76,800
12 to 24 months	-	161,327
More than 24 months	669,144	679,069
Total accounts payable and other liabilities	\$ 3,013,999	\$ 1,350,142

14. Financing Facilities

Amounts payable on the Company's financial facilities are as follow:

As at December 31,	2021	2020
Ocean Partners		
Financing facilities, beginning of period (i)	\$ 2,186,272	\$ 1,440,185
Financing facility received (i)	-	262,460
Repayment of financing facilities (i)	(23,802)	(49,705)
Less bonus warrants issued (i)	-	(340,000)
Accretion (i)	126,949	360,452
Interest (i)	86,820	214,377
Foreign exchange adjustment	200,898	298,503
Financing facility reallocated to due to related parties (i)	(2,577,137)	-
Less current portion	-	(2,186,272)
	-	-
G&F Phelps		
Financing facility reallocated from due to related parties (ii)	4,578,039	-
Less bonus warrants issued (ii)	(670,000)	-
Accretion (ii)	151,290	-
Interest (ii)	164,197	-
Foreign exchange adjustment	23,962	-
	4,247,488	-
Financing facilities - long term portion	\$ 4,247,488	\$ -

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

14. Financing Facilities (Continued)

(i) In April 2018, the Company signed a concentrate pre-payment agreement and loan facility for US\$1.6 million with a United Kingdom based company (the "Lender"), with a maturity date of December 31, 2020. The interest was set at US\$ 12 month LIBOR + 8.75% and payable monthly. No interest shall be charged for 6 months and repayments commenced against deliveries in 2019. There was a US\$25,000 arrangement fee.

In respect of the loan facility, a fixed and floating security, subordinated to an existing security to G&F Phelps, is being put in place over Flintridge assets. G&F Phelps has a first charge on Flintridge assets in respect of its loan facility and the Lender required an intercreditor agreement between G&F Phelps and the Lender.

As consideration for the loan facility, the United Kingdom based company received 1,500,000 bonus warrants of the Company. Each bonus warrant is exercisable into one common share of the Company and is subject to an initial four months plus one day hold period from the date of issuance of the bonus warrants. The bonus warrants had a maximum life of two years (the "Expiry Time"). On April 19, 2018, the 1,500,000 bonus warrants were granted. In the event that the weighted average closing price per common share of the Company is more than \$2.00 per share for more than five consecutive trading days, the Company shall be entitled to accelerate the Expiry Time to a date that is 30 days from the date on which the Company announces the accelerated Expiry Time by press release.

The fair value of the 1,500,000 bonus warrants was estimated at \$786,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 113.55%, risk-free interest rate - 1.91% and an expected average life of 2 years.

On July 9, 2020, the Company amended the terms of its loan facility of an increase in the outstanding loan facility. The amount of the loan facility increased by US\$200,000 to a total of US\$1.8 million. On November 12, 2020, the additional US\$200,000 loan facility was drawn down by the Company. The interest rate applicable on the loan facility increased from US\$ 12 month LIBOR + 8.75% to US\$ 12 month LIBOR + 9.9% and the maturity date was extended from December 31, 2020 to December 31, 2021. Interest could be rolled into the loan facility until December 31, 2021, at the Company's option.

As consideration for amending the terms of the loan facility, the Lender received on August 14, 2020, 1,700,000 bonus warrants of Galantas ("Bonus Warrants"). Each Bonus Warrant was exercisable for one common share of Galantas (a "Bonus Share") at an exercise price of \$0.33 per Bonus Share. The Bonus Warrants had an expiration date of December 31, 2021 (the "Expiry Date") and the Bonus Shares were subject to an initial four month plus one day hold period from the date of their issuance. In the event that the weighted average closing price per common share of the Company is more than \$0.4125 per share for more than five consecutive trading days, the Company shall be entitled to accelerate the Expiry Date to a date that is 30 days from the date on which the Company announces the accelerated Expiry Date by press release.

The fair value of the 1,700,000 bonus warrants was estimated at \$340,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 165.75%, risk-free interest rate - 0.27% and an expected average life of 1.38 years.

2021 activities

On May 14, 2021, the maturity date of the loan facility due on December 31, 2021 was extended to December 31, 2023. Interest may be deferred and added to the balance outstanding until March 31, 2022, at which point interest will be paid monthly.

The 1,700,000 Bonus Warrants issued have been extended. The Company recorded the incremental difference of \$251,000 as financing costs based on the fair value of these warrants immediately prior to and after the modification. The fair value of the 1,700,000 Bonus Warrants was valued immediately prior to the subsequent extension using the following Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 123.98% to 144.48%, risk-free interest rate - 0.32% and an expected average life of 0.63 to 2.63 years.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

14. Financing Facilities (Continued)

(i) (continued)

2021 activities

During the year ended December 31, 2021, the Company recorded accretion expense of \$126,949 in the consolidated statements of loss in regards with this loan facility (year ended December 31, 2020 - \$360,452).

During the year ended December 31, 2021, the Company recorded interest expense of \$86,820 in the consolidated statements of loss in regards with this loan facility (year ended December 31, 2020 - \$214,377).

During the year ended December 31, 2021, the Company recorded a repayment of \$23,802 in regards with this loan facility (year ended December 31, 2020 - \$49,705).

As at June 30, 2021, the Lender and the Company have a common director. As a result, the balance due to the Lender was reallocated from financing facilities to due to related parties. Total balance reallocated consisted of \$2,577,137. Refer to note 21(a)(iv).

(ii) In connection with the closing of the private placement completed on May 14, 2021 (refer to note 17(b)(ii)), Roland Phelps has retired as the Company's President and Chief Executive Officer and as a member of the Board of Directors. As a result, the balance due to G&F Phelps, a company controlled by Roland Phelps was reallocated from due to related parties to financing facilities. The total balance reallocated consisted of \$3,163,593 (GBP 1,824,764) amalgamated loans balance and \$1,414,446 (GBP 815,854) interest accrued balance. Refer to note 21(a)(i).

As at December 31, 2021, G&F Phelps had amalgamated loans to the Company of \$2,607,493 (GBP 1,522,802) (December 31, 2020 - \$3,171,622 - GBP 1,824,764) included with financing facilities (December 31, 2020 - 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. In April 2018, the interest increased to 6.75% + US\$ 12 month LIBOR. Interest accrued on G&F Phelps loan is included with financing facilities (December 31, 2020 - included with due to related parties). As at December 31, 2021, the amount of interest accrued is \$1,639,995 (GBP 957,270) (December 31, 2020 - \$1,339,503 - GBP 770,671).

The maturity date of the G&F Phelps loan has been extended to December 31, 2023. Interest may be deferred and added to the balance outstanding until March 31, 2022, at which point interest will be paid monthly. In consideration for extending the G&F loan and deferring interest, G&F Phelps has received, subject to regulatory approval, 1,700,000 warrants exercisable into one common share at an exercise price of \$0.33, with said warrants expiring on December 31, 2023.

The fair value of the 1,700,000 warrants was estimated at \$670,000 using the following Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 123.98% to 144.48%, risk-free interest rate - 0.32% and an expected average life of 2.63 years.

During the year ended December 31, 2021, the Company recorded accretion expense of \$151,290 in the consolidated statements of loss in regards with this loan facility (year ended December 31, 2020 - \$nil).

During the year ended December 31, 2021, the Company recorded interest expense of \$164,197 in the consolidated statements of loss in regards with this loan facility (year ended December 31, 2020 - \$214,377).

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

15. Convertible Debenture

On December 17, 2019, the Company closed a \$1,731,190 (GBP 1,000,000) convertible debenture. The convertible debenture is unsecured, is for a term of one year commencing on the date that it is issued, carries a coupon of 15% per annum and is convertible into common shares of the Company. The conversion price is a 25% discount to the closing price of the common shares of the Company on the day prior to announcement.

The convertible debenture has been fully subscribed by Melquart Limited ("Melquart"), an insider and control person of the Company (as defined by the TSXV). Melquart are under no obligation to convert the convertible debenture and should Melquart choose not to convert, the Company will need to raise further funds to repay the convertible debenture within 12 months. As at December 31, 2019, Melquart held 7,756,572 common shares equivalent to 24% of the Company.

The share issued pursuant to the convertible debenture will rank pari passu with the existing common shares issued by the Company.

Commission payable to Whitman Howard Ltd. for acting as the broker in relation to the convertible debenture offering total \$86,308 (GBP 50,000).

The debentures consist of the liability component and equity component. The fair value of the liability was recorded at \$1,467,110, discounted at an effective interest rate of 18%. The residual value of the debentures is allocated to the conversion feature. The value of the conversion feature was \$264,080. The Company incurred transaction costs of \$104,903 which was allocated pro-rata on the value of the conversion feature and the liability component.

During the year ended December 31, 2021, the Company recorded accretion expense of \$nil (year ended December 31, 2020 - \$340,556) and interest expense of \$nil (year ended December 31, 2020 - \$250,430) as loan interest and bank charges less deposit interest in the consolidated statement of loss.

On December 21, 2020, the convertible debenture was converted into 11,410,933 common shares of the Company. The convertible debenture carried a 15% coupon and was exercisable at a 25% discount to the market price. The capital an interest accruing on the debenture totals GBP1,150,000 (\$1,991,580). Following the issuance, Melquart held 20,673,528 common shares, representing 44.4% of the issued share capital of the Company and the debenture was satisfied in full (refer to note 21(c)).

Balance, December 31, 2019	\$ 1,400,594
Interest expense	250,430
Accretion expense	340,556
Conversion to common shares	(1,991,580)
Balance, December 31, 2020 and 2021	\$ -

16. Leases

Balance, December 31, 2019 and 2020	\$ -
Addition (i)	680,520
Interest expense	36,706
Lease payments	(297,450)
Foreign exchange	(3,736)
Balance, December 31, 2021	\$ 416,040

(i) During the year ended 2021, the Company entered into lease agreements in respect to rent of equipments which will expire between February 2022 to July 2022.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

17. Share Capital and Reserves

a) Authorized share capital

At December 31, 2021, the authorized share capital consisted of an unlimited number of common and preference shares issuable in Series. On April 17, 2020, the Company completed a share consolidation of its share capital on the basis of ten then existing common shares for one new common share consolidation.

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

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

b) Common shares issued

At December 31, 2021, the issued share capital amounted to \$57,783,570. The continuity of issued share capital for the years presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2019	32,321,472	\$ 50,123,910
Shares issued in private placement (i)	2,833,132	637,454
Share issue costs	-	(67,428)
Convertible debenture converted (note 15)	11,410,933	2,239,658
Balance, December 31, 2020	46,565,537	52,933,594
Shares issued in private placement (ii)	26,663,264	7,998,980
Warrants issued (ii)	-	(3,258,578)
Share issue costs	41,667	(783,920)
Exercise of warrants	1,413,333	893,494
Balance, December 31, 2021	74,683,801	\$ 57,783,570

(i) On July 17, 2020, the Company completed a private placement for 2,833,132 common shares at an issue price of \$0.225 (UK£0.1328) per share for gross proceeds of \$637,454 (GBP 376,240). The net proceeds to be raised by the private placement are intended to be used to support mine operations and provide general working capital of the Company.

The private placement included a subscription by LF Miton UK Smaller Companies Fund, which has subscribed for 527,108 common shares in the private placement and is managed by Premier Fund Managers Ltd ("Premier Miton"). Post-closing, this fund holds 3,222,330 shares, equivalent to 9.17% of the Company's common shares. The total number of shares controlled by Premier Miton post completion of the private placement is 4,848,243, representing 13.89% of the Company's enlarged issued and outstanding common shares.

The private placement also included a subscription from Melquart, for 1,506,024 common shares, which gives rise to an enlarged holding of 9,262,595 common shares post completion of the private placement, or 26.35% of the Company's enlarged issued and outstanding common shares.

Commission payable to brokers in Canada and the United Kingdom in relation to the private placement totals \$33,673 (GBP 19,874).

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

17. Share Capital and Reserves (Continued)

b) Common shares issued (Continued)

(ii) On May 14, 2021, Galantas completed a private placement of 26,663,264 units at a price of \$0.30 per unit for aggregate gross proceeds of \$7,998,980. Each unit comprises one common share and one common share purchase warrant. Each warrant will be exercisable into one additional common share at an exercise price of \$0.40 for 24 months from the closing date of the private placement. There is a four-month and one day hold period on the trading of securities issued in connection with this private placement.

The fair value of the 26,663,264 warrants was estimated at \$3,258,578 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 155.08%, risk-free interest rate - 0.32% and an expected average life of 2 years.

Ocean Partners acquired 1,666,667 units of the private placement, for consideration of \$500,000 and the Company paid a finder's fee of 41,667 units to Ocean Partners resulting in the issuance of 1,708,334 common shares or 2.3% of the Company's issued and outstanding common shares on a non-diluted basis.

The 41,667 units paid as a finder's fee were valued at \$20,417. The fair value of the 41,667 warrants was estimated at \$8,783 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 155.08%, risk-free interest rate - 0.32% and an expected average life of 2 years.

Roland Phelps, the Company's retired President and Chief Executive Officer, acquired 166,667 units for consideration of \$50,000, increasing his holding to 5,100,484 common shares or 6.9% of the Company's issued and outstanding common shares on a non-diluted basis.

In respect of an under-writing by Ocean Partners, the Company paid a commitment fee of \$112,500 in cash.

c) Warrant reserve

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019	1,500,000	\$ 1.58
Issued (note 14(i))	1,700,000	0.33
Expired	(1,500,000)	1.58
Balance, December 31, 2020	1,700,000	0.33
Issued (notes 14(ii) and 17(b)(ii))	28,404,931	0.40
Exercised	(1,413,333)	0.35
Balance, December 31, 2021	28,691,598	\$ 0.39

Galantas Gold Corporation

Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

17. Share Capital and Reserves (Continued)

c) Warrant reserve (continued)

The following table reflects the actual warrants issued and outstanding as of December 31, 2021:

Expiry date	Number of warrants	Grant date fair value (\$)	Exercise price (\$)
May 14, 2023	26,291,598	3,216,847	0.40
December 31, 2023	2,400,000	913,353	0.33
	28,691,598	4,130,200	0.39

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 TSXV 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 TSXV.

The Company records a charge to the consolidated statements of 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 years presented:

	Number of options	Weighted average exercise price
Balance, December 31, 2019	1,395,000	\$ 0.92
Expired	(285,000)	1.05
Cancelled (iv)	(540,000)	1.01
Balance, December 31, 2020	570,000	1.16
Granted (i)(ii)(iii)	4,360,000	0.85
Cancelled (i)(iv)	(45,000)	1.13
Balance, December 31, 2021	4,885,000	\$ 0.88

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

17. Share Capital and Reserves (Continued)

d) Stock options (continued)

(i) On May 19, 2021, the Company granted 3,915,000 stock options to directors, employees and consultants of the Company to purchase common shares at \$0.86 per share until May 19, 2026. The options will vest as to one third immediately and one third on each of May 19, 2022 and May 19, 2023. The fair value attributed to these options was \$2,907,000 and was expensed in the consolidated statements of loss and credited to equity settled share-based payments reserve. During the year ended December 31, 2021, included in stock-based compensation is \$1,868,976 related to the vested portion of these options. During the year ended December 31, 2021, 20,000 stock options were cancelled and therefore, \$4,598 of stock-based compensation was reversed related to the unvested portion of the options cancelled.

(ii) On June 21, 2021, the Company granted 425,000 stock options to consultants and officers of the Company to purchase common shares at \$0.73 per share until June 21, 2026. The options will vest as to one third immediately and one third on each of June 21, 2022 and June 21, 2023. The fair value attributed to these options was \$266,000 and was expensed in the consolidated statements of loss and credited to equity settled share-based payments reserve. During the year ended December 31, 2021, included in stock-based compensation is \$158,992 related to the vested portion of these options.

(iii) On August 27, 2021, the Company granted 20,000 stock options to an employee of the Company to purchase common shares at \$0.86 per share until August 27, 2026. The options will vest as to one third immediately and one third on each of August 27, 2022 and August 27, 2023. The fair value attributed to these options was \$11,000 and was expensed in the consolidated statements of loss and credited to equity settled share-based payments reserve. During the year ended December 31, 2021, included in stock-based compensation is \$5,565 related to the vested portion of these options.

(iv) The portion of the estimated fair value of options granted in the prior years and vested during the year ended December 31, 2021, amounted to \$6,943 (year ended December 31, 2020 - \$67,756). In addition, during the year ended December 31, 2021, 25,000 options granted in the prior years were cancelled (year ended December 31, 2020 - 540,000 options cancelled) and therefore, \$nil (year ended December 31, 2020 - \$57,954) of stock-based compensation was reversed related to the unvested portion of the options cancelled.

The following table reflects the actual stock options issued and outstanding as of December 31, 2021:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
March 25, 2022	1.35	0.48	295,000	295,000	-
April 19, 2023	1.10	1.55	25,000	25,000	-
February 13, 2024	0.90	2.37	125,000	125,000	-
June 27, 2024	0.90	2.74	100,000	100,000	-
May 19, 2026	0.86	4.64	3,895,000	1,298,333	2,596,667
June 21, 2026	0.73	4.73	425,000	141,667	283,333
August 27, 2026	0.86	4.91	20,000	6,667	13,333
	0.88	4.28	4,885,000	1,991,667	2,893,333

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

18. Net Loss per Common Share

The calculation of basic and diluted loss per share for the year ended December 31, 2021 was based on the loss attributable to common shareholders of \$5,284,431 (year ended December 31, 2020 - \$3,228,452) and the weighted average number of common shares outstanding of 64,122,021 (year ended December 31, 2020 - 34,034,582) for basic and diluted loss per share. Diluted loss did not include the effect of 28,691,598 warrants (year ended December 31, 2020 - 1,700,000) and 4,885,000 options (year ended December 31, 2020 - 570,000) for the year ended December 31, 2021, as they are anti-dilutive.

19. Revenues

Shipments of concentrate under the off-take arrangements commenced during the second quarter of 2019. Concentrate sales provisional revenues during the year ended December 31, 2021 totaled approximately US\$1,114,000 (year ended December 31, 2020 - US\$1,355,000). However, until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

20. Taxation

(a) Provision for income taxes

The reported recovery of income taxes differs from amounts computed by applying the statutory income tax rates to the reported loss before income taxes due to the following:

Year Ended December 31,	2021	2020
Loss before income taxes	\$ (5,284,431)	\$ (3,228,452)
Expected tax recovery at statutory rate of 26.5% (2020 - 26.5%)	(1,400,374)	(855,540)
Difference resulting from:		
Foreign tax rate differential	29,556	26,361
Stock-based compensation	539,508	2,598
Change in foreign tax rate	-	(1,039,835)
Permanent differences and other	(645,388)	81,790
Tax benefits not recognized	1,476,698	1,784,626
	\$ -	\$ -

(b) Deferred tax balances

The temporary differences and unused tax losses that give rise to deferred income tax balances are presented below:

As at December 31,	2021	2020
Deferred income tax assets (liabilities)		
Non-capital losses	\$ 12,849,356	\$ 11,776,488
Share issue costs and other	221,875	1,839
Non-current assets	(3,698,150)	(3,881,944)
Valuation allowance (impairment)	(9,373,081)	(7,896,383)
	\$ -	\$ -

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

20. Taxation (Continued)

(c) Losses carried forward

As at December 31, 2021, the Company had non-capital losses carried forward, available to offset future taxable income for income tax purposes as follows:

Expires	2026	\$ 1,064,484
	2027	598,595
	2029	373,962
	2030	440,512
	2031	993,770
	2032	600,689
	2033	1,100,268
	2034	906,488
	2035	884,526
	2036	901,063
	2037	772,787
	2038	891,330
	2039	1,027,232
	2040	1,321,064
	2041	1,409,184
Indefinite		<u>37,307,507</u>
		<u>\$ 50,593,461</u>

At December 31, 2021, the potential benefit of these losses and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these consolidated financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

21. 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 exchange amount 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:

		December 31,	
		2021	2020
Interest on related party loans	(i)(iv)	\$ 340,092	\$ 321,630

(i) Refer to note 14(i)(ii).

(ii) Refer to note 17(b).

(iii) See note 15.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

21. Related Party Disclosures (Continued)

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

(iv) As at December 31, 2021, the Lender and the Company have a common director. As a result, the balance due to the Lender was reallocated from financing facilities to due to related parties. Total balance reallocated consisted of \$2,577,137. Refer to note 14(i).

On May 14, 2021, the maturity date of the loan facility due on December 31, 2021 has been extended to December 31, 2023. Interest may be deferred and added to the balance outstanding until March 31, 2022, at which point interest will be paid monthly. The 1,700,000 Bonus Warrants issued have been extended.

The Company recorded the incremental difference of \$251,000 as financing costs based on the fair value of these warrants immediately prior to and after the modification. The fair value of the 1,700,000 Bonus Warrants was valued immediately prior to the subsequent extension using the following Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 123.98% to 144.48%, risk-free interest rate - 0.32% and an expected average life of 0.63 to 2.63 years.

As at December 31, 2021, financial liabilities due to the Lender and recorded as due to related parties on the consolidated statement of financial position is \$2,444,376.

	December 31,	
	2021	2020
Financing facility reallocated to due to related parties	\$ 2,577,137	\$ -
Less bonus warrants	(251,000)	-
Accretion	57,338	-
Interest	27,506	-
Foreign exchange adjustment	33,395	-
	\$ 2,444,376	\$ -

(b) Remuneration of officer and directors of the Company was as follows:

	Year Ended	
	December 31,	
	2021	2020
Salaries and benefits ⁽¹⁾	\$ 382,570	\$ 470,516
Stock-based compensation	1,365,577	-
	\$ 1,748,147	\$ 470,516

⁽¹⁾ Salaries and benefits include director fees. As at December 31, 2021, due to directors for fees amounted to \$102,917 (December 31, 2020 - \$126,536) and due to officers, mainly for salaries and benefits accrued amounted to \$21,400 (December 31, 2020 - \$782,145 - GBP 458,701), and is included with due to related parties.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

21. Related Party Disclosures (Continued)

(c) As at December 31, 2021, Ross Beaty owns 3,744,747 common shares of the Company or approximately 5.01% of the outstanding common shares. Roland Phelps, former Chief Executive Officer and former director, owns, directly and indirectly, 5,100,484 common shares of the Company or approximately 6.83% of the outstanding common shares of the Company. Premier Miton owns 4,848,243 common shares of the Company or approximately 6.49%. Melquart owns, directly and indirectly, 23,073,528 common shares of the Company or approximately 30.89% of the outstanding common shares of the Company. Eric Sprott owns 6,333,333 common shares of the Company or approximately 8.48%. Mike Gentile owns 4,000,000 common shares of the Company or approximately 5.36%. The remaining 36.94% 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.

(d) Additional disclosures required for Alternate Investment Market ("AIM") reporting:

Pursuant to the AIM Rules for Companies (the "AIM Rules"), a related party is any person who is; a director of an AIM company, a substantial shareholder (any person who has a shareholding greater than 10%), their associates, or any person who was a director of an AIM company or a substantial shareholder within the twelve months preceding the date of the transaction.

1. As described in note 14, Roland Phelpsⁱ and Melquartⁱⁱ participated in the private placement in May 2021.
2. As described in note 14, the maturity date of the G&F Phelpsⁱ loan was extended to December 31, 2023.
3. Related party balances Loan accounts – owed to related parties

		December 31,	
		2021	2020
G&F Phelps	(i)	\$ 4,247,488	\$ 3,171,622
Ocean Partners	(iii)	2,444,376	2,186,272
Total		\$ 6,691,864	\$ 5,357,894

(i) Pursuant to the AIM Rules, G&F Phelps is deemed to be a related party of the Company by virtue of being controlled by Roland Phelps who has been a Director of the Company in the last twelve months.

(ii) Pursuant to the AIM Rules, Melquart is deemed to be a related party of the Company by virtue of being a substantial shareholder in the Company.

(iii) Pursuant to IFRS, Ocean Partners are deemed to be a related of the Company as they have a common director.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

21. Related Party Disclosures (Continued)

(d) Additional disclosures required for AIM reporting (continued):

Salaries and benefits	Year Ended December 31,	
	2021	2020
Roland Phelps, former CEO	\$ 86,230	\$ 343,980
Leo O'Shaughnessy, former CFO	-	69,043
Mario Stifano, CEO	107,406	-
Alan Buckley, CFO	91,767	22,493
Brent Omland, director	17,500	-
David Cather, director	20,500	6,750
James B. Clancy, director	21,000	8,000
James L. Golla, director	3,000	6,250
Ronald Alexander, director	2,750	6,500
Roisin Magee, director	32,417	7,500
	\$ 382,570	\$ 470,516

The Company awarded incentive stock options on the Company's common shares to directors and officers in accordance with the terms of the Company's incentive Stock Option Plan as set out in the below table. The table also shows the fair value of stock received during the year using the Black-Scholes option pricing model.

	Notes	Number of options		Share-based compensation	
		Year Ended December 31,		Year Ended December 31,	
		2021	2020	2021	2020
Roland Phelps, former CEO	17(d)(iv)	-	-	\$ 304	\$ -
Mario Stifano, CEO	17(d)(i)	1,500,000	-	716,083	-
Alan Buckley, CFO	17(d)(i)	250,000	-	119,347	-
Brendan Morris, COO	17(d)(ii)	100,000	-	37,410	-
Brent Omland, director	17(d)(i)	375,000	-	179,021	-
David Cather, director	17(d)(i)	125,000	-	60,614	-
James B. Clancy, director	17(d)(i)	125,000	-	59,825	-
James L. Golla, director	17(d)(i)	125,000	-	59,825	-
Ronald Alexander, director	17(d)(iv)	-	-	152	-
Roisin Magee, director	17(d)(i)	275,000	-	132,996	-
		2,875,000	-	\$ 1,365,577	\$ -

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

22. Segment Disclosure

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

December 31, 2021	United Kingdom	Canada	Total
Current assets	\$ 1,379,742	\$ 1,078,732	\$ 2,458,474
Non-current assets	\$ 27,714,667	\$ 62,312	\$ 27,776,979
Revenues	\$ -	\$ -	\$ -

December 31, 2020	United Kingdom	Canada	Total
Current assets	\$ 1,232,744	\$ 55,479	\$ 1,288,223
Non-current assets	\$ 22,373,581	\$ 56,793	\$ 22,430,374
Revenues	\$ -	\$ -	\$ -

23. Contingency

During the year ended December 31, 2010, the Company's subsidiary Omagh received a payment demand from Her Majesty's Revenue and Customs ("HMRC") in the amount of \$521,310 (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. Omagh Minerals believed this claim to be without merit. An appeal was lodged with the Tax Tribunals Service and the hearing started at the beginning of March 2017 and following a number of adjournments was completed in August 2018. During the year ended December 31, 2019, the Tax Tribunals Service issued their judgement dismissing the appeal by Omagh in respect of the assessments. A provision has now been included in the consolidated financial statements in respect of the aggregates levy plus interest and penalty.

There is a contingent liability in respect of potential additional interest which may be applied in respect of the aggregates levy dispute. Omagh is unable to make a reliable estimate of the amount of the potential additional interest that may be applied by HMRC.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

24. Events After the Reporting Period

(i) On February 3, 2022, the Company announced the closing of the loan agreement for US\$1.06 million with Ocean Partners. Terms of the loan agreement are:

- The loan matures on July 31, 2022 (the “Maturity Date”).
- The loan will bear interest at an annual rate of 10% compounded monthly payable upon repayment of the loan.
- US\$20,000 structuring fee has been paid to Ocean Partners.
- US\$40,000 consulting fee will be paid to Ocean Partners, to be invoiced separately by Ocean Partners.
- 250,000 warrants have been granted to Ocean Partners, which will be exercisable for a period of 12 months at an exercise price of \$0.50. The bonus warrants are subject to a hold period under applicable securities laws and the rules of the TSXV, expiring on June 4, 2022.
- US\$40,000 extension fee will be paid to Ocean Partners if the Company elects to extend the loan for a further six months from the Maturity Date.

Proceeds from the loan will be used for further development of the Omagh mine in Northern Ireland and working capital.

(ii) On February 14, 2022, the Company announced the early exercise of 7,968,000 warrants at an exercise price of \$0.40, with an additional 1,708,333 warrants to be exercised by Mario Stifano, Chief Executive Officer of Galantas, and Ocean Partners following the completion of U.K. share dealing clearance; for current expected gross proceeds of \$3,212,666. A total of 18,673,265 warrants at \$0.40 each from the May 14, 2021 financing remain outstanding and are due to expire on May 14, 2023.