



GALANTAS GOLD CORPORATION

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

Years Ended December 31, 2023 and 2022



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, 2023 and 2022, 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, 2023 and 2022 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 \$7,604,947 during the year ended December 31, 2023. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Emphasis of Matter - *Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of Long-lived Assets

Description of the matter

In accordance with IAS 36 - *Impairment of Assets*, management is required to test long-lived assets not yet available for use for impairment annually, or when facts and circumstances suggest they may be impaired. An impairment loss is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use (VIU) and its fair value less costs of disposal. Management estimated the recoverable amount of its

property, plant and equipment (PP&E) with a five-year discounted cashflow VIU approach and concluded an impairment charge was required as a result of the impairment testing performed. The Company recorded impairment of PP&E of \$3,353,077 as of December 31, 2023, see note 10 for further details.

Why the matter is a key audit matter

This matter represented an area of significant risk of material misstatement given the magnitude of PP&E balance and the significant management judgment involved in assessing the existence of impairment indicators. In addition, significant auditor judgement, knowledge and effort were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The following were the primary procedures we performed to address this key audit matter:

- We validated the underlying data used in the recoverable amount calculations and tested the mathematical accuracy;
- Evaluated reasonableness of judgments made in management’s assessment of the cash generating units (CGU);
- Evaluated reasonableness of key assumptions to management’s cash flow projection used to determine recoverable amount of the CGU; including discount rate, mine production levels factoring published 43-101 resources, gold prices, foreign exchange rates and input costs;
- We performed our own sensitivity analysis to further assess estimation uncertainty; and;
- We assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements.

Measurement and Classification of Convertible Debentures

Description of the matter

As described in Note 15 to the financial statements, on December 20, 2023, the Company completed a convertible debenture financing (the Loan) for gross proceeds of \$3,502,054. The Loan was determined to be a compound financial instrument and management applied judgment in assessing the accounting treatment for the individual components of the Loan. Notably whether the conversion feature qualified as a derivative liability or equity instrument based on the “fixed-for-fixed” requirement in IAS 32, *Financial Instruments: Presentation*.

The initial value of the conversion feature of the Loan, determined to be a derivative liability, was determined using the Black-Scholes option pricing model.

The initial value of the financial liability component of the Loan was determined using the residual method and accordingly measured as the difference between the face value of the convertible debentures and the initial value of the derivative liability component.

Why the matter is a key audit matter

This matter represented an area of significant risk of material misstatement given the magnitude of the value of the Loan and the high degree of estimation uncertainty in determining the initial measurement of the components of the Loan. Further, the involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures.

Management applied judgment in assessing the accounting treatment of the Loan including whether the conversion feature met the “fixed-for-fixed” requirement to be classified as equity and in determining the appropriate discount rate to apply. This in turn, led to a high degree of auditor judgement and effort in performing procedures to test management’s assumptions.

How the matter was addressed in the audit

The following were the primary procedures we performed to address this key audit matter:

- We read the underlying agreements and evaluated whether management's interpretation of the agreements in relation to accounting for the Loan was reasonable, markedly observing the fixed conversion price, as is a requirement for the "fixed-for-fixed" condition, not being met, on the basis the Loan was denominated in a foreign currency (USD);
- Compared discount rate applied by the Company to discount rates for comparable entities;
- Reviewed, recalculated and analyzed interest expense using effective interest rate method; and;
- Assessed the appropriateness and completeness of the related disclosures in the financial statements.

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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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 23, 2024

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

As at December 31,	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,593,265	\$ 1,038,643
Accounts receivable and prepaid expenses (note 8)	1,596,880	1,810,993
Inventories (note 9)	18,184	83,242
Total current assets	4,208,329	2,932,878
Non-current assets		
Property, plant and equipment (note 10)	23,094,171	24,255,849
Long-term deposit (note 12)	505,110	489,660
Exploration and evaluation assets (note 11)	4,776,409	2,665,313
Total non-current assets	28,375,690	27,410,822
Total assets	\$ 32,584,019	\$ 30,343,700
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (notes 13 and 23)	\$ 3,662,842	\$ 4,052,041
Current portion of financing facilities (note 14)	6,119,308	4,836,267
Due to related parties (note 21)	5,838,256	5,072,534
Other liability (note 21)	1,187,437	-
Total current liabilities	16,807,843	13,960,842
Non-current liabilities		
Due to related parties (note 21)	638,432	-
Decommissioning liability (note 12)	611,452	582,441
Other liability (note 21)	-	1,085,426
Convertible debenture (note 15)	1,923,509	-
Derivative liability (note 15)	1,245,627	-
Total non-current liabilities	4,419,020	1,667,867
Total liabilities	21,226,863	15,628,709
Equity		
Share capital (note 17(a)(b))	71,809,999	69,664,056
Reserves	18,579,467	15,515,105
Deficit	(79,032,310)	(70,464,170)
Total equity	11,357,156	14,714,991
Total equity and liabilities	\$ 32,584,019	\$ 30,343,700

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)

Approved on behalf of the Board:

"Mario Stifano" _____, Director

"Jim Clancy" _____, Director



Galantas Gold Corporation

Consolidated Statements of Loss

(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2023	2022
Revenues		
Sales of concentrate (note 19)	\$ -	\$ -
Cost and expenses of operations		
Cost of sales	182,295	284,262
Depreciation (note 10)	515,003	624,620
	697,298	908,882
Loss before general administrative and other expenses	(697,298)	(908,882)
General administrative expenses		
Management and administration wages (note 21)	552,901	647,763
Other operating expenses	301,475	526,162
Accounting and corporate	273,694	291,535
Legal and audit	170,074	226,185
Stock-based compensation (note 17(d))	353,712	1,470,418
Shareholder communication and investor relations	478,059	506,090
Transfer agent	79,273	45,034
Director fees (note 21)	140,000	140,000
General office	85,804	57,423
Accretion expenses (notes 12, 14, 15 and 21)	492,393	691,105
Loan interest and bank charges less deposit interest (notes 14, 15 and 21)	1,316,122	799,574
	4,243,507	5,401,289
Other expenses (income)		
Foreign exchange loss	233,651	195,938
Unrealized gain on derivative fair value adjustment (note 15)	(241,886)	-
Loss on disposal of property, plant and equipment	-	2,910
Impairment of property, plant and equipment and exploration and evaluation assets (notes 10 and 11)	3,635,570	10,124,920
	3,627,335	10,323,768
Net loss for the year	\$ (8,568,140)	\$ (16,633,939)
Basic and diluted net loss per share (note 18)	\$ (0.08)	\$ (0.19)
Weighted average number of common shares outstanding		
- basic and diluted	111,949,878	89,401,620

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,	
	2023	2022
Net loss for the year	\$ (8,568,140)	\$ (16,633,939)
Other comprehensive income (loss)		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	963,193	(1,163,486)
Total comprehensive loss	\$ (7,604,947)	\$ (17,797,425)

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,	
	2023	2022
Operating activities		
Net loss for the year	\$ (8,568,140)	\$ (16,633,939)
Adjustment for:		
Depreciation (note 10)	515,003	624,620
Stock-based compensation (note 17(d))	353,712	1,470,418
Accrued interest (notes 14, 15 and 21)	1,784,034	1,172,976
Foreign exchange loss	240,861	292,699
Accretion expenses (notes 12, 14, 15 and 21)	492,393	691,105
Impairment of property, plant and equipment and exploration and evaluation assets (notes 10 and 11)	3,635,570	10,124,920
Gain on derivative fair value adjustment	(241,886)	-
Loss on disposal of property, plant and equipment	-	2,910
Non-cash working capital items:		
Accounts receivable and prepaid expenses	214,113	438,113
Inventories	65,058	21,415
Accounts payable and other liabilities	205,830	1,216,455
Due to related parties	-	(327,111)
Other liability	-	1,085,426
Net cash and cash equivalents (used in) provided by operating activities	(1,303,452)	180,007
Investing activities		
Net purchase of property, plant and equipment	(1,959,306)	(10,414,099)
Exploration and evaluation assets	(1,882,825)	(1,165,561)
Lease payments (note 16)	-	(701,782)
Net cash and cash equivalents used in investing activities	(3,842,131)	(12,281,442)
Financing activities		
Proceeds of private placements (note 17(b)(i)(ii))	2,963,142	5,900,003
Share issue costs	(377,143)	(607,860)
Proceeds from exercise of warrants	31,200	5,287,147
Advances from related parties	580,392	2,062,693
Repayments to related parties	(24,735)	(524,255)
Proceeds from convertible debenture (note 15)	3,502,054	-
Share issue costs - convertible debenture	(53,991)	-
Net cash and cash equivalents provided by financing activities	6,620,919	12,117,728
Net change in cash and cash equivalents	1,475,336	16,293
Effect of exchange rate changes on cash held in foreign currencies	79,286	(47,401)
Cash and cash equivalents, beginning of year	1,038,643	1,069,751
Cash and cash equivalents, end of year	\$ 2,593,265	\$ 1,038,643
Cash	\$ 2,593,265	\$ 1,038,643
Cash equivalents	-	-
Cash and cash equivalents	\$ 2,593,265	\$ 1,038,643

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

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

	Reserves					Deficit	Total
	Share capital	Warrants reserve	Equity settled share-based payments reserve	Foreign currency translation reserve			
Balance, December 31, 2021	\$ 57,783,570	\$ 4,130,200	\$ 10,417,260	\$ 887,909	\$ (53,830,231)	\$ 19,388,708	
Shares issued in private placement (note 17(b)(i))	5,900,003	-	-	-	-	5,900,003	
Shares issued for services arrangement (note 17(b)(i))	1,000,000	-	-	-	-	1,000,000	
Warrants issued (note 17(b)(i))	(1,644,859)	1,644,859	-	-	-	-	
Warrants issued (note 21(a)(iv))	-	74,000	-	-	-	74,000	
Share issue costs (note 17(b)(i))	(752,324)	144,464	-	-	-	(607,860)	
Stock-based compensation (note 17(d))	-	-	1,470,418	-	-	1,470,418	
Exercise of warrants	7,377,666	(2,090,519)	-	-	-	5,287,147	
Exchange differences on translating foreign operations	-	-	-	(1,163,486)	-	(1,163,486)	
Net loss for the year	-	-	-	-	(16,633,939)	(16,633,939)	
Balance, December 31, 2022	69,664,056	3,903,004	11,887,678	(275,577)	(70,464,170)	14,714,991	
Shares issued in private placement (note 17(b)(ii))	2,963,142	-	-	-	-	2,963,142	
Shares issue for services arrangement (note 17(b)(iii))	420,000	-	-	-	-	420,000	
Shares issue for debt settlement (note 17(b)(iv))	749,020	-	-	-	-	749,020	
Warrants issued (note 17(b)(ii)(iv))	(1,609,634)	1,609,634	-	-	-	-	
Warrants issued (notes 15 and 21(a)(iv)(vi))	-	107,181	-	-	-	107,181	
Share issue costs (note 17(b)(ii))	(417,318)	40,175	-	-	-	(377,143)	
Stock-based compensation (note 17(d))	-	-	353,712	-	-	353,712	
Exercise of warrants	40,733	(9,533)	-	-	-	31,200	
Warrants expired	-	(2,104,148)	2,104,148	-	-	-	
Exchange differences on translating foreign operations	-	-	-	963,193	-	963,193	
Net loss for the year	-	-	-	-	(8,568,140)	(8,568,140)	
Balance, December 31, 2023	\$ 71,809,999	\$ 3,546,313	\$ 14,345,538	\$ 687,616	\$ (79,032,310)	\$ 11,357,156	

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, 2023 and 2022

(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 subsidiaries Gairloch Resources Limited ("Gairloch") incorporated on November 16, 2023 and Cavanacaw Corporation ("Cavanacaw"). Cavanacaw has a 100% shareholding in Galántas Irish Gold Limited ("Galántas"), 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 on forecast cash flows being met, further financing negotiations being completed together. Management' assumptions in relation to future financing, levels of production, gold prices and mine operating 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.

Based on the financial projections which have been prepared for a five-year period and using assumptions which management believes to be prudent, alongside ongoing negotiations with both current and prospective investors and creditors, management believes it is appropriate to prepare the consolidated financial statements on the going concern basis.

Should the Company be unsuccessful in securing the above, there would be significant uncertainty over the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that would result if forecast cash flows were not achieved, if the existing creditors withdrew their support or if further financing could not be raised from current or potential investors.

During the year ended December 31, 2022, the Company raised gross proceeds of \$11M through the issuance of shares to investors and the exercise of warrants to meet the financial requirements of the Company. During the year ended December 31, 2023, the Company raised gross proceeds of \$3M through the issuance of shares to investors and \$3.5M through the issuance of convertible debentures.

As at December 31, 2023, the Company had a deficit of \$79,032,310 (December 31, 2022 - \$70,464,170). Comprehensive loss for the year ended December 31, 2023 was \$7,604,947 (year ended December 31, 2022 - \$17,797,425). 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 believes 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.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Incorporation and Nature of Operations

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

The Company entered into an agreement on April 17, 2000, approved by shareholders on June 26, 2000, whereby Cavanacaw, a private Ontario corporation, acquired Omagh. Cavanacaw has established an open pit mine to extract the Company's gold deposit near Omagh, Northern Ireland. Cavanacaw also has developed a premium jewellery business founded on the gold produced under the name 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 November 16, 2023, Gairloch was incorporated. Refer to note 11.

The Company's operations include the consolidated results of Gairloch, 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.

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 23, 2024.

(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, 2023 and 2022
(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
Gairloch Resources Limited ⁽¹⁾⁽⁶⁾	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);

(5) Referred to as Flintridge (as defined herein); and

(6) Referred to as Gairloch (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,	
	2023	2022
Closing rate (GBP to CAD)	1.6837	1.6322
Average for the year	1.6783	1.6080



Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(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, mill recovery rate and external contractor costs;
- 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 (host loan) and embedded derivative liability (conversion feature). The fair value of the embedded derivative at the time of issue is calculated by using black-scholes valuation model. Subsequent to the measurement of derivative liability, the residual value will be allocated as fair value of the host loan. The host loan will be subsequently measured at amortized cost by using an effective interest rate of 37%. Changes in the input assumptions can materially affect the fair value estimates and the Company’s classification between debt and derivative components. The transaction costs incurred to obtain the convertible debenture are pro-rated between equity and debt liability;
- derivative liability – management is required to make a number of estimates when determining the fair value of the derivative liability, including volatility and expected life of the instruments;
- share issued for non-cash consideration - the Company measures equity-settled share-based payment transactions based on an estimate of the fair value of goods or services received, unless that fair value cannot be estimated reliably, in which case the Company measures the fair value of the goods or services received based on the fair value of the equity instruments granted.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(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. 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, 2023 and 2022

(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
Convertible debenture (host loan)	Amortized cost
Other liability	Amortized cost
Derivative liability	FVTPL

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, 2023 and 2022
(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, convertible debenture and other liability 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. The Company's derivative liability is measured at FVTPL.

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 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, 2023 and 2022
(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, 2023 and 2022
(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, exploration 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, 2023 and 2022

(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, 2023 and 2022
(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, 2023 and 2022

(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, 2023 and 2022
(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 convertible debenture is convertible into units in US\$ and the Company's functional currency is the Canadian Dollars. As a result the instrument contains an embedded derivative liability.

The proceeds received on issuance of the Company's convertible debenture are allocated to the host debt and derivative liability component. The fair value of the component is determined based on the residual method.

At the time of issue, the derivative liability feature was measured using the Black-Scholes option pricing model. The residual value was allocated as fair value of the host debt component. The derivative liability is fair valued at each statement of financial position date using the Black-Scholes option pricing model.

The host debt component accretes up to the principal balance at maturity with the accretion expense included in the consolidated statements of loss. The derivative liability component will be reclassified to share capital on conversion.

Transaction costs are apportioned to the debt liability and derivative liability component in proportion to the allocation of proceeds.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(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, 2023 and 2022

(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, 2023 totaled \$11,357,156 (December 31, 2022 - \$14,714,991). 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, 2023. 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, 2023 and 2022

(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, 2023, the Company had working capital deficit of \$12,599,514 (December 31, 2022 - working capital deficit of \$11,027,964). All of the Company's financial liabilities have contractual maturities of less than 30 days other than certain related party loans and the financing liabilities.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

6. Financial and Property Risk Management (Continued)

Financial risk (continued)

(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.

(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, a loan facility with a third party and convertible debentures are subject to interest rate risk. As at December 31, 2023, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the year ended December 31, 2023, would have been approximately \$150,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans, a loan facility and convertible debentures. Similarly, as at December 31, 2023, shareholders' equity would have been approximately \$150,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans, a loan facility and convertible debentures.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

6. Financial and Property Risk Management (Continued)

Sensitivity analysis (continued)

(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 well as convertible debentures that are denominated in US\$. As at December 31, 2023, had the GBP and US\$ weakened/strengthened by 5% against the CAD with all other variables held constant, the Company's consolidated comprehensive loss for the year ended December 31, 2023 would have been approximately \$620,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2023, shareholders' equity would have been approximately \$620,000 higher/lower had the GBP and US\$ 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, 2023.

7. Categories of Financial Instruments

As at December 31,	2023	2022
Financial assets:		
FVTPL		
Cash and cash equivalents	\$ 2,593,265	\$ 1,038,643
Amortized cost		
Accounts receivable	108,292	420,653
Long-term deposit	505,110	489,660
Financial liabilities:		
FVTPL		
Derivative liability	1,245,627	-
Amortized cost		
Accounts payable and other liabilities	3,662,842	4,052,041
Financing facilities	6,757,740	4,836,267
Due to related parties	5,838,256	5,072,534
Convertible debenture	1,923,509	-
Other liability	1,187,437	1,085,426

As of December 31, 2023 and 2022, the fair value of all the Company's financial instruments approximates the carrying value.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

8. Accounts Receivable and Prepaid Expenses

As at December 31,	2023	2022
Sales tax receivable - Canada	\$ 15,067	\$ 22,971
Valued added tax receivable - Northern Ireland	9,959	281,308
Accounts receivable	83,266	116,374
Prepaid expenses	1,488,588	1,390,340
	\$ 1,596,880	\$ 1,810,993

Prepaid expenses includes advances for consumables and for construction of the passing bays in the Omagh mine. Prepaid expenses includes also \$1,000,000 pursuant to services agreement for the underground development at the Omagh Gold Project.

The following is an aged analysis of receivables:

As at December 31,	2023	2022
Less than 3 months	\$ 50,614	\$ 343,381
3 to 12 months	45,330	51,868
More than 12 months	12,348	25,404
Total accounts receivable	\$ 108,292	\$ 420,653

9. Inventories

As at December 31,	2023	2022
Concentrate inventories	\$ 18,184	\$ 83,242

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

(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, 2021	\$ 2,363,814	\$ 8,108,988	\$ 199,217	\$ 216,653	\$ 22,561,674	\$ 556,273	\$ 34,006,619
Additions	-	464,632	45,599	9,619	11,008,120	-	11,527,970
Disposals	-	-	(14,531)	-	-	-	(14,531)
Transfer	-	529,972	-	-	-	(529,972)	-
Cash receipts from concentrate sales	-	-	-	-	(823,475)	-	(823,475)
Impairment (iii)	-	-	-	-	(10,124,920)	-	(10,124,920)
Foreign exchange adjustment	(111,761)	(381,794)	(9,419)	(10,243)	(1,219,359)	(26,301)	(1,758,877)
Balance, December 31, 2022	2,252,053	8,721,798	220,866	216,029	21,402,040	-	32,812,786
Additions	-	-	-	-	3,423,820	26,939	3,450,759
Cash receipts from concentrate sales	-	-	-	-	(1,491,453)	-	(1,491,453)
Impairment (iii)	-	-	-	-	(3,353,077)	-	(3,353,077)
Foreign exchange adjustment	71,058	274,128	6,969	6,816	658,736	-	1,017,707
Balance, December 31, 2023	\$ 2,323,111	\$ 8,995,926	\$ 227,835	\$ 222,845	\$ 20,640,066	\$ 26,939	\$ 32,436,722

Accumulated depreciation

Balance, December 31, 2021	\$ 1,964,309	\$ 6,067,698	\$ 147,888	\$ 137,888	\$ -	\$ -	\$ 8,317,783
Depreciation	4,734	587,131	20,676	12,510	-	-	625,051
Disposals	-	-	(3,268)	-	-	-	(3,268)
Foreign exchange adjustment	(92,801)	(276,816)	(6,681)	(6,331)	-	-	(382,629)
Balance, December 31, 2022	1,876,242	6,378,013	158,615	144,067	-	-	8,556,937
Depreciation	3,954	482,088	17,864	11,097	-	-	515,003
Foreign exchange adjustment	59,213	201,755	5,062	4,581	-	-	270,611
Balance, December 31, 2023	\$ 1,939,409	\$ 7,061,856	\$ 181,541	\$ 159,745	\$ -	\$ -	\$ 9,342,551

Carrying value

Balance, December 31, 2022	\$ 375,811	\$ 2,343,785	\$ 62,251	\$ 71,962	\$ 21,402,040	\$ -	\$ 24,255,849
Balance, December 31, 2023	\$ 383,702	\$ 1,934,070	\$ 46,294	\$ 63,100	\$ 20,640,066	\$ 26,939	\$ 23,094,171

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

10. Property, Plant and Equipment (Continued)

(i) Right-of-use assets of \$nil is included in additions of the plant and machinery for the year ended December 31, 2023 (year ended December 31, 2022 - \$282,041).

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

(iii) The Company conducts impairment testing on an annual basis. The cash generating unit for the purpose of impairment testing is the Omagh Mine. The basis on which the recoverable amount is assessed is its value in use. The cash flow forecast employed for the value in use computation is for a five year period discounted at a rate reflective of market conditions.

The most critical assumption for the value in use calculation was the granting of planning permission for the development of an underground mine. Planning permission was granted but was the subject of a judicial review which found in favour of the Company in September 2017. The judicial review decision was then appealed by a third party to the Court of Appeal in relation to the positive judicial review judgment. This appeal was completed in February 2018 and later in 2018 the Court of Appeal delivered its judgement in regard to an appeal against the Company's planning consent. The Court determined that the appeal had failed and thus the planning consent is confirmed.

As of December 31, 2023, the Company performed its annual impairment tests for development assets. The recoverable amount of the Company's cash generating unit was determined based on their value-in-use using Level 3 inputs in a discounted cash flow model. The key assumptions used in the estimates of the recoverable amounts are described as follows:

- Cash flows: Estimated cash flows were projected based on the Company's business plans, which are based on actual operating results from internal sources as well as industry and market trends. The forecasts were extended to a total of 5 years;
- Discount rate: The post tax discount rates were approximately 16-17%.

As at December 31, 2023, the Company determined the development assets was impaired by \$3,353,077 (December 31, 2022 - \$10,124,920).

11. Exploration and Evaluation Assets

Cost	Acquisition costs	Exploration costs	Total
Balance, December 31, 2021	\$ -	\$ 1,574,183	\$ 1,574,183
Additions	-	1,165,561	1,165,561
Foreign exchange adjustment	-	(74,431)	(74,431)
Balance, December 31, 2022	-	2,665,313	2,665,313
Additions (i)	1,140,115	1,162,710	2,302,825
Impairment	-	(282,493)	(282,493)
Foreign exchange adjustment	-	90,764	90,764
Balance, December 31, 2023	\$ 1,140,115	\$ 3,636,294	\$ 4,776,409

Carrying value

Balance, December 31, 2022	\$ -	\$ 2,665,313	\$ 2,665,313
Balance, December 31, 2023	\$ 1,140,115	\$ 3,636,294	\$ 4,776,409

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

11. Exploration and Evaluation Assets (Continued)

(i) On January 26, 2023, the Company announced that it entered into an agreement to acquire a 100% interest and the exclusive rights to explore and develop the Gairloch Project from the owners of the Gairloch Estate lands. The Company has acquired exploration and developments rights for an initial payment of GBP 347,000 and annual payments of GBP 69,000 beginning in year 6.

The lease agreement will continue for 30 years and will be renewable at the election of Galantas, upon 90 days' prior written notice and upon the approval of the lessor, not to be unreasonably withheld, for a further 20-year period, assuming all conditions of this agreement have been met satisfactorily according to the Lessor, acting reasonably, in respect of the Galantas' conduct and operations. Galantas may terminate the agreement with 18 months' notice.

Galantas made a payment of \$580,392 (GBP 347,000) representing payment for the first five years of the lease. If the exploration phase continues past the fifth anniversary of the effective date of the agreement, Galantas will pay the lessor GBP 69,400 index linked per lease year for each such lease year following the fifth anniversary of the effective date, with such payment to be made at the commencement of each such lease year.

During any mining phase, Galantas will pay the lessor GBP 50,000 index linked per lease year, with such payment to be made at the commencement of each such lease year. Galantas will grant a 5% net profits interest royalty (the "NPI"), calculated according to standard industry terms and practices with the option by the Lessor to convert the NPI to a 2% net smelter returns royalty, calculated according to standard industry terms and practices.

As of December 31, 2023, the Company assessed that the exploration assets were impaired by \$282,493 (December 31, 2022 - \$Nil).

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, 2023 based on a risk-free discount rate of 1% (December 31, 2022 - 1%) and an inflation rate of 1.50% (December 31, 2022 - 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, 2023, the estimated fair value of the liability is \$611,452 (December 31, 2022 - \$582,441). Changes in the provision during the year ended December 31, 2023 are as follows:

As at December 31,	2023	2022
Decommissioning liability, beginning of year	\$ 582,441	\$ 600,525
Accretion	10,601	10,154
Foreign exchange	18,410	(28,238)
Decommissioning liability, end of year	\$ 611,452	\$ 582,441

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, 2022 - GBP 300,000), of which GBP 300,000 was funded as of December 31, 2023 (GBP 300,000 was funded as of December 31, 2022) and reported as long-term deposit of \$505,110 (December 31, 2022 - \$489,660).

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(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,	2023	2022
Accounts payable	\$ 2,131,257	\$ 2,528,245
Accrued liabilities	1,531,585	1,523,796
Total accounts payable and other liabilities	\$ 3,662,842	\$ 4,052,041

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

As at December 31,	2023	2022
Less than 3 months	\$ 1,672,744	\$ 2,939,972
3 to 12 months	807,338	412,168
12 to 24 months	474,290	61,247
More than 24 months (see also note 23)	708,470	638,654
Total accounts payable and other liabilities	\$ 3,662,842	\$ 4,052,041

14. Financing Facilities

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

As at December 31,	2023	2022
G&F Phelps		
Financing facility, beginning of period (i)	4,836,267	4,247,488
Accretion (i)	259,354	269,512
Interest (i)	961,722	618,903
Shares for debt settlement	(100,000)	(24,120)
Foreign exchange adjustment	161,965	(275,516)
	6,119,308	4,836,267
Less current portion	(6,119,308)	(4,836,267)
Financing facilities - non-current portion	\$ -	\$ -

(i) As at December 31, 2023, G&F Phelps had amalgamated loans to the Company of \$3,139,728 (GBP 1,864,779) (December 31, 2022 - \$2,719,042 - GBP 1,665,875) included with financing facilities 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. As at December 31, 2023, the amount of interest accrued is \$2,979,582 (GBP 1,769,663) (December 31, 2022 - \$1,950,675 - GBP 1,195,120).

The G&F Phelps loans expired on December 31, 2023 and are being rolled forward on a month to month basis. 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 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.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

14. Financing Facilities (Continued)

(i) (continued) During the year ended December 31, 2023, the Company recorded accretion expense of \$259,354 in the consolidated statements of loss in regards with this loan facility (year ended December 31, 2022 - \$269,512).

During the year ended December 31, 2023, the Company recorded interest expense of \$961,722 in the consolidated statements of loss in regards with this loan facility (year ended December 31, 2022 - \$618,903).

15. Convertible Debenture

On December 20, 2023, the Company closed a \$3,502,054 (US\$ 2,627,000) convertible debenture. The convertible debenture is unsecured, is for a term of three year commencing on the date that it is issued, carries a coupon of 10% per annum and is convertible into common shares of the Company. Each debenture consists of US\$1,000 principal amount of unsecured convertible debentures. The convertible debentures have a term of 36 months from the date of issuance with a conversion price of US\$0.255 being the equivalent of a conversion price of \$0.35 per conversion share. A four month hold period will apply to common shares converted through the convertible debenture. The hold period will expire on April 21, 2024.

In accordance with the terms of the convertible debentures, if, at any time following the issuance of the convertible debentures, the closing price of the common shares of the Company on the TSXV equals or exceeds \$0.70 per common share for 10 consecutive trading days or more, the Company may elect to convert all but not less than all of the outstanding principal amount of the convertible debentures into conversion shares at the conversion price, upon giving the holders of the convertible debentures not less than 30 calendar days advance written notice. On December 20, 2026, any outstanding principal amount of convertible debentures plus any accrued and unpaid interest thereon shall be repaid by the Company in cash.

Interest on the principal amount outstanding under each convertible debenture shall accrue during the period commencing on December 20, 2023 until December 20, 2026 and shall be payable in cash on an annual basis on December 31st of each year (each, an "Interest Payment Date"); provided, however, that the first interest payment date shall be December 31, 2024. Each convertible debenture shall bear interest at a minimum interest rate of 10% per annum (the "Base Interest Rate"). During each interest period (an "Interest Period"), being the period commencing on December 20, 2023 to but excluding the first Interest Payment Date and thereafter the period from and including an Interest Payment Date to but excluding the next Interest Payment Date or other applicable payment date, the Base Interest Rate will be adjusted based on a gold price of US\$2,000 per ounce, with the Base Interest Rate being increased by 1% per annum for each US\$100 in which the average gold price for such Interest Period exceeds US\$2,000 per ounce, up to a maximum interest rate of 30% per annum; provided, however, that, without the prior acceptance of the TSXV, the average interest rate shall not exceed 24% per annum during the term of the convertible debentures. Any adjustment to the Base Interest Rate in respect of an Interest Period shall be calculated based on the average gold price quoted by the London Bullion Market Association, being the LBMA Gold Price PM, in respect of the Interest Period ending on December 31, 2024, from December 20, 2023 to and including December 15, 2024, and for each subsequent Interest Period, from January 1st to and including December 15th of that year or 15 days prior to the applicable payment date.

Melquart, an insider and control person of the Company (as defined by the TSXV), subscribed for US\$875,000. Ocean Partners, which has a common director with the Company, acquired US\$875,000 aggregate principal amount of convertible debentures.

The Company paid a cash finder's fee of US\$40,500 (CAD\$53,990) and issued 158,823 non-transferable finder's warrants to Canaccord Genuity Corp. in consideration for providing certain finder services to the Company under the offering. Each finder warrant is exercisable to acquire one common share in the capital of the Company at an exercise price of \$0.35 per common share at any time on or before December 20, 2026. The fair value of the 158,823 finder warrants was estimated at \$24,670 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 107.02%, risk-free interest rate - 3.71% and an expected average life of 3 years.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

15. Convertible Debenture (Continued)

The debentures consist of the liability component and conversion feature. Due to the convertible debenture being denominated in US\$, the conversion feature has been presented as a non-cash derivative liability.

On the date of issuance, the fair value of the derivative liability was estimated to be \$1,495,208 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 95.0%, risk-free interest rate - 3.94% and an expected average life of 3 years.

As at December 31, 2023, the fair value of the derivative liability was revalued at \$1,245,627 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 94.9%, risk-free interest rate - 3.91% and an expected average life of 2.97 years.

The fair value of the liability component was recorded at \$2,006,846, discounted at an effective interest rate of 37%.

The Company incurred transaction costs of \$153,481 which was allocated pro-rata on the value of the conversion feature and the liability component.

During the year ended December 31, 2023, the Company recorded accretion expense of \$33,265 and interest expense of \$29,184 as loan interest and bank charges less deposit interest in the consolidated statement of loss.

	Convertible debenture	Derivative liability
Balance, December 31, 2021 and 2022	\$ -	\$ -
Principal amount	3,502,054	-
Derivative liability component	(1,495,208)	1,495,208
Transaction costs	(153,481)	-
Transaction costs allocated to derivative liability component	7,695	(7,695)
Interest expense	29,184	-
Accretion expense	33,265	-
Change in fair value	-	(241,886)
Balance, December 31, 2023	\$ 1,923,509	\$ 1,245,627

16. Leases

Balance, December 31, 2021	\$ 416,040
Addition (i)	282,041
Interest expense	18,857
Lease payments	(701,782)
Foreign exchange	(15,156)
Balance, December 31, 2022 and 2023	\$ -

(i) During the year ended December 31, 2022, the Company entered into lease agreements in respect to rent of equipments, all of which expired in July 2022.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

17. Share Capital and Reserves

a) Authorized share capital

At December 31, 2023, the authorized share capital consisted of an unlimited number of common and preference shares issuable in Series.

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

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

b) Common shares issued

At December 31, 2023, the issued share capital amounted to \$71,809,999. The continuity of issued share capital for the years presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2021	74,683,801	\$ 57,783,570
Shares issued in private placement (i)	13,111,119	5,900,003
Shares issued for services arrangement (i)	2,222,222	1,000,000
Warrants issued (i)	-	(1,644,859)
Share issue costs	-	(752,324)
Exercise of warrants	13,501,367	7,377,666
Balance, December 31, 2022	103,518,509	69,664,056
Shares issued in private placement (ii)	8,230,951	2,963,142
Shares issued for services arrangement (iii)	933,334	420,000
Shares issued for debt settlement (iv)	2,080,609	749,020
Warrants issued (ii)(iv)	-	(1,609,634)
Share issue costs (ii)	-	(417,318)
Exercise of warrants	78,000	40,733
Balance, December 31, 2023	114,841,403	\$ 71,809,999

(i) On August 30, 2022, Galantas completed a private placement of 13,111,119 units at a price of \$0.45 per unit for aggregate gross proceeds of \$5,900,003.

In addition, 2,222,222 units were sold to a third-party service provider on the same term as the offering. The gross proceeds being \$1,000,000 was offset against certain fees to be paid to the third-party service provider by the Company pursuant to a service agreement between the third-party service provider and the Company dated August 30, 2022, for the underground development at the Omagh Gold Project.

Each unit comprises one common share and one-half common share purchase warrant. Each warrant will be exercisable into one additional common share at an exercise price of \$0.55 until February 28, 2025.

The fair value of the 7,666,669 warrants was estimated at \$1,644,859 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 128.35%, risk-free interest rate - 3.64% and an expected average life of 2.5 years.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

17. Share Capital and Reserves (Continued)

b) Common shares issued (continued)

(i) (continued) The Company paid the agents a cash commission equal to \$355,320 and issue 820,000 non-transferable broker warrants of the Company. Each broker warrant is exercisable to acquire one common share at an exercise price of \$0.45 until August 30, 2024. The fair value of the 820,000 warrants was estimated at \$144,464 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 109.13%, risk-free interest rate - 3.63% and an expected average life of 2 years.

Melquart acquired 2,666,667 units for consideration of \$1,200,000. Following the offering, Melquart holds 28,140,195 common shares, representing approximately 27.36% of the issued and outstanding common shares on a non-diluted basis. Ocean Partners acquired 461,112 units of the private placement, for consideration of \$207,500. Mario Stifano, a director of the Company, acquired 55,556 units for consideration of \$25,000.

(ii) On March 27, 2023, the Company closed a non-brokered private placement of 8,230,951 units at a price of \$0.36 per unit for gross proceeds of \$2,963,142. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of \$0.55 per share until March 27, 2028. The fair value of the 7,924,841 warrants was estimated at \$1,284,806 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 126.22%, risk-free interest rate - 2.96% and an expected average life of 5 years.

The Company paid the agents a cash commission equal to \$146,966 and issued 407,962 non-transferable broker warrants of the Company. Each broker warrant is exercisable to acquire one common share at an exercise price of \$0.36 until March 27, 2025. The fair value of the 407,962 warrants was estimated at \$40,175 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 99.18%, risk-free interest rate - 3.61% and an expected average life of 2 years.

Ocean Partners acquired 691,666 units for consideration of \$249,000 and Brendan Morris, an officer of the Company, acquired 468,416 units for consideration of \$168,630.

(iii) The Company has entered into an agreement to acquire the historical Gairloch drill and exploration database (refer to note 11) for (i) a payment of \$420,000 (approximately GBP 252,153), to be satisfied through the issuance of common shares of the Company based on the 5-day volume weighted average price at the time of signing (subject to the approval of the TSXV) and (ii) GBP 50,000 in cash. On April 13, 2023, the Company issued 933,334 common shares per terms of the agreement.

(iv) On April 26, 2023, the Company agreed to the terms of a proposed shares-for-debt transaction with several arm's length creditors of the Company and agreed to settle a total of approximately \$749,020 of indebtedness through the issuance of an aggregate of 2,080,609 units a deemed price of \$0.36 per unit. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of \$0.55 per share until April 26, 2028. The fair value of the 2,080,609 warrants was estimated at \$324,828 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 126.25%, risk-free interest rate - 2.98% and an expected average life of 5 years.

Galantas Gold Corporation

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

17. Share Capital and Reserves (Continued)

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, 2021	28,691,598	\$ 0.39
Issued (notes 17(b)(i) and 21(a)(iv))	8,861,669	0.54
Exercised	(13,501,367)	0.39
Balance, December 31, 2022	24,051,900	0.45
Issued (notes 15, 17(b)(ii)(iv) and 21(a)(iv)(vi))	11,172,235	0.54
Exercised	(78,000)	0.40
Expired	(15,487,231)	0.40
Balance, December 31, 2023	19,658,904	\$ 0.54

The following table reflects the actual warrants issued and outstanding as of December 31, 2023:

Expiry date	Number of warrants	Grant date fair value (\$)	Exercise price (\$)
August 30, 2024	820,000	144,464	0.45
January 31, 2025	500,000	65,527	0.55
February 13, 2025	100,000	16,984	0.41
February 28, 2025	7,666,669	1,644,859	0.55
March 27, 2025	407,962	40,175	0.36
December 20, 2026	158,823	24,670	0.35
March 27, 2028	7,924,841	1,284,806	0.55
April 26, 2028	2,080,609	324,828	0.55
	19,658,904	3,546,313	0.54

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

17. Share Capital and Reserves (Continued)

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, 2021	4,885,000	\$ 0.88
Granted (ii)	1,742,500	0.60
Expired	(255,000)	1.35
Cancelled (i)	(220,000)	0.94
Balance, December 31, 2022	6,152,500	0.78
Expired	(25,000)	1.10
Cancelled (i)	(265,000)	0.76
Balance, December 31, 2023	5,862,500	\$ 0.78

(i) The portion of the estimated fair value of options granted in the current and prior years and vested during the year ended December 31, 2023, amounted to \$353,712 (year ended December 31, 2022 - \$1,470,418). In addition, during the year ended December 31, 2023, 265,500 options granted in the prior years were cancelled (year ended December 31, 2022 - 220,000 options cancelled).

Galantas Gold Corporation

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

17. Share Capital and Reserves (Continued)

d) Stock options (continued)

(ii) On May 3, 2022, the Company granted 1,742,500 stock options to directors, officers, employees and consultants of the Company to purchase common shares at \$0.60 per share until May 3, 2027. The options will vest as to one third immediately and one third on each of May 3, 2023 and May 3, 2024. The fair value attributed to these options was \$900,000 and was expensed in the consolidated statements of loss and credited to equity settled share-based payments reserve.

The following table reflects the actual stock options issued and outstanding as of December 31, 2023:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
February 13, 2024	0.90	0.12	85,000	85,000	-
June 27, 2024	0.90	0.49	100,000	100,000	-
May 19, 2026	0.86	2.38	3,635,000	3,635,000	-
June 21, 2026	0.73	2.47	425,000	425,000	-
August 27, 2026	0.86	2.66	20,000	20,000	-
May 3, 2027	0.60	3.34	1,597,500	1,065,000	532,500
	0.78	2.60	5,862,500	5,330,000	532,500

18. Net Loss per Common Share

The calculation of basic and diluted loss per share for the year ended December 31, 2023 was based on the loss attributable to common shareholders of \$8,568,140 (year ended December 31, 2022 - \$16,633,939) and the weighted average number of common shares outstanding of 111,949,878 (year ended December 31, 2022 - 89,401,620) for basic and diluted loss per share. Diluted loss did not include the effect of 19,658,904 warrants (year ended December 31, 2022 - 24,051,900) and 5,862,500 options (year ended December 31, 2022 - 6,152,500) for the year ended December 31, 2023, 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, 2023 totalled approximately US\$1,103,532 (CAD\$1,491,453) (year ended December 31, 2022 - US\$608,000 (CAD\$823,475)). However, until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

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,	2023	2022
Loss before income taxes	\$ (8,568,140)	\$ (16,633,939)
Expected tax recovery at statutory rate of 26.5% (2022 - 26.5%)	(2,270,557)	(4,407,994)
Difference resulting from:		
Foreign tax rate differential	93,504	191,802
Stock-based compensation	93,734	389,661
Share issue costs directly in equity	(96,650)	(128,866)
Permanent differences and other	(630,248)	1,587,816
Change in deferred income tax assets not recognized	2,810,217	2,367,581
	\$ -	\$ -

(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,	2023	2022
Deferred income tax assets (liabilities)		
Losses carried forward	\$ 17,696,034	\$ 14,600,831
Share issue costs and other	263,746	270,340
Non-current assets	(3,408,901)	(3,130,509)
Deferred tax assets not recognized	(14,550,879)	(11,740,662)
	\$ -	\$ -

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

20. Taxation (Continued)

(c) Losses carried forward

As at December 31, 2023, 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
	2042	2,173,300
	2043	2,557,630
Indefinite		<u>51,566,359</u>
		<u>\$ 69,583,243</u>

At December 31, 2023, 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.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

21. Related Party Disclosures

Related parties pursuant to IFRS 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:

		Year Ended December 31,	
		2023	2022
Interest on related party loans	(i)	\$ 729,033	\$ 554,073

(i) Refer to note 21(a)(iv).

(ii) Refer to note 17(b).

(iii) Refer to note 15.

(iv) On May 14, 2021, the maturity date of the US\$1.6 million loan facility with Ocean Partner due on December 31, 2021 has been extended to December 31, 2023. Ocean Partners and the Company have a common director. Interest may be deferred and added to the balance outstanding until March 31, 2022, at which point interest will be paid monthly.

On February 3, 2022, the Company announced the closing of the loan agreement for US\$1.06 million with Ocean Partners. Ocean Partners and the Company have a common director. Terms of the loan agreement are:

- The loan matured on July 31, 2022.
- 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.
- 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. The fair value of the 250,000 warrants was valued at \$51,000 using the following Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 107%, risk-free interest rate - 1.22% and an expected average life of 1 year.
- US\$40,000 extension fee was paid to Ocean Partners if the Company elects to extend the loan for a further six months from the maturity date. The Company exercised its option to extend the US\$1.06 million loan for a further six months, to January 31, 2023 by paying the US\$40,000 extension fee to Ocean Partners.

Proceeds from the loan will be used for further development of the Omagh mine in Northern Ireland and working capital. Subsequent to year end, this loan was converted into a convertible debenture. Refer to note 24(i).

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

21. Related Party Disclosures (Continued)

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

(iv) (continued)

On August 3, 2022, the Company announced the closing of the loan agreement for US\$530,000 with Ocean Partners. Terms of the loan agreement are:

- The loan matures on January 31, 2023.
- The loan will bear interest at an annual rate of 12% compounded monthly and repayable in full on the maturity date.
- US\$10,000 commitment fee has been paid to Ocean Partners.
- 125,000 bonus warrants have been granted to Ocean Partners, which will be exercisable for a period of 12 months at an exercise price of \$0.48. The bonus warrants are subject to a hold period under applicable securities laws and the rules of the TSXV, expiring on July 25, 2023. The fair value of the 125,000 warrants was valued at \$23,000 using the following Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 95.09%, risk-free interest rate - 3.12% and an expected average life of 1 year.
- US\$20,000 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.

Subsequent to year end, this loan was converted into a convertible debenture. Refer to note 24(i).

As at December 31, 2023, the Company owes Ocean Partners \$5,673,150 (December 31, 2022 - \$4,978,069) which is recorded as due to related parties on the consolidated statement of financial position.

	2023	2022
Balance, beginning of year	\$ 4,978,069	\$ 2,444,376
Loan received	-	2,062,693
Less bonus warrants	-	(74,000)
Share issue costs ⁽¹⁾⁽²⁾	-	(93,444)
Advance	-	93,284
Repayment	(24,735)	(524,255)
Accretion	116,569	391,128
Interest	729,033	554,073
Foreign exchange adjustment	(125,786)	124,214
Balance, end of year	5,673,150	4,978,069
Less current balance	(5,673,150)	(4,978,069)
Due to related parties - non-current balance	\$ -	\$ -

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

21. Related Party Disclosures (Continued)

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

(v) In December 2022, the Company entered into an agreement (the "Trading Agreement") with Ocean Partners, whereby Ocean Partners has sold on behalf of Galantas call options on 6,000 ounces of gold at 500 ounces per month from February 2024 to January 2025 at a strike price of US\$1,775 per ounce for proceeds of US\$804,000 to Galantas (an option premium of US\$134 per gold ounce). Proceeds from the sale was used to fund development of the underground mining operations at the Omagh Gold Project in Northern Ireland and working capital.

Pursuant to the Trading Agreement, and in return for Ocean Partners facilitating the call option sale and agreeing to maintain all margin requirements on Galantas' behalf, which Galantas has determined has a value of at least \$150,000, Galantas has agreed to grant 500,000 warrants to Ocean Partners at an exercise price of \$0.55 expiring on January 31, 2025. The warrants were subject to a hold period under applicable securities laws and the rules of the TSXV. The fair value of the 500,000 warrants was valued at \$65,527 using the following Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 97.85%, risk-free interest rate - 3.73% and an expected average life of 1.9 year.

In October 2023, the Trading Agreement was terminated and converted to a loan.

As at December 31, 2023, balance related to the loan is recorded as other liability on the consolidated statement of financial position is \$1,187,437 (December 31, 2022 - \$1,085,426).

Subsequent to year end, the loan was converted to convertible debenture. Refer to note 24(i).

(vi) On February 13, 2023, the Company announced that it entered into a loan agreement for \$580,392 (GBP 347,000) with London-based family office Melquart Limited ("Melquart"), an insider and control person of the Company (as defined by the TSXV). The loan is to be used for the initial lease payment for the Gairloch Project in Scotland (refer to note 11). The loan is payable 24 months from the date of the loan agreement and will bear interest at an annual rate of 12% payable upon repayment of the loan. The Company granted to Melquart a security interest in the lease for the Gairloch Project. As at December 31, 2023, the amount of interest accrued is \$64,095 (GBP 38,068).

During the year ended December 31, 2023, the Company recorded accretion expense of \$7,077 in the consolidated statements of loss in regards with this loan facility.

During the year ended December 31, 2023, the Company recorded interest expense of \$64,095 in the consolidated statements of loss in regards with this loan facility.

As consideration for providing the loan, Melquart received 100,000 warrants of Galantas. Each bonus warrant are exercisable into one common share of Galantas at an exercise price of \$0.41, with said warrants expiring on February 13, 2025. The fair value of the 100,000 warrants was estimated at \$16,984 using the following Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 97.54%, risk-free interest rate - 3.47% and an expected average life of 1.90 years.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

21. Related Party Disclosures (Continued)

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

(vi) (continued)

	2023	2022
Melquart Limited		
Financing facilities, beginning of period	\$ -	\$ -
Financing facility received	580,392	-
Less bonus warrants issued	(16,984)	-
Accretion	7,077	-
Interest	64,095	-
Foreign exchange adjustment	3,852	-
Balance, end of year	638,432	-
Less current portion	-	-
Due to related parties - non-current balance	\$ 638,432	\$ -

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

	Year Ended December 31,	
	2023	2022
Salaries and benefits ⁽¹⁾	\$ 450,861	\$ 558,941
Stock-based compensation	263,333	930,223
	\$ 714,194	\$ 1,489,164

⁽¹⁾ Salaries and benefits include director fees. As at December 31, 2023, due to directors for fees amounted to \$140,000 (December 31, 2022 - \$70,000) and due to officers, mainly for salaries and benefits accrued amounted to \$25,106 (December 31, 2022 - \$24,465), and is included with due to related parties.

(c) As at December 31, 2023, the issued shares of Galantas total 114,841,403. Ross Beaty owns 3,744,747 common shares of the Company or approximately 3.3% of the outstanding common shares. Premier Miton owns 4,848,243 common shares of the Company or approximately 4.2%. Melquart owns, directly and indirectly, 28,140,195 common shares of the Company or approximately 24.5% of the outstanding common shares of the Company. G&F Phelps owns 5,353,818 common shares of the Company or approximately 4.7%. Eric Sprott owns 10,166,667 common shares of the Company or approximately 8.9%. Mike Gentile owns 6,217,222 common shares of the Company or approximately 5.4%.

Excluding the Melquart Ltd, Premier Miton, Mr. Beaty, Mr. Phelps, Mr. Sprott and Mr. Gentile shareholdings discussed above, the remaining 49% 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 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.

Galantas Gold Corporation

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

21. Related Party Disclosures (Continued)

(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 21(a)(vi), Melquart¹ participated in the private placement in February 2023.
2. Related party balances Loan accounts – owed to related parties

		December 31,	
		2023	2022
Melquart	(i)	\$ 638,432	\$ -
Ocean Partners	(ii)	5,673,150	4,978,069
Total		\$ 6,311,582	\$ 4,978,069

(i) 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.

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

		Year Ended December 31,	
		2023	2022
Salaries and benefits			
Mario Stifano, CEO		\$ 197,748	\$ 246,894
Alan Buckley, CFO		113,113	172,047
Brent Omland, director		30,000	30,000
David Cather, director		30,000	30,000
James B. Clancy, director		30,000	30,000
Roisin Magee, director		50,000	50,000
		\$ 450,861	\$ 558,941

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,	
		2023	2022	2023	2022
Mario Stifano, CEO	17(d)	-	500,000	\$ 142,744	\$ 498,713
Alan Buckley, CFO	17(d)	-	125,000	29,795	97,427
Brendan Morris, COO	17(d)	-	125,000	22,928	63,186
Brent Omland, director	17(d)	-	62,500	17,673	81,754
David Cather, director	17(d)	-	62,500	14,897	48,713
James B. Clancy, director	17(d)	-	62,500	9,006	48,713
Roisin Magee, director	17(d)	-	92,500	26,290	91,717
		-	1,030,000	\$ 263,333	\$ 930,223

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(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, 2023	United Kingdom	Canada	Total
Current assets	\$ 1,831,473	\$ 2,376,856	\$ 4,208,329
Non-current assets	\$ 26,702,212	\$ 1,673,478	\$ 28,375,690
Revenues	\$ -	\$ -	\$ -

December 31, 2022	United Kingdom	Canada	Total
Current assets	\$ 1,659,045	\$ 1,273,833	\$ 2,932,878
Non-current assets	\$ 27,271,081	\$ 139,741	\$ 27,410,822
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 \$512,333 (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 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.

24. Events After the Reporting Period

(i) On February 5, 2024, the Company announced that it closed a debt settlement transaction, pursuant to which the Company settled US\$2,711,000 of indebtedness owing to Ocean Partners through the issuance of US\$2,711,000 aggregate principal amount of unsecured convertible debentures of the Company.

The convertible debenture issued in connection with the debt settlement were issued on substantially the same terms as the unsecured convertible debentures closed on December 20, 2023 (refer to note 15).

The debt settlement remains subject to the final acceptance of the TSXV. The convertible debentures issued pursuant to the debt settlement are subject to a four-month hold period which will expire on June 6, 2024.

(ii) On February 13, 2024, 125,000 stock options with exercise price of \$0.90 expired unexercised.