GALANTAS GOLD CORPORATION

Management's Discussion and Analysis

Year Ended

December 31, 2013

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MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2013

Introduction

The Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Galantas Gold Corporation ("Galantas" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2013. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2013 and 2012, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as of April 16, 2014, unless otherwise indicated.

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

Cautionary Note Regarding Forward-Looking Information

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

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

	conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties	other local legislation and regulation; changes in economic and political conditions; the Company's ability to attract skilled staff
The Company's ability to meet its working capital needs at the current level for the year ending December 31, 2014	The operating and exploration activities of the Company for the year ending December 31, 2014, and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company	Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
The Company's ability to carry out anticipated exploration on its property interests	The exploration activities of the Company for the fiscal year ending December 31, 2014, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; receipt of applicable permits

Management's outlook regarding future trends	Financing will be available for the Company's exploration, development and operating activities; the price of applicable metals, interest rates and exchange rates will be favourable to the Company	Metal price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions
Asset values for fiscal year 2014	Management's belief that no write- down is required for its property and equipment resulting from continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programs on the Company's projects	If the Company does not obtain equity or debt financing on terms favorable to the Company or at all, a decline in asset values that could be deemed to be other than temporary, may result in impairment losses
Sensitivity analysis of financial instruments	The Company has no significant interest rate risk due to low interest rates on its cash balances.	Changes in debt and equity markets; interest rate and exchange rate fluctuations
Prices and price volatility for metals	The price of metals will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of metals will be favourable	Changes in debt and equity markets and the spot prices of metals; interest rate and exchange rate fluctuations; changes in economic and political conditions

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

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

Date of MD&A

This MD&A was prepared on April 16, 2014.

Overview – Strategy - Description of Business

Company Overview

Galantas is a producing mineral resource issuer and the first to acquire planning consent to mine gold in Northern Ireland. The Company's wholly owned Ontario holding company, Cavanacaw Corporation, owns all of the shares of two Northern Ireland companies – Omagh Minerals Limited, owner of prospecting and mining rights, planning consent plus land, buildings and equipment; and Galantas Irish Gold Limited a jewellery business which is no longer being pursued and for which the Company is examining the availability of a joint venture opportunity.

Mining at the Omagh mine has been conducted by open pit methods. The mine produces a flotation concentrate which is shipped to a smelter in Canada under a life of mine off-take agreement. The Company's strategy to increase shareholder value is to:

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

During the year ended December 31, 2013 the Company announced that the Board of Directors had determined to undertake a strategic review of its business and opportunities which is currently underway, including a possible sale or joint venture of all or part of its Northern Ireland properties.

Reserves and Resources

During 2008, ACA Howe International Ltd prepared an updated estimate of mineral resources for the Omagh mine. The report, entitled Technical Report on the Omagh Gold Project is dated 28th May 2008 and is published on www.sedar.com and www.galantas.com.

In June 2012 ACA Howe International Ltd (Howe UK) completed an updated NI 43-101 compliant Mineral Resource Estimate together with a Preliminary Economic Assessment. This report, which was based on drilling results and analyses received to June 2012, identified all resources discovered at that date. The Company subsequently filed the complete Technical Report and Preliminary Economic Assessment on SEDAR in August 2012. An updated resource estimate was prepared by the Company during the second quarter of 2013 based on drilling results received to May 5, 2013 (see press release dated June 12, 2013).

There has been a 50% increase in resources classified as measured and indicated and a 28% increase in resources classified as inferred, when compared to the resource estimate prepared in 2012. The Company is continuing work on a further report which includes drilling results post May 2013 and will include a detailed feasibility study of the underground mining project

Mining Project

The project currently embraces an open pit mine capable of supplying ore to a crushing-grinding-froth flotation plant. The plant is designed to produce a gold and silver rich sulphide flotation concentrate for sale to a commercial smelter. The plant was commissioned as stated in a press release dated June 26, 2007.Since earlier this year there has been a shift in operations from mining and processing ore from open pits to operating from lower grade stock already mined which has impacted negatively on production levels. During the fourth quarter of 2013 the processing of low grade ore was suspended as a result of a reduction in the concentrate gold grade coupled with falling gold prices. Later in the fourth quarter the Company commenced tests with regards to the processing of tailing cells filled during the earlier operation of the mine.

Underground Mine Plan

During 2012 the planning application for an underground mine were submitted to the Planning Services of Northern Ireland. Discussions have continued with the planning services during 2012 and 2013 with regards to the underground mine plan and a planning determination is anticipated during the first half of 2014 though it should be noted that the timeline for delivery of the determination is not within the control of the Company.

Galantas Irish Gold Limited

During 2011 Galantas announced that it would review joint venture opportunities related to its gold jewellery business as management focus is now entirely on the mine operation.

Management and Staff

Overall management is exercised by one Executive Director along with a Deputy General Manager and Production Manager in charge of operations in Omagh where the mine, plant and administration employed 7 personnel as of December 31, 2013.

Key Performance Driver

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

Overview of 2013

Production at the Omagh mine during the year ended December 31, 2013 was below production levels of the year ended December 31, 2012. This was due to a shift in operations in early 2013 from mining and processing ore from open pits to operating from lower grade stock already mined. Later in 2013 the processing of low grade ore was suspended as a result of a reduction in the concentrate gold grade coupled with falling gold prices. Tests have commenced at the Omagh mine with regards to continuing production on a limited scale through the processing of tailing cells filled during the earlier operation of the mine.

Galantas incurred a net loss of $ 1,944,355 for the year ended December 31 2013 compared with a net loss of $ 593,866 for the year ended December 31, 2012. When the net loss is adjusted for non cash items before changes in non-cash working capital the cash loss from operating activities amounted to $ 1,396,019 for 2013 compared with cash from operations of $ 177,737 for 2012. The cash loss from operating activities after changes in non-cash working capital items amounted to $ 869,781 for 2013 compared to cash from operations of $ 569,610 for 2012.

The Company had cash balances at December 31, 2013 of $ 166,617 compared to $ 1,164,868 at December 31, 2012. The working capital deficit at December 31, 2013 amounted to $ 3,904,304 which compared with a working capital deficit of $ 2,309,307 at December 31, 2012.

There were no financings during 2013. The Company had been actively seeking additional funding in 2013. However the relative weakness of the Canadian and UK equity markets for junior mining companies restricted the Company's financing opportunities. Subsequent to December 31, 2013 the Company announced that they expected to raise a minimum of UK£ 500,000 through a private placement of new shares once regulatory approval is obtained for the consolidation of the Company's issued and outstanding share capital, exchange of shares for debt and the private placement of shares.

The exploration drilling program continued during 2013 with four additional holes, one in North Kearney and three targeting the central portion of the Joshua orebody. This exploration program is seeking to expand the resources on veins close to the existing operating gold mine. Drilling has now been suspended, pending the availability of cash for future exploration.

During the year the Company announced that the Board of Directors had determined to undertake a strategic review of its business and opportunities, including a possible sale or joint venture of all or part of its Northern Ireland properties which process is currently underway.

Review of 2013 Financial Results

The net loss for the year ended December 31, 2013 amounted to $ 1,944,355 compared to a net loss of $ 593,866 for the year ended December 31, 2012 as summarized below.

	Year Ended December 31, 2013 $	**Year Ended December 31, 2012 $**
Revenues	**1,531,473**	**4,659,330**
Production costs	1,603,685	3,146,359
Inventory movement	(12,616)	20,767
Cost of sales	**1,591,069**	**3,167,126**
(Loss) Income before the undernoted	**(59,596)**	**1,492,204**
Depreciation	500,756	748,711
General administrative expenses	1,188,397	1,604,162
Gain on debt extinguishment	0	(190,624)
Loss (Gain) on disposal of property, plant and equipment	105,811	(86,816)
Foreign exchange loss	89,795	10,637
Net Loss for the Year	**$ (1,944,355)**	**$ (593,866)**

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the year. Sales revenues from for the year ended December 31, 2013 amounted to $ 1,531,473 which were below revenues of $ 4,659,330 for the year ended December 31, 2012 due primarily to lower production and shipments during 2013 when compared to 2012. The average gold price in 2013 was below that of 2012 which also adversely impacted sales revenues.

Cost of sales includes production costs at the mine and inventory movements and totalled $ 1,591,069 for the year ended December 31, 2013 compared to $ 3,167,126 for the year ended December 31, 2012. A summary of cost of sales is set out on Note 17 of the December 31, 2013 consolidated financial statements.

Production costs for the year ended December 31, 2013 amounted to $ 1,603,685 compared to $ 3,146,359 for the year ended December 31, 2012. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, consumables and royalties. The lower production costs for the year ended December 31, 2013 mainly reflect the absence of open pit mining activity during most of the year. These lower production costs included decreases in Production wages of $ 417,973 to $ 591,101 reflecting the reduced cost of production personnel following the redundancies that were effected during 2012 and 2013, Oil and fuel decreases of $ 501,564 to $ 559,047 due primarily to reduced usage arising from the lower mining activity, Repairs and servicing cost decreases of $ 344,539 to $ 123,387 due primarily to the much reduced level of maintenance charges in the mine as a result of the lower level of mobile equipment operating in the mine, Equipment hire decreases of $ 155,313 to $ 37,756 arising from the off-hire of machinery in 2013 as a result of the reduced mining activity, Royalty costs, which are based on sales revenues, decreased by $ 55,810 to $ 34,747 reflecting the lower level of sales revenues during the year, Consumable costs decreases of $ 41,211 to $ 161,586 due mainly to the lower level of throughput in the mill and Carriage costs decreases of $ 14,453 to $ 29,783 arising from the lower level of shipments during 2013.

The inventory movement credit of $ ($ 12,616) for the year ended December 31, 2013 reflects an increase in inventory at December 31, 2013 when compared to December 31, 2012 inventory levels. There was an inventory movement of $ 20,767 for the year ended December 31, 2012 which reflects a decrease in inventory at December 31, 2012 when compared to December 31, 2011 inventory levels.

This has resulted in a net operating loss of $ 59,596 before depreciation, general administrative expenses, loss on disposal of property, plant and equipment and foreign exchange loss for the year ended December 31, 2013 compared to a net operating income of $ 1,492,204 for 2012.

Depreciation of property, plant and equipment excluding mine development costs during 2013 totalled $ 429,963 which compared with $ 539,553 for 2012. This decrease is due to both the disposal of property, plant and equipment in 2013 together with the depreciation charge being calculated on the reducing balance basis. Depreciation of mine development costs for the year ended December 31, 2013 amounted to $ 70,793 compared to $ 209,158 for the year ended December 31, 2012. This 2013 depreciation charge, which is calculated on the unit of production basis, is lower than the 2012 charge due to the lower production levels in 2013.

General administrative expenses for the year ended December 31, 2013 amounted to $ 1,188,397 compared to $ 1,604,162 for 2012. General administrative expenses are reviewed in more detail in Other MD&A Requirements.

The gain on debt extinguishment during 2013 amounted to $ Nil compared to a gain of $ 190,624 for 2012.

The loss on disposal of property, plant and equipment during 2013 amounted to $ 105,811 compared to a gain of $ 86,816 for 2012.

There was a Foreign exchange loss of $ 89,795 for the 2013 which compared with a Foreign exchange loss of $ 10,637 for 2012.

This has resulted in a net loss of $ 1,944,355 for the year ended December 31, 2013 compared to a net loss of $ 593,866 for the year ended December 31, 2012. When the net loss is adjusted for non-cash items before changes in non-cash working capital the cash loss from operating activities amounted to $ 1,396,019 for 2013 compared with cash from operations of $ 177,737 for the year ended December 31, 2012. The cash loss from operating activities after changes in non-cash working capital items amounted to $ 869,781 for 2013 compared to cash from operations of $ 569,610 for 2012.

Foreign currency translation gain, which is included in consolidated statements of comprehensive loss amounted to $ 777,304 for the year ended December 31, 2013 which compared to a foreign currency translation gain of $ 211,760 for 2012. This resulted in a Total comprehensive loss of $ 1,167,051 for the year ended December 31, 2013 compared to a Total comprehensive loss of $ 382,106 for the year ended December 31, 2012. The foreign currency translation gain during 2013 arose as a result of the net assets of the Company's UK subsidiaries, most of which are denominated in UK, being translated to Canadian dollar at year end exchange rates. The Canadian dollar exchange rate weakened against UK£ at December 31, 2013 when compared to December 31, 2012 which has resulted in an increase in the Canadian dollar value of these net assets at December 31, 2013 when compared to December 31, 2012 resulting in the foreign currency translation gain.

Total assets at December 31, 2013 amounted to $ 13,353,812 compared to $ 14,019,111 at December 31, 2012. Cash at December 31, 2013 was $ 166,617 compared to $ 1,164,868 at December 31, 2012. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to $ 405,124 at December 31, 2013 compared to $ 673,054 at December 31, 2012. The decrease in accounts receivable and advances is mainly due to a reduction in reclaimable taxes and prepayments. Inventory at December 31, 2013 amounted to $ 338,865 compared with an inventory of $ 326,249 at December 31, 2012. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business. There was a low level of concentrate stocks at December 31, 2013 and December 31, 2012 due to almost all concentrates produced having been shipped at year end.

Property, plant and equipment totalled $ 10,100,319 compared to $ 10,026,969 at December 31, 2012. Exploration and evaluation assets totalled $ 1,875,771 at December 31, 2013 compared to $ 1,399,254 at the end of 2012. Long term deposit at December 31, 2013, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to $ 467,116 compared to $ 428,717 at December 31, 2012. Following the transition to International Financial Reporting Standards (IFRS), property, plant and equipment, deferred development and exploration costs and long term deposit at the Company's Omagh mine, all of which are denominated in UK are now translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate weakened against UK£ at December 31, 2013 when compared to December 31, 2012 which has resulted in an increase in the Canadian dollar value of these assets at December 31, 2013 when compared to December 31, 2012.

Current liabilities at December 31, 2013 amounted to $ 4,814,910 compared to $ 4,473,478 at the end of 2012. The working capital deficit at December 31, 2013 amounted to $ 3,904,304 compared to a working capital deficit of $ 2,309,307 at December 31, 2012. Accounts payable and other liabilities totalled $ 1,217,360 compared to $ 1,670,729 at December 31, 2012. Amounts due to related parties at December 31, 2013 amounted to $ 3,597,550 compared to $ 2,802,749 at the end of 2012. The decommissioning liability at December 31, 2013 amounted to $ 528,810 compared to $ 404,450 at December 31, 2012.

Selected Annual Information

	Year Ended December 31 2013 IFRS	Year Ended December 31 2012 IFRS	Year Ended December 31 2011 IFRS	Year Ended December 31 2010 IFRS	Year Ended December 31 2009 Canadian GAAP
Revenue (including interest income)	$ 1,531,473	$ 4,659,330	$ 9,492,157	$ 6,831,410	$ 5,409,913
Net income (loss)	$ (1,944,355)	$ (593,866)	$ 1,610,990	$ 750,200	$ (6,361,697)
Net income (loss) per share basic	$ 0.01)	$ (0.00)	$ 0.01	$ 0.00	$ (0.03)
Net income (loss) per share diluted	$ (0.01)	$ (0.00)	$ 0.01	$ 0.00	$ (0.03)
Cash and cash equivalents	$ 166,617	$ 1,164,868	$ 4,240,081	$ 2,661,798	$ 485,997
Working Capital (Deficit)	$ (3,904,304)	$ (2,309,307)	$ (536,142)	$ (292,336)	$ 3,711,772)
Total Assets	$ 3,353,812	$ 14,019,111	$ 14,070,093	$ 9,912,522	$ 11,946,303
Long Term Liabilities	$ 0	$ 0	$ 0	$ 0	$ 34,102
Shareholders' Equity	$ 8,010,092	$ 9,141,183	$ 7,495,306	$ 5,407,725	$ 6,163,851

The Net Loss for Year Ended December 31, 2013 is discussed in Review of 2013 Financial Results on pages 7 to 9 of this MD&A.

The Company does not have any extraordinary items and has not declared a dividend for the years presented above.

Revenue primarily consists of sales of concentrates from the Omagh mine. Revenue is discussed in Review of 2013 Financial Results on pages 7 to 9 of this MD&A.

Cash levels at December 31, 2013 are below those of December 31, 2012 reflecting the cash loss from operations, expenditures on the Company's exploration programme and underground development costs during 2013.

Up to 2009 the Company's working capital deficit had been increasing from year to year due to both increases in loans from related parties and long term liabilities being reclassified as current liabilities. However the Company's improved financial performance together with the 2010 private placement enabled Galantas to substantially reduce its working capital deficit in 2010 and 2011.The increased working capital deficit at December 31, 2012 reflects both the expenditures on the Company's exploration drilling programme and underground development costs together with capital expenditures and in particular the land acquisition during 2012. The further increased working capital deficit at December 31, 2013 reflects the cash loss from operations, expenditures on the Company's exploration programme and underground development costs during 2013.

Total assets had reduced at December 31, 2009 as a result of the 2009 impairment charge and the depreciation of assets. However the Company's improved performance together with the private placement in 2010 and debenture loan in 2011 resulted in an increase in total assets at December 31, 2010, 2011 and

2012. The decrease in total asset at the end of 2013 is mainly as a result of the Company's reduced cash position.

Long term liabilities are $ Nil at December 31, 2013 as a result of both loan repayments and the related party loans now being reclassified within current liabilities.

The reduction in shareholders' equity in 2009 and 2008 was primarily due to the increased deficits as a result of the net losses incurred in those years. Shareholders equity then increased following the Company's return to profitability in 2010 and 2011. Shareholders equity further increased in 2012 following the shares issued for exercise of the Kenglo warrants. This increase was partially offset by the losses incurred in 2012 and 2013.

Review of Operations

2013 Production

Concentrate production at the Omagh mine during the year ended December 31 2013 as summarized below was well below production levels achieved in 2012.

	Year Ended December 31, 2013	Year Ended December 31, 2012
Tonnes Milled	40,711	44,112
Average Grade g/t gold	1.0	2.3
Concentrate Dry Tonnes	499	1,008
Gold Grade	84.1	100.9
Gold Produced (oz)	1,349	3,271
Gold Produced (kg)	41.9	101.7
Silver Grade	163.5	227.6
Silver Produced (oz)	2,622	7,379
Silver Produced (kg)	81.5	229.5
Lead Produced tonnes	36.3	61.4
Gold Equivalent (oz)	1,448	3,507

Tonnes milled during the year ended December 31 2013 totalled 40,711tonnes mainly comprising low grade ore and compared to 44,112 tonnes for the year ended December 31 2012. Concentrate production for 2013 at 499 dry tonnes was significantly below 2012 production of 1,008 dry tonnes – a decrease of 50%. This was primarily due to the processing of low grade stockpiled ore during the year. Metal content of production for the year ended December 31 2013 totalled 1,349 ounces of gold (41.9 kg), 2,622 ounces of silver (81.5kg) and 36.3 tonnes of lead. This compares with metal content for the year ended December 31 2012 of 3,271 ounces of gold (101.7kg), 7,379 ounces of silver (229.5 kg) and 61.4 tonnes of lead which represents a 59% decrease in gold output, a 64% decrease in silver output and a 41% decrease in lead output. Gold equivalent for the year ended December 31 2013 was 1,448 ounces which compares to 3,507 ounces for 2012 representing a 59% decrease. The 2013 production figures and metal contents are provisional and subject to averaging or umpiring provisions under the concentrate off – take agreement as detailed in a press release dated October 3, 2007.

The main production focus during 2013 has been on the processing of ore from the low grade stockpile. Earlier in the year there had been some limited open pit mining on the Kerr vein which ceased during the first quarter when the pit met its planned design limit. From the second half of 2012 mining from the Kearney pit had become totally restricted as a result of the surplus rock stockpile on the site reaching capacity levels. This surplus rock was due to be transported from the site in 2012 with the Omagh mine having completed construction of public road improvements at its own cost to comply with the conditions of the planning consent. However, following a judicial review brought by a private individual on the grounds of procedural failings by Planning Services, the planning consent was quashed with the surplus rock remaining on site. This ongoing limitation resulted in production continuing to be from low grade sources. To generate cash from its operations the Company continued to improve efficiencies and cut costs during the 2013.

Due to the mill being fed with the lower grade ore during 2013 production continued to be hampered by both the ongoing variations in the metallurgy due to the inconsistent grade of ore being milled and the clay content of stocked material. The concentrate gold grade fell further during the third and fourth quarter and this coupled with falling gold prices resulted in the Company suspending the processing of low grade ore during the fourth quarter which resulted in further cost reduction measures being implemented at the Omagh mine. Later in the fourth quarter the Company commenced pilot tests with regards to the processing of tailing cells filled during the earlier operation of the mine. The results confirm pre-existing data that indicated the tailings contain between 0.5g/t gold and 1 g/t gold and meet European Union standards for definition as inert material. A low energy cost processing solution, based upon a Knelson CD12 centrifugal gravity concentrator, which was already utilised in the gold processing plant in a secondary role, has been successfully pilot tested as a prime re-treatment component for flotation tailings. The tailings do not require comminution (crushing and grinding) for re-processing by this method. Concentrate grades produced by the the pilot study were higher than grades for flotation concentrate from mined vein material. The Company is presently reviewing the economics of continuing production through the processing of tailings cells.

During 2012 the Environmental Impact Study in connection with the proposed underground development together with the planning application for an underground mine were submitted to the Planning Services. Discussions continued with the planning services in Northern Ireland during 2013 with regards to the underground mine plan and accompanying Environmental Statement. Consultations with statutory consultees continues to progress, with additional information requested now filed with the Planning Services for consideration by consultees. A planning determination is anticipated during the first half of 2014 though it should be noted that the timeline for delivery of the determination is not within the control of the Company.

The reinstatement of a third paste cell was completed during the first quarter of 2013. Work, which had commenced in early 2012, on the development of a number of paste cells already permitted, in preparation for their future utilisation when underground mining at the Omagh mine commences, was also completed earlier in 2013 following the cessation of mining on the Kerr vein.

Production at the Omagh mine for the three months ended December 31, 2013 is summarized below.

	Quarter ended December 31, 2013	Quarter ended December 31, 2012
Tonnes Milled	4,760	8,364
Average Grade g/t gold	0.7	1.9
Concentrate Dry Tonnes	62	164
Gold Grade	63	96.7
Gold Produced (oz)	111.8	511
Gold Produced (kg)	3.5	15.9
Silver Grade	167.1	150.1
Silver Produced (oz)	296	794
Silver Produced (kg)	9.2	24.6
Lead Produced tonnes	5.6	4.5
Gold Equivalent (oz)	126	532

Production during the fourth quarter of 2013 was also below fourth quarter 2012 production levels due to both a fall of concentrate grade produced and the discontinuation of the processing of lower grade ore.

Tonnes milled during the three months ended December 31, 2013 totalled 4,760 tonnes comprising of low grade ore compared to 8,364 tonnes for the three months ended December 31, 2012– a decrease of 43%. The concentrate production for the fourth quarter of 2013 which amounted to 62 dry tonnes was well below the 164 dry tonnes produced during the fourth quarter of 2012 – a decrease of 62%. Metal content of production for the three months ended December 31, 2013 totalled 111.8 ounces of gold (3.5 kgs), 296 ounces of silver (9.2 kgs) and 5.6 tonnes of lead. This compares with metal content for the three months ended December 31, 2012 of 511 ounces of gold (15.9 kgs), 794 ounces of silver (24.6 kgs) and 4.5 tonnes of lead which represents a 78% decrease in gold output, a 63% decrease in silver output and a 24% increase in lead output. Gold equivalent for the fourth quarter of 2013 was 126 ounces compared to 532 ounces for the fourth quarter of 2012 which represents a 76% decrease.

Exploration

The major focus of exploration activities in 2012 and 2013 has been the continuation of the successful drilling programme. In total, 17,348 metres have been drilled since the programme commenced in March 2011 with significant gold intersects being reported.

The drilling programme began in 2011 with the objective of extending the depth and extent of the Joshua vein and providing data for a potential underground operation based upon the Joshua and Kearney veins. During 2011 and 2012 ninety five holes were drilled totalling 16,347 metres. Channel sampling was also carried out, during this period, on the Joshua, Kearney and Kerr vein systems. On Joshua, a total strike length of 213 metres was sampled. On Kerr, an increase in average vein width and gold grade was identified within depth over a 30 metre strike length.

The exploration programme had expanded considerably in 2012 with six drills operational during the first half of the year. The second half of the year saw the number of rigs progressively reduce with one rig, owned by the Company, remaining in operation by the end of 2012. The two principal objectives of the drilling programme were to complete the deeper holes on Kearney in order to gain a more accurate picture of the zone of mineralization for the purpose of the underground mine plan and to extend the strike of Joshua to the north and the south, and begin to target deeper sections of the vein. Drilling continued at a reduced rate in 2013 with four holes being drilled – one in North Kearney and three in Joshua central. The drilling locations were defined with the aim of upgrading areas of inferred resource to the indicated category. During the first quarter, assay results were received showing a grade of 9 ppm Au over a vein width of 1 m for hole OM-DD-12-144. This is a significant result as the location is 100 m south of where the Joshua vein appears to narrow, suggesting that the vein continues south of the property. Drilling was suspended during the third quarter pending the availability of cash for future exploration. Following the scale back of drilling in 2013, more time was dedicated to logging remaining drill cores, the sealing off of all accessible drill holes, updating databases and progressing towards a resource estimate using the Micromine geological modelling computer program.

Assay results released to date from both the drilling and channel sampling programme have been encouraging with significant gold intersections being identified. The updated resource estimate (Technical Report July 2013) contains all data related to the programme with the exception of two drill holes detailed in a disclosure subsequent to June 30, 2013. Results to date have been positive, in particular the assays from the ten drill holes on Joshua released in January 2013 with thirteen significant mineral intersects. During the third quarter Galantas reported positive assay results from the first of two drill holes completed on the Joshua vein during the third quarter. This drill hole is the second deepest intersect yet drilled on Joshua vein and averaged 12.4 g/t gold, over a true width of vein of 2.8 metres. The top of the mineralised intersect is estimated to be at a vertical depth of 137.2 metres. The hole was terminated at a down-hole length of 171.8 metres (see press release dated August 27, 2013).

Once additional funding becomes available this drilling programme will continue. Up to a further 1,000 metres of drilling are planned following up the recently reported gold intersects on the Joshua vein.

During 2012 ACA Howe International Ltd (Howe UK) completed an Interim Resource to Canadian National Instrument NI 43-101 compliant mineral resource estimate and a Preliminary Economic Assessment for the Omagh Gold Project (see press release dated July 3, 2012) This report, which was based on drilling results and analyses received to June 8, 2012, identified all resources discovered at that date. The Company subsequently filed a complete Technical Report on SEDAR in August 2012. An updated resource estimate was prepared by the Company during the second quarter of 2013 based on drilling results received to May 5, 2013 (see press release dated June 12, 2013). The drilling programme, subsequent to June 2012, was targeted to increase the amount of measured and indicated resources related to the potential development of an underground mine. When compared to the resource estimate prepared in 2012 there has been an 50% increase in resources classified as measured and indicated from a total of 95,300 troy ounces gold (2012) to 142,533 troy ounces gold and a 28% increase in Resources classified as inferred, from 231,000 troy ounces gold (2012) to 295,599 troy ounces gold (2013). The overall increase is 34%. Galantas subsequently filed an updated Technical Report on SEDAR in July 2013.

Three new licence areas in the Republic of Ireland (ROI), covering 121.1 km^2, were granted during the second quarter of 2013. These join, and extend south-westwards, our existing four ROI licences. Geochemical soil sampling, stream sediment and geophysical data generated by the Tellus Border Project, a cross border initiative funded by the EU regional development fund, was released earlier in the year. The data revealed the continuation of a trend established on licence OM4, into the OML-held ROI licences, with anomalously high concentrations of gold pathfinder elements. This data has assisted in the design of a field programme which was carried out during the third quarter. Lithological sampling of float and outcrop in OM4, targeted the Crigh Bridge, Magheranageeragh, Sraghcumber and Leitrim Hill areas. The exploration area was extended to include a further tributary to the River Derg. The work identified low-level Au anomalies for samples collected in close proximity to faults, with one located near the structurally bound division between the Aghyaran Formation and the Killeter Quartzite. During the third quarter the Magheranageeragh soil grid was completed. This showed a concentration of samples containing anomalous gold and associated key pathfinder elements and further sampling is planned.

At the end of the first quarter Omagh Minerals were awarded a grant to complete a project to determine the prospectivity potential of the Tellus border zone as a whole. This research, supported by the EU INTERREG IVA-funded Tellus Border initiative funded by the EU regional development fund, was based around the new Tellus Border data. The associated fieldwork was completed during the third quarter and focussed on four areas with excellent mineral potential. A prospectivity map and a comprehensive report were submitted to GSI for publication on the Tellus Border website. Following this exploration work, an application was submitted for a further two prospecting licences in the Manorhamilton area of Co. Leitrim, this was acknowledged during the third quarter and is now been awarded to. These areas bring the total number of licences held by Omagh Minerals to eleven and the total area to 766.5 square kilometres.

Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the fourth quarter of 2013 and for the seven preceding quarters are summarized below:

Quarter Ended	Accounting Policies	Total Revenue	Net Income (Loss)	Net Income (Loss) per share & per share diluted
December 31, 2013	IFRS	$ 169,273	$ (782,394)	$ (0.01)
September 30, 2013	IFRS	$ 473,668	$ (363,744)	$ 0.00
June 30,2013	IFRS	$ 523,856	$ (357,663)	$ (0.00)
March 31,2013	IFRS	$ 364,676	$ (440,554)	$ (0.00)
December 31, 2012	IFRS	$ 875,391	$ 1,449	$ 0.00
September 30, 2012	IFRS	$ 855,813	$ (495,660)	$ (0.00)
June 30, 2012	IFRS	$ 1,902,980	$ 543,734	$ 0.00
March 31, 2012	IFRS	$ 1,025,146	$ 643,389)	$ (0.00)

The results for the Quarter ended December 31, 2013 are discussed under Review of Fourth Quarter Financial Results on pages 17 to 18 of this MD&A. Revenues are primarily from the sales of concentrates. A fall in metal production during the first and third quarters of 2012, at a time of high gold prices, resulted in a loss being incurred in those quarters. The return to profitability in the second quarter of 2012 was primarily due to the higher production during that quarter. The net income of $ 1,449 for the fourth quarter 2012 is attributable to the capitalisation of certain production costs totalling $ 327,000 in the fourth quarter which costs had been included in production costs in the financials to the nine months ended September 30, 2012. The production costs capitalised were in connection with the creation of a number of paste cells in 2012 in preparation for their future utilisation when underground mining at the Omagh mine commences. A further fall in metal production during the first, second, third and fourth quarters of 2013 together with weakening gold prices during 2013 has resulted in significant losses for those quarters.

Liquidity and Financial Position

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

Galantas reported a working capital deficit of $ 3,904,304 which compared with a deficit of $ 2,309,307 at December 31, 2012. The Company had cash balances of $ 166,617 at December 31, 2013 compared with a cash balance of $ 1,164,868 at December 31, 2012. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to $ 405,124 at December 31, 2013 compared to $ 673,054 at December 31, 2012. Inventory at December 31, 2013 amounted to $ 338,865 compared with an inventory of $ 326,249 at December 31, 2012. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business.

Accounts payable and other liabilities amounted to $ 1,217,360 at December 31, 2013 compared with $ 1,670,729 at December 31, 2012. Amounts due to related parties at December 31, 2013 amounted to $ 3,597,550 compared to $ 2,802,749 at the end of 2012. The asset retirement obligation at December 31, 2013 amounted to $ 528,810 compared to $ 404,450 at December 31, 2012. In addition Galantas has a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of $ 536,372 (UK£ 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit.

There were no financings during 2013. The Company is reliant on obtaining additional funding to allow it to continue the expanded exploration programme and the further development of its underground mine plans and has been actively seeking additional funding in 2013. The relative weakness of the Canadian and UK equity markets for junior mining companies continues and has restricted financing opportunities from this area. Subsequent to December 31, 2013 the Company announced that they expected to raise a minimum of UK£ 500,000 through a private placement of new shares once regulatory approval is obtained for the consolidation of the Company's issued and outstanding share capital, exchange of shares for debt and the private placement of shares (see press release dated April 8, 2014) which approval was subsequently obtained. The Company has also entered into scoping discussions with banking lenders as to the availability of suitable finance in regard to underground mine development. During the year the Company announced that the Board of Directors had determined to undertake a strategic review of its business and opportunities, including a possible sale or joint venture of all or part of its Northern Ireland properties which process is currently underway.

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

The consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the December 31, 2013 consolidated financial statements. The Company's ongoing viability is dependent on obtaining planning consent for the development of an underground mine at Omagh and securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

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

Off-Balance Sheet Arrangements

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

Related Party Transactions

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

The Company entered into the following transactions with related parties:

Director fees for the year ended December 31, 2013 amounted to $ 27,750 ($ 29,600 for the year ended December 31, 2012). Stock based compensation for these directors for the year ended December 31, 2013 amounted to $ 10,659 (year ended December 31, 2012 - $ 46,900).

Remuneration accrued for the President and CEO totalled $ 322,260 (UK£ 200,000) for the year ended December 31, 2013 ($ 316,800 (UK£ 200,000) for the year ended December 31, 2012). Stock based compensation for the President and CEO totalled $8,527 for the year ended December 31, 2013 ($ 29,702 for the year ended December 31, 2012).

Remuneration of the CFO totalled $ 69,475 for the year ended December 31, 2013 ($ 46,900 for the year ended December 31, 2012). Stock based compensation for the CFO totalled $ 2,132 for the year ended December 31, 2013 ($ 7,425 for the year ended December 31, 2012).

At December 31, 2013 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of $ 2,017,000 (UK£ 1,144,268) (December 31, 2012 $ 1,660,756 (UK £ 1,026,552)) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the year ended December 31, 2013 amounted to $ 44,122 (UK£ 25,584) (year ended December 31, 2012 $ 41,029 (UK£ 25,902)).Interest accrued on related party loans is included under due to related parties. As at December 31, 2013, the interest accrued amounted to $ 159,144 (UK£ 90,284) (December 31, 2012 - $ 86,023 (UK£ 53,173)). During the year ended December 31, 2013, G&F Phelps acquired a container from the Company for $ 2,057(UK£ 1,300) which has been offset against the G&F Phelps loan.

As at December 31, 2013 due to directors for fees totalled $ 27,750 (December 31, 2012 $ Nil) and due to key management, mainly for salaries and benefits accrued at December 31, 2013, amounted to $ 1,393,656

(UK£ 790,637) (December 31, 2012 - $ 1,055,970 (UK£ 652,882)) and are included with due to related parties.

As of December 31, 2013, Kenglo One Limited owns 66,110,340 common shares or approximately 25.8% of the outstanding common shares. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 35,538,980 common shares or approximately 13.9% of the outstanding common shares. Lionel J. Gunter, Executive Chairman and director of the Company, owns 16,965,441 common shares or approximately 6.6% of the outstanding common shares. The remaining 60.3% of the shares are widely held, which includes various small holdings which are owned by the other directors of the Company. These holdings can change at any time at the discretion of the owner.

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

Transactions with related parties were in the normal course of operations and were measured at the fair value (the amount established and agreed to by the related parties) and approved by the Board of Directors in strict adherence to conflict of interest laws and regulation.

Fourth Quarter Financial Results

The Net Loss for the quarter ended December 31, 2013 amounted to $ 782,394 compared to a Net Income of $ 1,449 for the quarter ended December 31, 2012 as summarized below.

The results for the fourth quarter of 2012 were favourably impacted by the capitalisation of certain production costs totalling $ 327,000 in the fourth quarter which, previously, had been included in production costs in the financials for the nine months ended September 30, 2012. These capitalised costs were in connection with the reinstatement of a number of rehabilitation tailings paste cells earlier in 2012 in preparation for their future utilisation when underground mining at the Omagh mine commences.

	Quarter ended December 31, 2013 $	**Quarter ended December 31,2012 $**
Revenues	**169,273**	**875,391**
Production costs	232,240	353,461
Inventory movement	11,413	7,468
Cost of sales	**243,653**	**360,929**
(Loss)Income before the undernoted	**(74,380)**	**514,462**
Depreciation	138,821	222,444
General administrative expenses	334,428	363,124
Loss(gain) on sale of assets	170,934	(71,223)
Foreign exchange loss(gain)	63,831	(1,332)
Net (Loss) Income for the Quarter	**$ (782,394)**	**$ 1,449**

Sales revenues primarily consisted of concentrate sales from the mine. Jewellery sales remained low during the quarter. Sales revenues for the quarter ended December 31, 2013 amounted to $ 169,273 which compared to revenues of $ 875,391 for the corresponding period of 2012. The decrease in sales revenues during the fourth quarter of 2013 was primarily due to the lower level of metal produced and shipped during the quarter. The production summary for the fourth quarter of 2013 is set out on pages 12 and 13 of the MD&A – Review of Operations. The average gold price in the fourth quarter of 2013 was below the fourth quarter of 2012 gold price which also adversely impacted sales revenues.

Cost of sales includes production costs at the mine and inventory movements and totalled $ 243,653 for the quarter ended December 31, 2013 compared to $ 360,929 for the fourth quarter of 2012.

Production costs for the quarter ended December 31, 2013 amounted to $ 232,240 compared to $ 353,461 for the fourth quarter of 2012. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, consumables and royalties. The low production costs in the fourth quarter of 2013 reflect the absence of open pit mining activity during the quarter. Production costs in the fourth quarter of 2012 were also lower due to the capitalisation of certain production costs totalling $ 327,000 in the fourth quarter which had previously been included in production costs in the financials for the nine months ended September 30, 2012.

The inventory movements for both the quarters ended December 31, 2013 and 2012 of $ 11,413 and $ 7,468 respectively reflect a decrease in inventory at December 31, 2013 and 2012 compared to September 30, 2013 and 2012 inventory levels.

This resulted in a net operating loss before depreciation, general administrative expenses, loss on sale of asset and foreign exchange loss for the quarter ended December 31, 2013 of $ 74,380 compared to net operating income of $ 514,462 for corresponding period of 2012.

Depreciation of property, plant and equipment excluding mine development costs for the fourth quarter of 2013 totalled $ 136,445 which compared with $ 206,898 for the corresponding period of 2012. This decrease is due to both the disposal of property, plant and equipment earlier in 2013 and the depreciation charge being calculated on the reducing balance basis. Depreciation of mine development costs for the quarter ended December 31, 2013 amounted to $ 2376 compared to $ 15,546 for the quarter ended December 31, 2012. This depreciation charge for the fourth quarter of 2013, which is calculated on the unit of production basis, is lower than that for the corresponding period of 2012 due mainly to the lower production levels in the fourth quarter of 2013.

General administrative expenses for the three months ended December 31, 2013 amounted to $ 334,428 compared to $ 362,124 for the corresponding period of 2012. General administrative expenses are reviewed in Other MD&A Requirements on pages 26 and 27 of the MD&A.

The loss on sale of property, plant and equipment during the fourth quarter amounted to $ 170,934 in 2013 compared to a gain of $ 71,223 for the fourth quarter of 2012.

There was a Foreign exchange loss of $ 63,831 for the fourth quarter of 2013 which compared with a Foreign exchange gain of $ 1,332 for the fourth quarter of 2012.

This has resulted in a Net Loss of $ 782,394 for the quarter ended December 31, 2013 compared to a Net Income of $ 1,449 for the corresponding period of 2012. When the Net Loss is adjusted for non-cash items before changes in non-cash working capital, the cash loss from operating activities amounted to $ 514,193 for the three months ended December 31, 2013 compared to cash generated from operating activities of $ 214,587 for the three months ended December 31, 2012 as per the Statement of Cash Flows. The cash from operating activities after changes in non-cash working capital amounted to $ 194,963 for the fourth quarter of 2013 compared to cash loss from operating activities $ 118,763 for the fourth quarter of 2012.

Proposed Transactions

The Company presently has no planned or proposed business or asset acquisitions. During 2013 the Company announced that the Board of Directors had determined to undertake a strategic review of its business and opportunities, including a possible sale or joint venture of all or part of its Northern Ireland properties which process is currently underway.

Critical Accounting Estimates

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

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

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of exploration and evaluation assets incurred on the Omagh underground mine is dependent upon the ability to obtain planning permission and secure sufficient funding for the development of the underground mine. Drilling has now been suspended, pending the availability of cash for future exploration. The Omagh underground mine and the open pit mine are considered as one Cash generating unit ("CGU") and were tested for impairment. No impairment was noted and management is exploring opportunities to secure financing in anticipation of approval of planning permission;
- the estimated life of the ore body based on the estimated recoverable ounces or pounds mined from proven and probable reserves of the mine development costs which impacts the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- Share-based payments – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments;
- Functional currency – the functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined its functional currency is the Canadian dollar and each subsidiary to be the U.K. pound sterling. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined primary economic environment and
- Decommissioning liabilities has been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual decommissioning costs will ultimately depend on actual future settlement amount for the decommissioning costs which will reflect the market condition at the time the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning provisions may be higher or lower than currently provided for.

Critical Accounting Judgments

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

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

Accounting Policies including Initial Adoption

The Company applies IFRS as issued by the IASB and interpretations issued by the IFRIC. The accounting policies and methods of computation followed in Cadillac's consolidated financial statements are set out in detail on Note 4 of the December 31, 2013 consolidated financial statements. The relevant changes in accounting policies applicable to the current period are set out below.

Changes in Accounting Policies

Certain pronouncements were issued by the International Accounting Standards Board or International Financial Reporting Interpretations Committee that are mandatory for accounting periods beginning January 1, 2013. The following new standards have been adopted.

IFRS 10 – Consolidated Financial Statements

IFRS 10 – Consolidated financial statements was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. At January 1, 2013 the Company adopted this pronouncement and there was no impact on the Company's consolidated financial statements.

IFRS 11 -- Joint Arrangements

IFRS 11 – Joint arrangements was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. At January 1, 2013 the Company adopted this pronouncement and there was no impact on the Company's consolidated financial statements.

IFRS 12 -- Disclosure of Interest in Other Entities

IFRS 12 – Disclosure of interests in other entities was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. At January 1, 2013 the Company adopted this pronouncement and provided the required disclosure.

IFRS 13 - Fair Value Measurement

IFRS 13 – Fair value measurement is effective for annual periods beginning on January1, 2013, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. At January 1, 2013 the Company adopted this pronouncement on the Company's consolidated financial statements given the existing asset and liability mix of the Company to which fair value accounting applies.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

On October 19, 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. This interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset can be measured, both initially and in subsequent periods. At January 1, 2013 the Company adopted this pronouncement and there was no impact on the Company's consolidated financial statements.

IAS 1 – Presentation of Financial Statements

IAS 1 – Presentation of financial statements was amended by the IASB in June 2011. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. At January 1, 2013 the Company adopted this pronouncement and provided the required disclosure.

Recent Accounting Pronouncements

IFRS 9 - Financial instruments - classification and measurement

IFRS 9 – Financial instruments was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 will be effective for accounting periods beginning on January 1, 2018.The Company is currently assessing the impact of this pronouncement.

IAS 32 –Financial Instruments Presentation

IAS 32 - Financial Instruments, Presentation ('IAS 32') was effective for annual periods beginning on or after January 1, 2014. IAS 32 was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. Earlier adoption is permitted. The Company is in the process of assessing this pronouncement.

Financial Instruments and Related Risks

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

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

approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk and sales concentration
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, accounts receivable and long-term deposit. Cash and long-term deposit are held with financial institutions and the United Kingdom Crown, respectively, from which management believes the risk of loss to be minimal. All the revenues from sales are from one customer and the accounts receivable consist mainly of a trade account receivable from one customer, value added tax receivable and sales tax receivable. The Company is exposed to concentration of credit and sales risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. Valued added tax receivable is collectable from the Government of Northern Ireland. Sales tax receivable is collectable from government authorities in Canada. The Company does not have derivative financial instruments.

(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, 2013, the Company had a working capital deficit of $3,904,304. All of the Company's financial liabilities have contractual maturities of less than 30 days other than certain related party loans which are due on demand. The Company is seeking additional capital to meet its current and ongoing commitments. As at December 31, 2013, the Company was cash flow negative. The Company's ongoing viability is dependent on obtaining planning consent for the development of an underground mine at Omagh and securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

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

(a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and significant interest-bearing debt due to related parties. The Company is exposed to interest rate risk on certain related party loans which bear interest at variable rates.

(b) Foreign currency risk
Certain of the Company's expenses are incurred in UK£ which is the currency of Northern Ireland and the United Kingdom while the Company's revenues are received in the currency of United States and are therefore subject to gains and losses due to fluctuations in these currencies against the functional currency.

(c) Commodity price risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to gold to determine the appropriate course of action to be taken by the Company.

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

(i) Certain related party loans are subject to interest rate risk. As at December 31, 2013, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the year ended December 31, 2013, would have been approximately $ 20,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans. Similarly, as at December 31, 2013, shareholders' equity would have been approximately $ 20,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans.
(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and advances, long-term deposit, accounts payable and other liabilities and due to related parties that are denominated in UK£. As at December 31, 2013, had the UK£ weakened/strengthened by 5% against the CAD with all other variables held constant, the Company's other consolidated comprehensive income for the year ended December 31, 2013 would have been approximately $ 124,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2013, shareholders' equity would have been approximately $ 124,000 lower/higher had the UK£ weakened/strengthened by 5% against the CAD as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments.
(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce production of its mineral resources, which could have a material and adverse effect on the Company's value. Net income would be impacted by changes in average realized gold prices. Sensitivity to a plus or a minus 10% change in average realized gold prices on the inventories would affect net loss/income and shareholders' equity by approximately $ 30,000.

Capital Management

The Company manages its capital with the following objectives:

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

- to maximize shareholder return.

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

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit which at December 31, 2013 totaled $ 8,010,092 (December 31, 2012 - $ 9,141,183). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on its exploration activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2013. The Company is not subject to any capital requirements imposed by a lending institution.

Disclosure of Internal Controls

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

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

(i)controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii)a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

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

Other MD&A Requirements

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

General Administrative Expenses for the Year ended December 31, 2013 and December 31, 2012 are detailed below:

Expense Account	Year Ended December 30, 2013 $	Year Ended December 30, 2012 $
Management & administrative wages	518,195	608,307
Other operating expenses	234,605	265,338
Accounting & corporate	62,783	65,018
Legal & audit	93,585	139,650
Stock-based compensation	35,960	148,831
Shareholder communication and investor relations	125,373	201,156
Transfer agent	22,889	16,992
Directors fees	27,750	29,600
General office	8,141	8,577
Accretion expenses	14,680	45,529
Loan interest and bank charges	44,436	75,164
Total	**$ 1,188,397**	**$ 1,604,162**

General administrative expenses for the year ended December 31, 2013 totalled $ 1,188,397 compared to $ 1,604,192 for the year ended December 31, 2012.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and the Omagh mine which totalled $ 518,195 for the year ended December 31, 2013 compared to $ 608,307 for the year ended December 31, 2012. The lower level of costs in 2013 was mainly attributable to lower management remuneration costs at the Omagh mine in 2013 as a result of reduced personnel numbers. Other operating expenses, the majority of which are also incurred in UK£ by Omagh Minerals, and include amongst others professional fees, insurance costs, training, health and safety, travel together with the ongoing expenses of the Company's jewellery business and amounted to $ 234,605 for the year ended December 31, 2013 compared to $ 265,338 for 2012. Other operating costs at the Omagh mine were lower in 2013 when compared to 2012 reflecting the reduced activity levels at the mine. These lower costs were partially offset by once off redundancy costs incurred at the mine incurred during 2013. Accounting and corporate costs for 2013 amounted to $ 62,783 compared to $ 65,018 for 2012. There was a decrease in accounting costs during the year which decrease was partially offset by increased corporate costs during 2013. Legal and audit costs totalled $ 93,585 for year ended December 31, 2013 compared to $ 139,650 for 2012. Legal costs amounted to $ 36,873 which compared with $ 55,981 for the year ended December 31, 2012**.** The high level of legal fees in 2012 was mainly due to legal costs incurred in connection with planning issues at the Omagh mine. Audit fees for 2013 amounted to $ 56,712 compared to $ 83,669 for 2012. The lower level of audit fees in 2013 was due to both lower audit fees for 2013 together with a 2012 audit fee overprovision which was corrected in 2013.

Stock-based compensation costs for the year ended December 31, 2013 amounted to $ 35,960 compared to $ 148,831 for 2012. Stock-based compensation costs were lower in 2013 due to an increased number of options being fully vested at the beginning of the year when compared to 2012.

Shareholder communication and investor relations costs amounted to $ 125,373 for 2013 compared to $ 201,156 for 2012. Shareholder communication and investor relations costs include investor relations, shareholders information, filing fees and listing fees and include certain costs in connection with the holding of the Company's AGM. Shareholder communications costs were lower during 2013 mainly due to cutbacks by Galantas in investor relations costs during the year. Transfer agents fees for 2013 amounted to $ 22,889 compared to $ 16,992 incurred in 2012. Transfer agent's costs for both periods include certain costs in connection with the holding of the Company's general meetings. The increase in costs in 2013 is due to costs incurred in 2013 in connection with a shareholders meeting held in January 2014. Directors' fees totalled $ 27,750 compared to $ 29,600 for 2012. General office expenses for 2013 amounted to $ 8,141 compared to $ 8,577 for 2012.

Accretion expenses for the year ended December 31, 2013 amounted to $ 14,680 which compared to $ 45,529 for 2012. The 2013 accretion charge relates to the Company's decommissioning liability whereas the 2012 accretion charge arose as the carrying value of the convertible loan was less than its face value due to it being a convertible loan with the discount being accreted over the term of the loan. The convertible loan was repaid in June 2012. Loan interest and bank charges for 2013 amounted to $ 44,436 compared to $ 75,164 for 2012. The higher level of loan interest and fees in 2012 mainly reflects the inclusion of interest on the convertible loan in the first half of 2012.

This has resulted in General administrative expenses totalling $ 1,188,397 and $ 1,604,162 for the respective years.

General Administrative Expenses for the Quarters ended December 31, 2013 and December 31, 2012 are detailed below:

Expense Account	Quarter Ended December 31, 2013 $	Quarter Ended December 31, 2012 $
Management & administrative wages	136,002	159,613
Other operating expenses	91,878	69,221
Accounting & corporate	20,048	23,363
Legal & audit	22,383	23,961
Stock-based compensation	0	16,945
Shareholder communication and investor relations	20,347	47,321
Transfer agent	7,168	1,911
Directors fees	6,750	7,000
General office	2,079	2,179
Accretion expenses	14,680	-
Loan interest and bank charges	13,093	11,610
Total	**$ 334,428**	**$ 363,124**

General administrative expenses for the quarter ended December 31, 2013 totalled $ 334,428 compared $ 363,124 for the quarter ended December 31, 2012.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and the Omagh mine totalled $ 136,002 for the quarter ended December 31, 2013 compared to $ 159,613 for the quarter ended December 31, 2012. The lower level of management and administration wages was mainly attributable to lower management remuneration costs at the Omagh mine. Other operating expenses, the majority of which are also incurred in UK£ by Omagh Minerals, and include amongst others professional fees, insurance costs, training, health and safety, travel together with the ongoing expenses of the Company's jewellery business amounted to $ 91,878 for the quarter ended December 31, 2013 compared to $ 69,221 for the corresponding quarter of 2012. Other operating costs at the Omagh mine were higher in the fourth quarter of 2013 when compared to 2012 due to redundancy costs incurred at the mine incurred during the quarter. Accounting and corporate costs for the quarter amounted to $ 20,048 compared to $ 23,363 for the corresponding quarter of 2012. The lower level of costs in the fourth quarter of 2013 was mainly due to lower accounting costs during the quarter. Legal and audit costs totalled $ 22,383 for the quarter compared to $ 23,961 for the fourth quarter of 2012. Legal costs for the fourth quarter amounted to $ 15,273 which compared with $ 3,003 for the fourth quarter of 2012**.** The high level of legal fees in the fourth quarter of 2013 was mainly due to legal costs incurred at the corporate level. Audit fees for the fourth quarter amounted to $ 7,110 compared to $ 20,958 for the fourth quarter of 2012. The lower level of audit fees in the fourth quarter was due to an overprovision for 2013 audit fees in earlier quarters which overprovision was corrected in the fourth quarter. Stock-based compensation costs for the fourth quarter of 2013 amounted to $ Nil compared to $ 16,945 for the corresponding period of 2012. Stock-based compensation costs were $ Nil in fourth quarter of 2013 due to all outstanding options being fully vested at the beginning of the fourth quarter of 2013.

Shareholder communication and investor relations costs amounted to $ 20,347 for the fourth quarter of 2013 compared to $ 47,321 for the corresponding period of 2012. Shareholder relations costs include investor relations, shareholders information, filing fees and listing fees. These costs were lower in the fourth quarter of 2013 due to cutbacks by Galantas in investor relations costs during the quarter. Transfer agents fees for the fourth quarter of 2013 amounted to $ 7,168 compared to $ 1,911 incurred in the corresponding period of 2012. The increased level of costs in the current quarter is due to costs incurred December 2013 in connection with a shareholders meeting scheduled to be held in January 2014. Directors' fees for the fourth quarter of 2013 totalled $ 6,750 compared to $ 7,000 for the fourth quarter of 2012. General office expenses for the fourth quarter of 2013 amounted to $ 2,079 compared to $ 2,179 for 2012. Accretion expenses for the quarter amounted to $ 14,680 which compared to $ Nil for 2012. The 2013 accretion charge relates to the Company's decommissioning liability. Loan interest and bank charges for the fourth quarter of 2013 amounted to $ 13,093 compared to $ 11,610 for the quarter ended December 31, 2012.

This has resulted in General administrative expenses totalling $ 334,428 and $ 363,124 for the respective quarters.

Disclosure of Outstanding Share Data

The Company is authorized to issue in series an unlimited number of common and preference shares. At April 16, 2014, and subsequent to the April 14, 2014 stock consolidation there were a total of 51,242,016 shares issued, and 940,000 stock options with expiry dates from November 2015 to September 2016.

Events after the Reporting Period

(i)On January 16, 2014, a Special Meeting of Shareholders was held. All resolutions were carried and therefore the directors now have the authority to consolidate the common shares on such terms as may be approved by the directors of the Company and regulatory authorities on the basis of one (1) post-consolidated common shares for up to ten (10) pre-consolidated common shares. The consolidation resolution authorizes the Company to complete the share consolidation. The directors are now considering the timetable for potential implementation. Until Articles of Amendment are filed in connection with the share consolidation there is no change to the capital structure of the Company nor to the shares that are listed for trading. Upon any action to be taken by the Company in connection with the resolutions passed at the Special meeting of Shareholders, the directors will inform shareholders in due course.

It is expected that following an enactment of the share consolidation by the directors, directors and officers of the Company may convert liabilities of approximating $1,500,000 relating to outstanding remuneration into common shares, subject to the approval of the TSX Venture Exchange.

(ii) On April 8, 2014, the Company announced that the Board is seeking regulatory approval of documents relating to the consolidation of the Company's issued and outstanding share capital, exchange of shares for debt and the private placement of shares. The TSX Venture Exchange has approved the consolidation and effective at opening on the TSX Venture Exchange and AIM on April 14, 2014, the existing issued share capital will be cancelled and replaced by the new common shares in consolidated form. A private placement of new shares is expected to complete following consolidation. A minimum of 10 million units will be subscribed at $0.09375 (UK£ 0.05) per unit. Each unit will comprise 1 new ordinary share and 1 warrant (the "Placement"). Each warrant will entitle the holder to purchase 1 further new ordinary share at UK£ 0.10 per share for a period of two years from the date on which the subscription is closed. The Placement will raise a minimum of UK£ 500,000. The new ordinary shares issued pursuant to the Placement are subject to a four month hold period. The new ordinary shares and warrants to be issued pursuant to the placement represent approximately 23.2% of the enlarged issued share capital (at the minimum placing amount).

Coincident with the placement (and following the Consolidation), the Company will also undertake an exchange of existing debt for new ordinary shares, and approved by Shareholders at the Special Meeting of Shareholders January 16, 2014. Roland Phelps (President& Chief Executive) will exchange a loan of $1,346,730 (UK£ 716,256) for 14,365,120 new ordinary shares representing 16.6% of the enlarged issued share capital.

Leo O'Shaughnessy (Chief Financial Officer) will exchange a loan of $30,046 for 320,491 new ordinary shares, representing 0.4% of the enlarged issued share capital. Following the exchange of debt for equity Mr. Phelps and Mr. O'Shaughnessy will hold 24.9% and 0.4% of the Company enlarged issued share capital respectively (at the minimum placing amount). Loans due to certain other third party creditors have also agreed to settlement of amounts owed totalling UK£ 21,976, through the issue of 439,520 new ordinary shares, representing 0.5% of the enlarged issued share capital. No warrants will be attached to the new ordinary shares issued in relation to any of the equity for debt exchange.

Trends Affecting the Company's Business

Gold Price in US Dollars and UK Sterling

The Gold concentrate output from the Omagh Mine, which also contains silver and lead credits, is sold in US dollars. Most of the value is accrued from the gold content. The following table is composed from data published by the Bank of England of average monthly gold price in US$ and UK £ (Sterling) per troy ounce. During the first quarter of 2013 there was a weakening trend in the gold price which suffered further declines during the second quarter. The trend continued through the third quarter and into the fourth quarter, with December establishing a monthly low. The average gold price for the year 2013 was USD$ 1,411 / UK£ 897 compared to USD$ 1669 / UK£ 1052 for 2012.The beginning of 2014 has seen a slight reversal of this trend.

MONTH	Gold Price US $ per oz	Gold Price UK£ per oz	Quarterly Average US$	Quarterly Average UK£
JANUARY 2013	1670.96	1047.34		
FEBRUARY 2013	1627.59	1051.35		
MARCH 2013	1592.86	1056.84	1630.47	1051.85
APRIL 2013	1485.08	969.74		
MAY 2013	1413.50	924.22		
JUNE 2013	1342.36	867.00	1413.65	920.32
JULY 2013	1286.72	848.06		
AUGUST 2013	1347.09	869.10		
SEPT 2013	1348.80	850.56	1327.54	855.91
OCTOBER 2013	1316.18	817.72		
NOVEMBER 2013	1275.82	792.28		
DECEMBER 2013	1223.04	673.73	1271.68	761.24
JANUARY 2014	1244.80	755.98		

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

The US Dollar / UK£ Sterling Currency Exchange Rate

The following table is drawn from Bank of England data that gives the monthly average spot exchange rate of US $ to UK£ Sterling. Sales revenues at the Omagh mine are designated in US Dollars and are converted to UK£, as Operating, Exploration and Capital costs are designated in UK£. Thus a stronger US$/ weaker UK£ is to the Company's financial benefit. Despite a weakening of the US Dollar in the fourth quarter of 2013, which trend continued during the early part of 2014, the average value of the US Dollar against the UK£ strengthened marginally during the year 2013 to average US$1.565 to the UK£ compared to US1.585 in 2012.

MONTH	Average US $:£	Quarterly Average US$:£
JANUARY 2013	1.60	
FEBRUARY 2013	1.55	
MARCH 2013	1.51	1.55
APRIL 2013	1.53	
MAY 2013	1.53	
JUNE 2013	1.55	1.54
JULY 2013	1.52	
AUGUST 2013	1.55	
SEPT 2013	1.59	1.55
OCTOBER 2013	1.61	
NOVEMBER 2013	1.61	
DECEMBER 2013	1.64	1.62
JANUARY 2014	1.65	

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

The Canadian Dollar / UK£ Sterling Currency Exchange Rate.

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

The Canadian Dollar, which had strengthened against UK Sterling during the first quarter of 2013 weakened during the second and third quarters and by the end of September 2013 was at weaker levels than at the beginning of 2013. This trend continued in the fourth quarter and into the first quarter of 2014. The Canadian Dollar averaged $ 1.61 for the year 2013 compared to $ 1.58 for 2012.

MONTH	Average Can$:£	Quarterly Average Can$:£
JANUARY 2013	1.58	
FEBRUARY 2013	1.56	
MARCH 2013	1.54	1.56
APRIL 2013	1.56	
MAY 2013	1.56	
JUNE 2013	1.60	1.57
JULY 2013	1.58	
AUGUST 2013	1.61	
SEPT 2013	1.64	1.61
OCTOBER 2013	1.67	
NOVEMBER 2013	1.69	
DECEMBER 2013	1.74	1.70
JANUARY 2014	1.80	

Financing Trends

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

The relative weakness of the Canadian and UK equity markets for junior mining companies continues and has restricted financing opportunities from this area.

Political Trends

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

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

Risks and Uncertainties

Galantas operates in a sector – mineral production and exploration – which carries inherent risks only some of which are within management's ability to reduce or remove. The main sector risk is always metal price. The Company's other business, high value Irish gold jewellery, is dependent upon the mine consistently being able to supply reliable certified Irish gold.

The Company has assessed the risks surrounding its business. It has concluded that most if not all of the risks are standard to the industry and none of them so profound as to inhibit pursuit of the Company's strategy. The main risks identified and considered are:

Current Global Financial and Economic Conditions

Current global financial and economic conditions have been characterized by extreme volatility. Several financial institutions and other major business have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact the Company's ability to obtain funding in the future and on favourable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary. If such volatility and market turmoil continue, the Company's business and financial condition could be adversely impacted

Additional Funding Requirements

Additional funds, if required, may not be available. Further exploration and development of the Company's properties will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production at the Omagh mine. The ability of the Company to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on satisfactory terms. If additional financing is raised by the issuance of shares from the Company's treasury, control of the Company may change and existing security holders may suffer additional dilution of their interests.

Uncertainty of Mineral Resource and Mineral Reserve Estimates

The estimates for mineral resources and mineral reserves are determined in accordance with NI 43-101 and CIM Standards. There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of metals from such resources may not be realized. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect in the future on the Company's financial position and results of operations. Estimated mineral resources may have to be recalculated based on changes in mineral resource prices, further exploration or development activity, or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence reserve or resource estimates. Market price fluctuations for mineral resources, increased production costs or reduced recovery rates, or other factors can render proven and probable mineral reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated mineral reserves could require material write-downs in investment in the affected mining property and increased depreciation, reclamation and closure charges.

Uncertainty of Inferred Mineral Resources

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

Exploration, Development and Operations Risks

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

The nature of the Company's business is highly speculative due to its proposed involvement in the exploration, development and production of minerals. The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. No assurance can be given that additional minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis or at all. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Substantial additional expenditures will be required to locate and establish additional mineral reserves, to develop metallurgical processes and to expand mining and processing facilities at the Omagh site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The commercial viability of an additional mineral deposit, if one is discovered, depends on a number of factors, including the particular attributes of the deposit (such as size and grade), proximity to infrastructure, metal prices, which are highly cyclical, and regulations imposed by various levels of government, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Most of these factors are beyond the control of the Company. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mineral exploration and development are highly speculative and few properties that are explored are ultimately placed into commercial production. There is no certainty that the expenditures made by the Company on the search and evaluation of additional mineral deposits will result in discoveries of commercial quantities of ore.

Mineral Processing

Generally the plant performs in line with the prior technical guidance. Alterations and modifications to equipment and operating practices have been made and have resulted in improvements in comminution and concentrate quality. However, there is no certainty that the improvements will persist and were these not to do so there would be a risk to cash flow and budget.

Environmental

The project was subject to one of Ireland's lengthiest public enquiries whereat its design and operating fundamentals were challenged and defended to the satisfaction of the independent assessors and industry experts representing regulators and the Company. In operation, the facilities are subject to self monitoring and monitoring by regulators. The Company's activities are subject to laws and regulations controlling not only mining activities but also the possible effects of such activities upon the environment. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities.

Environmental legislation is evolving in a manner which may mean stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company does not maintain environmental liability insurance.

The Company notes the positive results of a recent detailed Compliance Study by the Northern Ireland Environment Agency and continues its policy of best achievable environmental practice.

Permitting

The Company has permission to carry out its activities. Overall consents were granted in 2000 after fulfillment of more than 30 pre-conditions which attached to the provisional consent granted in 1995. In all jurisdictions, regulatory provisions are subject to change and the Company may be faced with additional constraints in the future. The Company will require making additional applications for permitting in order to make additional ore available for mining. The Company will require consent for underground operations to ensure the long term continuation of the operations.

Regulations and Permits

While Galantas holds the required permits for current operations at the Omagh Mine there is no guarantee that these permits, if and when required, will be renewed, or renewed on terms acceptable to the Company. Furthermore, the Company may be required to obtain additional licenses and permits from various governmental authorities to continue and expand its development and production activities. The Company's activities are also subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. Galantas is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's operating and exploration activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict Galantas from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Risks Relating to Government Regulation

The Company's operations and properties are subject to laws and regulations governing mineral concession acquisition, mine development and prospecting, mining, production, occupational health and safety, labor standards, employment, waste disposal, toxic substances, land use, environmental protection, use of water, exports, taxes, royalties and other matters. It is possible that the Company may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of the Company's permits and agreements, which could have a material adverse impact on the Company's current operations and future development projects. The Company may experience increased costs and delays in production as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there is no assurance that Galantas will be able to obtain all required permits on reasonable terms or on a timely basis. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder including the loss of the Company's mining concessions, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

Title

The Company owns the land in secure freehold on which the project is located. Precious metal licenses and mining licenses have been granted to the Company by the Crown Estate and renewed as required since the mid – 1990's when initially granted. Licenses and Leases are subject in the usual way to minimum performance requirements which are set at a level so as not to inhibit development. There was dialogue with the Northern Ireland Development of Enterprise Trade and Industry (DETI) concerning a license to extract base metals which occur with the gold and silver in the quartz-sulphide veins and which may be recovered as a by-product of gold and silver. The license if applicable may require a fee payable to owners of surface rights. In the case of the Company's mine, since the owner is the Company itself, it is thought unlikely that there will be a material impact. There has been no final determination by DETI.

Political

Northern Ireland has achieved a stable political status conducive to business as is evidenced by the relatively large amounts of inward investment that the province has enjoyed over the past decade. It is noted that there was recently an increase in activity by parties not allied to the peace process which now appears to have abated. The mine is well removed from areas of potential urban disturbance.

Insurance and Uninsurable Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability. The Company currently has liability insurance in an amount that management considers adequate. However, such insurance may not cover all the potential risks associated with a mining company's operations. In addition, in the future, the costs of such insurance may become prohibitive and, in any event, the nature of the risks for mining companies is such that liabilities might exceed policy limits. Insurance coverage may not continue to be available at all or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Revenue

The Company has contracted sale of its concentrate to Xstrata. While the payment terms are specific, there is risk that unit income may fall short of forecast. This could be due to a number of factors including failure of the concentrate to be within the specification contracted as regards both value elements and penalty elements and failure to produce concentrate of consistent quantity.

Currency Fluctuations

Currency fluctuations may affect the Company's future operations, financial position and results. The Company's revenues are in US dollars. Most of the costs and expenditures of the Company are incurred in UK Pounds Sterling resulting in dollar revenues being converted to sterling on an ongoing basis. The value of sterling against the US dollar constantly fluctuates which impacts on sterling revenue available to the Company. The appreciation of the UK£ against the U.S. dollar would reduce the UK£ revenues at the Omagh mine which could materially and adversely affect the Company's profitability, results of operation and financial condition. Financial results are published in Canadian dollars with the UK£ operating results being converted at average exchange rates for each period. There is also a currency risk arising mainly from the Company's net liabilities being denominated in sterling, which liabilities will fluctuate in Canadian dollar terms giving rise to exchange gains/losses in line with the ongoing fluctuations in the exchange rates.

Gold Price

The price of gold may affect the Company's future operations. The price of gold is beyond the Company's control, can fluctuate drastically and could adversely affect the Company. Gold prices have fluctuated significantly in recent years. Market prices for gold are volatile and are affected by numerous factors beyond the Company's control, including expectations regarding inflation, global and regional demand, speculative activities, political and economic conditions and production costs in major gold-producing regions. The aggregate effect of these factors on gold prices, both in the current financial environment and generally, is impossible for the Company to predict. While Galantas would benefit from an increase in the value of gold, the Company could be adversely affected by a decrease in the value of gold.The Company's policy is to not sell forward its bullion.

Construction and Development

Most construction costs have been incurred and are therefore known and reflected in the accounts. Future development risk is attached to the surface and underground development of the Kearney orebody, where quantities are only estimated and subject to adverse variance.

Dependence on Key Employees and Skilled Personnel

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key employees and qualified personnel. To a significant extent, the success of the Company is, and will continue to be, dependent on the expertise and experience of these employees. Continued operations at the Omagh Mine will require the Company to successfully retain its skilled personnel. The number of persons skilled in the development and production of mining properties is limited and competition for this workforce is intense. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success. The loss of one or more of the Company's key employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Share Price Fluctuations

In recent years, and particularly in the current global financial conditions, the securities markets in Canada and the UK have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Dividends

The Company has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term. Earnings, if any, will be retained to finance further exploration and development of the Company's business.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.