



**GALANTAS GOLD CORPORATION**

**Management's Discussion and Analysis**

**Three Months Ended**

**March 31, 2020**

# GALANTAS GOLD CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Three Months Ended March 31, 2020

#### Introduction

This Management Discussion and Analysis ("MD&A"), dated July 7, 2020 provides a review of the financial position and the results of operations of Galantas Gold Corporation ("Galantas" or the "Company") and constitutes management review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2020. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the three months ended March 31, 2020. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2020 together with the notes thereto and the audited annual consolidated financial statements of the Company for the year ended December 31, 2019 together with the notes thereto. The Company's consolidated financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). All amounts presented are stated in Canadian dollars, unless otherwise indicated. Information contained herein is presented as of July 7, 2020 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; or (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](http://www.sedar.com) or at the Company's website [www.galantas.com](http://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
<p>Potential of the Company's properties to contain economic deposits of base metals and other metals.</p>	<p>Financing will be available for future exploration and development and operation 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</p>	<p>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.</p>

<p>The Company's ability to obtain planning consent from the Planning Services, Northern Ireland to allow it to develop the underground mine at its Omagh property.</p>	<p>The Company has now received planning consent. The planning consent which is considered acceptable to the Company will allow it to 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 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.</p>	<p>Delays in receiving operating permits (following construction) for the development of the underground mine; onerous planning conditions (currently not recognised) 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 other local legislation and regulation; changes in economic and political conditions; the Company's ability to attract skilled staff.</p>
<p>The Company's ability to meet its working capital needs at the current level for the year ending March 31, 2021.</p>	<p>The operating and exploration activities of the Company for the year ending March 31, 2020 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.</p>	<p>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.</p>

<p>Management's outlook regarding future trends.</p>	<p>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.</p>	<p>Metal price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>
<p>Asset values for the quarter ended March 31, 2020.</p>	<p>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.</p>	<p>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.</p>
<p>Sensitivity analysis of financial instruments.</p>	<p>The Company has an interest rate risk on its G&amp;F Phelps Ltd. and Ocean Partners UK Ltd. loans. The Company has no significant deposit interest rate risk due to low interest rates on its cash balances.</p>	<p>Changes in debt and equity markets; interest rate and exchange rate fluctuations.</p>
<p>Prices and price volatility for metals.</p>	<p>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 to the Company.</p>	<p>Changes in debt and equity markets and the spot prices of metals; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>

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 July 7, 2020.

### **Overview – Strategy - Description of Business**

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

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

- Following the receipt of the planning permit obtain additional funding to allow it to continue the expanded exploration programme and the further development of its underground mine;
- Recommence production at the mine and processing plant;
- Continue to explore and develop extensions to the Kearney, Kerr, Joshua and nearby known deposits so as to expand minable reserves and increase gold production in stages;
- Explore the Company's prospecting licences, focusing on the more than 60 gold targets identified to date;

Underground development of a decline tunnel, located at the base of the existing open pit, commenced in 2017. The underground gold mine at Omagh has commenced limited production of gold concentrate, from feed produced in development of the Kearney vein. The processing plant uses a non-toxic flotation process to produce concentrates, without the use of cyanide or mercury. It satisfies strict environmental monitoring criteria set by the Northern Ireland regulatory authorities. The decline tunnel is planned to be extended in depth to provide access to lower levels of in vein development which will form the development necessary to demarcate production panels.

During the fourth quarter of 2019 Galantas announced a temporary suspension of blasting operations at the Omagh gold mine (see press release dated October 29, 2019). Certain underground work continued in the first quarter of 2020 but ore production is suspended until finance is available to expand the underground operation (see press release dated May 12, 2020). Specialist safety training continues to ensure a restart is not impaired.

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

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

The drilling programme, which was suspended in 2013 pending the availability of cash for future exploration, recommenced in September 2015 to target the Joshua vein at depth. In total, 3,602 metres were drilled by March 2016.

On July 22, 2019 Galantas announced that underground development northwards on the 1072 level had discovered mineralisation outside of the resource model and was continuing to explore an extension to the resource model.

### Mining Project

The project embraced an open pit mine which supplied ore to a crushing-grinding-froth flotation plant. The plant was commissioned in 2007 and designed to produce a gold and silver rich sulphide flotation concentrate for sale to a commercial smelter. In early 2013 there was a shift in operations from mining and processing ore from open pits to operating from lower grade stock already mined which impacted negatively on production levels. Later in 2013 the processing of low-grade ore was suspended awaiting planning consent for an underground operation. The underground mine utilizes the same processing methods and is the first underground gold mine, of any scale, in Ireland. The strategy is to establish the

underground mine and look for further expansion of gold resources on the property, which has many undrilled targets.

The granting of planning consent during the second quarter of 2015 for an underground operation at the Omagh site permits the continuation and expansion of gold mining. This planning consent was appealed by a third party in a judicial review hearing which commenced in September 2016 and was then adjourned to and completed in February 2017. Judgement was received in September 2017 whereby the third party's request for the quashing of the planning consent was denied. However, in November 2017, Galantas received notice of an application by the third party to the Court of Appeal in relation to the positive judicial review judgment. This appeal was completed in February 2018. During the fourth quarter of 2018 the Company announced that the Court of Appeal delivered its judgement in regard to the appeal against the positive judicial review judgment in favour of the Company. The Court has determined that the appeal has failed and thus the planning consent was confirmed. Galantas had earlier been advised that its consents continue to remain valid, at least until judgement and thereafter subject to the judgement.

Galantas announced in December 2016 that it would commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. Underground development of a decline tunnel, located at the base of the existing open pit, commenced in the first quarter 2017. After over-coming initial difficulties, tunnelling continued through 2017 and 2018 with the north / south Kearney vein being intersected in June 2018 as planned. During the third quarter of 2018 limited feed was provided to the mill resulting in the commencement of limited production of gold concentrate from feed produced in the development of the Kearney vein. During 2019 the decline tunnel continued to be extended in depth to provide access to lower levels of in vein development which will form the development necessary to demarcate production panels. As additional lower levels are developed on-vein, there is expected to be an enhanced supply of mill feed. Further increases in mill supply are expected when stoping commences. The phased development arrangement, in terms of mine access dimensions, is expected to allow for rapid expansion of production as additional capital becomes available. By the end of 2019, the main Kearney vein has been exposed on four levels with a fifth level at the point of intersection.

During the fourth quarter of 2019 Galantas announced a temporary suspension of blasting operations at its Omagh gold mine (see press release dated October 29, 2019). Certain underground work continued in the first quarter of 2020, but ore production is suspended until finance is available to expand the underground operation (see press release dated May 12, 2020). Specialist safety training of key personnel continues to ensure a restart is not impaired in regard to safety matters.

### Gold Jewellery Business

During 2014 Galantas restructured its jewellery operations which involved the transfer to Flintridge Resources Limited of the trade formerly carried out by Galantas Irish Gold. Later in 2014 Galantas entered into an agreement with TJH Ltd of Dublin, Ireland for the production, marketing, and sale of a range of jewellery products, using Irish gold from the Omagh mine. The agreement has resulted in Irish gold from the Omagh Mine, being sold to TJH Ltd. The Irish gold is sold at a premium and with a reserved percentage of wholesale sales. The Irish gold so far supplied was drawn from available stocks.

### Management and Staff

Overall management is exercised by one Executive Director along with a General Manager in charge of operations in Omagh where the mine, plant, exploration and administration employ 21 personnel as of July 7, 2020.



## Key Performance Driver

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

## **Overview of First Quarter 2020**

Galantas incurred a net loss of \$ 680,315 for the three months ended March 31, 2020 compared with a net loss of \$ 779,517 for the three months ended March 31, 2019.

The Company had cash balances at March 31, 2020 of \$ 936,560 compared to \$ 1,913,420 at December 31, 2019. The working capital deficit at March 31, 2020 amounted to \$ 7,299,380 which compared with a working capital deficit of \$ 6,093,200 at December 31, 2019.

During the fourth quarter of 2019 there was a temporary suspension of blasting operations at the mine due mainly to the blasting arrangement limitations imposed by the PSNI, which arrangements were not sufficient to allow for the expansion of mine operations. The Company has been working with the PSNI during the first quarter of 2020 to agree arrangements that would increase blasting availability to normal levels for an underground mine. Subsequent to March 31, 2020 Galantas reported that confirmation had been received from PSNI, in regard to their satisfaction of certain secure storage and handling protocols required for an increase in blasting to a commercial level subject to financial matters being agreed. The Company understands that these financial matters have now been mutually agreed. Certain underground work continued in the first quarter of 2020, but ore production is suspended until finance is available to expand the underground operation. Specialist safety training of key personnel continues to ensure a restart is not impaired in regard to safety matters.

The processing plant continued to operate on a limited basis, following the suspension of blasting operations, being fed from underground stock. In March 2020 and following UK government guidelines regarding Covid-19, processing operations temporarily ceased until later in May when the Company announced that concentrate processing has recommenced. The company carried out maintenance to the processing plant during the milling suspension, to minimise future maintenance interruptions. The restart follows a review of Northern Ireland / UK government health advice regarding Covid-19, a risk assessment and the introduction of appropriate modifications to working practices. Feedstock for the processing plant is from low grade stock until suitable arrangements are in place to recommence development underground. The number of employees furloughed during the first quarter under a NI/UK government scheme has recently been reduced to three from seven. Shipments of concentrate under the off-take agreement had commenced during the second quarter of 2019 and until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

The Company is seeking strategic alternatives including reviewing its licenses and operations and considering the possibility of engaging in a sale, joint venture, partnership or other options with third parties and alternative financing structures. The Company is actively engaged in that process.

In December 2019, subsequent to the announcement of the temporary suspension of blasting operations at the mine and given the current share price of the Company, a share consolidation was proposed by the Company. Following a special meeting of shareholders on February 18, 2020 and subsequent approval by the directors of the Company and the regulatory authorities, the Company announced on April 17, 2020 that it had completed the share consolidation being one post consolidation share for ten pre consolidated shares resulting in the Company now having 32,321,472 shares in issue. With regards

to the March 31, 2020 Consolidated Financial Statements and MD&A all common shares, per common share amounts, stock options and warrants have been retroactively restated to reflect the share consolidation.

Subsequent to March 31, 2020 Galantas reported a proposed private placement of common shares and amendments to the terms of its loan facility with Ocean Partners UK Ltd both of which are subject to TSXV and regulatory approval (see press releases dated June 26, 2020 and July 3, 2020). The private placement is expected to include funds raised in both UK and Canadian currency and is for a maximum of 2,833,132 shares, at an issue price of \$ 0.225 (UK£ 0.1328) per share for maximum gross proceeds of \$ 637,454 (UK£ 376,240). Provisional indications have been received for the maximum amount. The placement will be brokered, and insiders of the Company are expected to participate in the placement.

Galantas has also agreed on terms, subject to final documentation, of an increase of USD\$ 200,000 on the outstanding loan with Ocean Partners UK Ltd. As consideration for amending the terms of the loan, Ocean will receive, upon closing of the agreements, 1,700,000 bonus warrants of Galantas subject to the rules of TSXV Policy 5.1 – Loans, Loan Bonuses, Finder's Fees and Commissions. Each bonus warrant will be exercisable for one common share of Galantas at an exercise price of \$0.33 per bonus share, being 110% of the TSXV closing price the day before the announcement.

The net proceeds to be raised by the private placement and the additional Ocean Partners loan are intended to be used to support mine operations and provide general working capital for the Company.

## Review of Financial Results

### Three Months Ended March 31, 2020

The net loss for the three months ended March 31, 2020 amounted to \$ 680,315 compared to a net loss of \$ 779,517 for the three months ended March 31, 2019 as summarized below.

	Quarter Ended March 31 ,2020 \$	Quarter Ended March 31, 2019 \$
<b>Revenues</b>	<b>0</b>	<b>0</b>
Production related costs	(35,836)	(70,026)
Inventory movement	0	0
<b>Cost and expenses of operations</b>	<b>(35,836)</b>	<b>(70,026)</b>
<b>Loss before the undernoted</b>	<b>(35,836)</b>	<b>(70,026)</b>
Depreciation	(88,727)	(87,405)
General administrative expenses	(656,768)	(602,429)
Foreign exchange gain/(loss)	101,016	(19,657)
<b>Net Loss for the Quarter</b>	<b>\$ (680,315)</b>	<b>\$ (779,517)</b>

Sales revenues for the three months ended March 31, 2020 amounted to \$ Nil compared to revenues of \$ Nil for three months ended March 31, 2019. Shipments of concentrate commenced during the second quarter of 2019. for the first quarter of 2020 Concentrate sales provisional revenues from concentrate sales totalled US\$ 186,000. However, until the mine commences commercial production, the net proceeds from concentrate sales are being offset against Development assets.

Cost and expenses of operations include production related costs at the mine and inventory movements. Production related costs for the three months ended March 31, 2020 amounted to \$ 35,836 compared to \$ 70,026 for the three months ended March 31, 2020. Production related costs at the mine were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site and the lower level of production related costs reflect the reduced level of activity at the mine following the suspension of operations in the fourth quarter of 2019. The inventory movement of \$ Nil for the first quarter of 2020 compared to \$ Nil for the first quarter of 2019.

Depreciation of property, plant and equipment excluding mine development costs during the three months ended March 31, 2020 totalled \$ 88,727 which compared with \$ 87,405 for the corresponding period of 2019. There was no depreciation of mine development assets during both periods. Depreciation of mine development assets will commence when the mine reaches commercial production.

General administrative expenses for the three months ended March 31, 2020 amounted to \$ 656,768 compared to \$ 602,429 for 2019. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 25 and 26 of the MD&A.

There was a foreign exchange gain of \$ 101,016 for three months ended March 31, 2020 which compared with a foreign exchange loss of \$ 19,657 for 2019.

This has resulted in a net loss of \$ 680,315 for the three months ended March 31, 2020 compared to a net loss of \$ 779,517 for three months ended March 31, 2019. The cash outflow from operating activities amounted to \$ 348,899 for the three months ended March 31, 2020 compared to a cash outflow of \$ 391,037 for the corresponding period of 2019. The cash outflow from operating activities after changes in non-cash working capital items amounted to \$ 624,045 for the three months ended March 31, 2020 compared to a cash outflow of \$ 464,310 for the corresponding period of 2019.

Exchange differences on translating foreign operations, which is included in Consolidated Statements of Comprehensive Loss resulted in a gain of \$ 382,709 for the three months ended March 31, 2020 which compared to a loss of \$ 4,982 for the corresponding quarter of 2019. This resulted in a Total comprehensive loss of \$ 297,606 for the three months ended March 31, 2020 compared to a Total comprehensive loss of \$ 784,499 for the three months ended March 31, 2019. The foreign currency translation gain during the first quarter of 2019 arose from the net assets of the Company's UK subsidiaries, all of which are denominated in UK£, being translated to Canadian dollars at period end exchange rates. The Canadian dollar exchange rate weakened against UK£ at March 31, 2020 when compared to December 31, 2019 and this has resulted in an increase in the Canadian dollar value of these net assets at March 31, 2020 when compared to December 31, 2019 resulting in the foreign currency translation gain. Conversely the Canadian dollar exchange rate marginally strengthened against UK£ at March 31, 2019 when compared to December 31, 2018 resulting in the foreign currency translation loss for the first quarter on 2019.

Total assets at March 31, 2020 amounted to \$ 24,524,590 compared to \$ 24,737,109 at December 31, 2019. Cash at March 31, 2020 was \$ 936,560 compared to \$ 1,913,420 at December 31, 2019. Accounts receivable consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to

\$ 339,993 at March 31, 2020 compared to \$ 416,699 at December 31, 2019. Inventories at March 31, 2020 amounted to \$ 78,778 compared with \$ 70,328 at December 31, 2019.

Property, plant and equipment totalled \$ 21,921,780 compared to \$ 21,159,716 at December 31, 2019. Exploration and evaluation assets totalled \$ 719,719 at March 31, 2020 compared to \$ 661,726 at the end of 2019. Long term deposit at March 31, 2020, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to \$ 528,120 compared to \$ 515,220 at December 31, 2019.

Current liabilities at March 31, 2020 amounted to \$ 8,654,711 compared 8,943,647 at the end of 2019. The working capital deficit at March 31, 2020 amounted to \$ 7,299,380 compared to a working capital deficit of \$ 6,093,200 at December 31, 2019. Accounts payable and other liabilities totalled \$ 1,723,322 compared to \$ 2,131,715 at December 31, 2019. The current portion of financing facilities totaled \$ 393,659 at March 31, 2020 compared to \$ 242,280 at December 31, 2019. Amounts due to related parties at March 31, 2020 amounted to \$ 5,003,728 compared to \$ 4,719,058 at the end of 2019. Convertible debenture totaled \$ 1,534,002 at March 31, 2020 compared to \$ 1,400,594 at December 31, 2019 as set out on Note 10 of the Consolidated Financial Statements.

The non-current portion of the financing facilities totaled \$ 1,363,547 at March 31, 2020 compared to \$ 1,440,185 at December 31, 2019 as set out on Note 11 of the Consolidated Financial Statements. The decommissioning liability at March 31, 2020 amounted to \$ 597,612 compared to \$ 580,303 at December 31, 2019.

Capital and Reserves totalled \$ 13,909,080 compared to \$ 14,222,974 at December 31, 2019.

## Review of Operations

### 2020 Financing Activities

There were no financing arrangements during the first quarter of 2020. Subsequent to March 31, 2020 Galantas reported a proposed private placement of common shares and amendments to the terms of its loan facility with Ocean Partners UK Ltd both of which are subject to TSXV and regulatory approval (see press releases dated June 26, 2020 and July 3, 2020). The private placement is expected to include funds raised in both UK and Canadian currency and is for a maximum of 2,833,132 shares, at an issue price of \$ 0.225 (UK£ 0.1328) per share for maximum gross proceeds of \$ 637,454 (UK£ 376,240). Provisional indications have been received for the maximum amount. The placement will be brokered, and insiders of the Company are expected to participate in the placement.

Galantas has also agreed on terms, subject to final documentation, of an increase of USD\$ 200,000 on the outstanding loan with Ocean Partners UK Ltd. The interest rate applicable on the Ocean loan will be increased from USD 12 month LIBOR + 8.75% to USD 12 month LIBOR + 9.9% and the maturity date will be extended from December 31, 2020 to December 31, 2021. Interest may be rolled into the Ocean loan until December 31, 2020, at the Company's option. As consideration for amending the terms of the loan, Ocean will receive, upon closing of the agreements, 1,700,000 bonus warrants of Galantas subject to the rules of TSXV Policy 5.1 – Loans, Loan Bonuses, Finder's Fees and Commissions. Each bonus warrant will be exercisable for one common share of Galantas at an exercise price of CDN\$0.33 per bonus share, being 110% of the TSXV closing price the day before the announcement. The net proceeds to be raised by the private placement and the additional Ocean Partners loan are intended to be used to support mine operations and provide general working capital for the Company.

### Production/Mine Development

Underground development of the decline tunnel at the Omagh gold mine, located at the base of the existing open pit, commenced in early 2017 and the mine commenced limited production of gold concentrate during the third quarter of 2018. Underground development of the decline tunnel continued to be progressed during 2018 and 2019 from feed produced in the development of the Kearney vein. The plant had continued limited production of a gold & silver concentrate using a non-toxic, froth-flotation process, ran on a batch basis from a stockpile of underground vein material plus additional feed produced from on-vein development operations until the temporary suspension of blasting at the mine during the fourth quarter of 2019 (see press release dated October 29, 2019). Blasting operations were being limited since all blasting must be supervised by the Police Service of Northern Ireland (PSNI) and were not sufficient for the desired level of operations. The Company had been working with the PSNI to increase blasting availability to normal levels for an underground mine. While progress has been made and substantive investment incurred in accordance with recommendations the Company was still awaiting final approvals from the authorities to be able to implement its increased blasting protocols prior to the suspension. The arrangements, current at that time were not sufficient to allow for the expansion of mine operations as envisaged by the Company's existing mine plan and until changes were agreed, the present inefficiencies caused by those arrangements form an increasing financial burden, which has proved a significant drain on the financial resources of the Company. Accordingly, to reduce costs the numbers employed at the operation were reduced from 46 to 21. Some mine operations continued at the Omagh gold mine, on a single shift. Subsequent to March 31, 2020 Galantas reported that confirmation has been received from PSNI, in regard to their satisfaction of certain secure storage and handling protocols required for an increase in blasting to a commercial level subject to financial matters being agreed. The Company now understands that these financial matters have now been mutually agreed. Ore production is suspended until finance is available to expand the underground operation.

During 2019 underground development of the decline tunnel had continued to be progressed with further crosscuts allowing access to lower levels of vein development which forms the development necessary to demarcate production panels. Prior to the suspension of blasting the access drive on the fourth (1060) level has intersected the Kearney vein ahead of schedule. The intersection showed strongly developed mineralization. The north and south faces of the vein were channel sampled. The average of the two channels was 8.35 g/t gold over an average true width of 2.65 metres. The Company also reported that drivage from the 1072 access had been taken northwards, in-vein, for approximately 40 metres. Mineralisation beyond the first 20 metres is currently excluded from the geological model, due to paucity of data. The mineralization was shown to be persistent and has been followed in an in-vein development. Two channel samples, taken across the face as the drivage was developed at 24.1m and 27.6m into the third level (1072) north development, showed a grade of 6.2g/t gold and 16.3 g/t gold respectively, each with a true width of 3 metres. The vein will continue to be followed northwards on the third (1072) level and elevates potential for additional mineralisation to be added to the resource model if discovered on the adjacent first (1096), second (1084) and fourth (1060) levels. At the time the suspension of blasting was reported underground drivages had been developed to expose of the main Kearney vein on four levels with a fifth level at the point of intersection. The mine is serviced by a decline tunnel of 1 in 6 gradients, of dimensions approximately 4.5m by 4.5m.

A probe drilling campaign was subsequently carried out using the retained personnel and equipment. The results of this campaign, combined with detailed mapping of the exposed mineralisation underground suggests zones of higher width of mineralisation within the vein, linking adjacent levels. This supports an implication that such zonal mineralisation may continue at depth, with enhanced exploration potential for targeting gold resources particularly to the north and within the Company's license area. Probe drilling does not provide samples suitable for use in mineral resource estimates but can provide strong indications where mineralisation is concentrated and is of significantly less cost than core drilling. Subsequently in May 2020, the Company reported that it had filed a short technical report in

respect of the probe drilling campaign. The report is available on [www.sedar.com](http://www.sedar.com) and [www.galantas.com](http://www.galantas.com).

Milling operations had progressed during 2019 and moved to a two-shift basis in the third quarter. The processing plant, which was used formerly for open-pit operations, has had the benefit of a recent upgrade. Following the suspension of blasting operations at the mine, the processing plant continued to operate on a limited basis in the near term and is being fed from stock. In March 2020 and following UK government guidelines regarding Covid-19, processing operations temporarily ceased until later in May when the Company announced that concentrate processing has recommenced. The company carried out maintenance to the processing plant during the milling suspension, to minimise future maintenance interruptions. The restart follows a review of Northern Ireland / UK government health advice regarding Covid-19, a risk assessment and the introduction of appropriate modifications to working practices. Feedstock for the processing plant is from low grade stock until suitable arrangements are in place to recommence development underground. The number of employees that had been furloughed during the first quarter under a NI/UK government scheme has been recently reduced from seven to three. Shipments of concentrate under the off-take arrangements had commenced during the second quarter of 2019. For the first quarter of 2020 provisional revenues from concentrate sales totalled US\$ 186,000. Until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

The Company is seeking strategic alternatives including reviewing its licenses and operations; and considering the possibility of engaging in a sale, joint venture, partnership or other options with third parties and alternative financing structures. The Company is actively engaged in that process.

Safety is a high priority and the company continued to invest in safety-related training and infra-structure. The zero lost time accident rate since the start of underground operations, continues. Environmental monitoring demonstrates a high level of regulatory compliance.

## Reserves and Resources

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

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

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

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

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

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

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

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

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

At a gold price of UK£750 / US\$ 1,260 oz., the pre-tax operating surplus after capital expenditure estimates an Internal Rate of Return of 72% and, at an 8% discount rate, a net present value of approximately UK£ 14.5m (CDN\$ 26.6m) and a cash cost of production of UK£ 394 per ounce (USD\$ 662 at \$1.68/UK£). At a gold price of UK£700 per oz. the study estimated an Internal Rate of Return of 50%. The study scheduled approximately 36% of the combined resources identified on the Kearney and Joshua veins. The Company also filed the complete Technical Report on SEDAR in September 2014, as required by NI 43-101. It is noted that, subsequent to the report, UK£ sterling has weakened materially with a UK£ gold price in excess of £ 900 per ounce.

### **Exploration**

An exploration programme carried out between 2011 and 2013 included the drilling of 17,348 metres of core and channel sampling on the Joshua, Kearney and Kerr vein systems. Assay results from both the drilling and channel sampling programmes were encouraging with significant gold intersections encountered. A new programme commenced in September 2015 to target the Joshua vein at depth. In total, 3,602 metres were drilled by March 2016. In early 2016 Galantas reported the assay results for three holes completed in 2015 (see press release dated January 26, 2016). Most notable was hole OML-DD-15-155 which intersected a wide zone (13 m true width) of the Joshua vein at a vertical depth of 117 m grading 9.9 g/t Au. This drilling programme also identified a new vein, Kestrel, running 70 m west of Joshua. An initial shallow (42.4 m) intersect returned 35.8 g/t Au over 0.7 m true width. A further drill hole targeted the Kestrel vein ~80 metres north and hit mineralisation at a vertical depth of 73 m (3.2 g/t Au over 1.2 m true width). Two 155 m deep water monitoring holes were drilled at the beginning of 2017; these were located according to planning specifications, not with the aim of mineral recovery. However, the PQ drill core provided insight to key lithological changes with depth, north and south of the site. This information was incorporated into the site mapping project instigated during the summer of 2016.

Geologists have recorded and analysed detailed geological information underground which could not be gained through surface exposure or diamond drilling. Plan maps of mineralisation were compiled and digitised for all of the ore drives in the third quarter of 2019. Detailed maps indicated vein swelling and marginal gold grade increase in predictable zones along ore drives in the first four levels of the mine development. Favourable zones of mineralisation appear to occur on shallow north dipping planes and may be tied in with the initial south-east directed thrusting which forced Dalradian metasediments over the Tyrone Igneous Complex. Earlier mapping by Galantas geologists in the Creevan Burn revealed evidence for a thrust stack rooted in graphitic schist. Recent spatial data analysis provides support for the continuation of this thrust stack to the north. Testing of this model began last year through a probing and sediment sampling programme. Initial results have helped to build a clearer picture of the location and extent of dilation zones. Recent work has brought together and incorporated historic surface channel data and drill core evidence in the model. Further confirmation of the apparent trends is expected to enhance targeting of future exploration and has potentially economic improvements to the underground mine plan. During the first quarter of 2020 a technical report was prepared, detailing the underground geological observations and interpretations (see Press Release 6<sup>th</sup> May 2020).



The two Co. Leitrim exploration licences expired at the end of the first quarter, however, these have not yet been surrendered and are still in review. Fieldwork continued within the Donegal licence cluster throughout the first quarter. The soil programme in the Barneslough target area has been brought to an end, several samples await dispatch for analysis. Work began on a second grid in February. An application and screening report have been submitted to the EMD for stream sediment sampling in protected zones of Licence 3039. All fieldwork was suspended in March due to the COVID-19 pandemic.

The geology team continue to provide sample material for an academic project at the University of Leeds. Most recently, key sections of drill core were sampled for U-Pb or Re-Os dating, the results of this are expected in the summer.

## Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the first quarter of 2020 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
March 31, 2020	IFRS	\$ Nil	\$ 680,315	\$ (0.02)
December 31, 2019	IFRS	\$ Nil	\$ (1,175,183)	\$ (0.04)
September 30, 2019	IFRS	\$ 5,788	\$ (718,046)	\$ (0.02)
June 30, 2019	IFRS	\$ 0	\$ (891,863)	\$ (0.03)
March 31, 2019	IFRS	\$ 0	\$ (779,517)	\$ (0.03)
December 31, 2018	IFRS	\$ 0	\$ (953,712)	\$ (0.05)
September 30, 2018	IFRS	\$ 14,203	\$ (706,717)	\$ (0.04)
June 30, 2018	IFRS	\$ 57,040	\$ (700,510)	\$ (0.04)

The results for the quarter ended March 31, 2020 are discussed under Review of Financial Results on pages 9 and 10 of the MD&A. The net loss for the quarter ended March 31, 2020 totaling \$ 680,315 consisted of sales revenues \$ Nil, cost and expenses of operations \$ 35,836, depreciation \$ 88,727, general administrative expenses \$ 656,768 and foreign exchange gain \$ 101,016.

For the quarter ended December 31, 2019 the loss totaling \$ 1,175,183 consisted of sales revenues \$ Nil, cost and expenses of operations \$ 29,085, depreciation \$ 176,779, general administrative expenses \$ 835,607, foreign exchange gain \$ 50,249, impairment of exploration and evaluation asset \$ 155,482 and loss on disposal of property, plant and equipment \$ 28,479.

For the quarter ended September 30, 2019 the loss totaling \$ 718,046 consisted of sales revenues \$ 5,788, cost and expenses of operations \$ 37,098 depreciation \$ 93,865, general administrative expenses \$ 606,535, and foreign exchange gain \$ 13,664.

For the quarter ended June 30, 2019 the loss totaling \$ 891,863 consisted of sales revenues \$ Nil, cost and expenses of operations \$ 85,482, depreciation \$ 99,085, general administrative expenses \$ 646,381, and foreign exchange loss \$ 60,915.

For the quarter ended March 31, 2019 the loss totaling \$ 779,517 consisted of sales revenues \$ Nil, cost and expenses of operations \$ 70,026, depreciation \$ 87,405, general administrative expenses \$ 602,429, and foreign exchange loss \$ 19,657.

For the quarter ended December 31, 2018 the loss totaling \$ 953,712 consisted of sales revenues \$ Nil, cost and expenses of operations \$ 84,477, aggregates levy \$ 352,168, depreciation \$ 131,376, general administrative expenses \$ 530,573, and foreign exchange gain \$ 144,882.

For the quarter ended September 30, 2018 the net loss totaling \$ 706,717 consisted of sales revenues \$ 14,203, cost and expenses of operations \$ 42,365, depreciation \$ 77,394, general administrative expenses \$ 576,256 and foreign exchange loss \$ 24,905.

For the quarter ended June 30, 2018 the net loss totaling \$ 700,510 consisted of sales revenues \$ 57,040, cost and expenses of operations \$ 34,150, depreciation \$ 77,980, general administrative expenses \$ 616,153 and foreign exchange loss \$ 29,267.

## Liquidity and Financial Position

The Company, which is involved in mining and exploration activities, has had a limited source of operating revenue in the recent past, as a result of the suspension of mining activities. However, the Company anticipates receiving substantial additional revenues as the planned underground mine advances. Presently the activities of the Company are mainly financed through equity offerings and loans.

Galantas reported a working capital deficit of \$ 7,299,380 at March 31, 2020 which compared with a working capital deficit of \$ 6,093,200 at December 31, 2019. The Company had cash balances of \$ 936,560 at March 31, 2020 compared with cash balances of \$ 1,913,420 at December 31, 2019. Accounts receivable consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to \$ 339,993 at March 31, 2020 compared to \$ 416,699 at December 31, 2019. Inventories at March 31, 2020 amounted to \$ 78,778 compared with an inventory of \$ 70,328 at December 31, 2019.

Accounts payable and other liabilities amounted to \$ 1,723,322 at March 31, 2020 compared with \$ 2,131,715 at December 31, 2019. The current portion of a financing facilities totaled \$ 393,659 at March 31, 2020 compared to \$ 242,280 at December 31, 2019. Amounts due to related parties at March 31, 2020 amounted to \$ 5,003,728 compared to \$ 4,719,058 at the end of 2019. Convertible debenture amounted to \$ 1,534,002 compared with \$ 1,400,594 at December 31, 2019. In addition a subsidiary of Galantas, Omagh Minerals Limited, previously had a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of \$ 522,588 (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. Omagh Minerals Limited believed this claim was without merit and had appealed the assessment. During the first quarter of 2019, the Tax Tribunals Service issued their judgement dismissing the appeal by Omagh in respect of the assessments. A provision was included in the 2018 consolidated financial statements in respect of the aggregates levy plus interest and penalty. There is a contingent liability in respect of potential additional interest which may be applied in respect of the aggregates levy dispute. Omagh Minerals Limited is unable to make a reliable estimate of the amount of the potential additional penalty that may be applied by HMRC.

Subsequent to March 31, 2020 Galantas reported a proposed private placement of common shares and amendments to the terms of its loan facility with Ocean Partners UK Ltd both of which are subject to TSXV and regulatory approval (see press releases dated June 26, 2020 and July 3, 2020). The private placement is expected to include funds raised in both UK and Canadian currency and is for a maximum

of 2,833,132 shares, at an issue price of \$ 0.225 (UK£ 0.1328) per share for maximum gross proceeds of \$ 637,454 (UK£ 376,240). Provisional indications have been received for the maximum amount. Galantas has also agreed on terms, subject to final documentation, of an increase of US \$ 200,000 on the outstanding loan with Ocean Partners UK Ltd. As consideration for amending the terms of the loan, Ocean will receive, upon closing of the agreements, 1,700,000 bonus warrants of Galantas subject to the rules of TSXV Policy 5.1 – Loans, Loan Bonuses, Finder’s Fees and Commissions. Each bonus warrant will be exercisable for one common share of Galantas at an exercise price of \$ 0.33 per bonus share, being 110% of the TSXV closing price the day before the announcement. The net proceeds to be raised by the private placement and the additional Ocean Partners loan are intended to be used to support mine operations and provide general working capital for the Company.

In December 2019, subsequent to the announcement of the temporary suspension of blasting operations at the mine and given the share price of the Company, a share consolidation was proposed by the Company. The Company believed that a consolidation of its common shares was required to provide for further equity financing. During the quarter ended March 31, 2020 and, following a special meeting of shareholders and approval by the directors of the Company and the regulatory authorities, the Company announced on April 17, 2020 that it had completed the share consolidation being one post consolidation share for ten pre consolidated shares resulting in the Company now having 32,321,472 shares in issue.

The condensed interim consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the December 31, 2019 audited consolidated financial statements. The Company’s ongoing viability has been dependent on securing sufficient financing to fund ongoing operational activity and the development of the underground mine. The going concern assumption is dependent upon forecast cash flows at the Omagh mine being met, negotiations for the extension of short-term loans being finalised, further financing currently being negotiated being completed, blasting arrangements with the PSNI being resolved. The directors’ assumptions in relation to future levels of production, gold prices and mine operating costs are crucial to forecast cash flows being achieved. Should production be significantly delayed, revenues fall short of expectations or operating costs and capital costs increase significantly, there may be insufficient cash flows to sustain day to day operations without seeking further finance.

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

### **Off-Balance Sheet Arrangements**

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

### **Related Party Transactions**

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

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

The Company entered into the following transactions with related parties during the first quarter of 2020:

Director fees totalled \$ 6,250 for the three months ended March 31, 2020 (\$ 6,250 for the three months ended March 31, 2019). Stock-based compensation for these directors totalled \$ 6,786 for the three months ended March 31, 2020 (\$ 23,974 for the three months ended March 31, 2019).

Remuneration accrued for the President/CEO totalled \$ 85,920 (UK£ 50,000) for the three months ended March 31, 2020 (\$ 86,580 (UK£ 50,000) for the three months ended March 31, 2019). Stock-based compensation for the President/CEO totalled \$ 1,264 for the three months ended March 31, 2020 (\$ 8,655 for the three months ended March 31, 2019).

Remuneration of the CFO totalled \$ 22,329 for the three months ended March 31, 2020 (\$ 18,869 for the three months ended March 31, 2019). Stock-based compensation for the CFO totalled \$ 1,264 for the three months ended March 31, 2020 (\$ 7,138 for the three months ended March 31, 2019).

At March 31, 2020 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of \$ 3,212,315 (UK£ 1,824,764) (December 31, 2019 \$ 3,133,850 (UK£ 1,824,764)) bearing interest at USD 12 month LIBOR + 6.75% with effect from April 2018, repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the three months ended March 31, 2020 amounted to \$ 86,533 (UK£ 50,357) (three months ended March 31, 2019 \$ 90,164 (UK£ 52,070)). Interest accrued on related party loans is included under due to related parties. As at March 31, 2020 the interest accrued amounted to \$ 1,116,134 (UK£ 634,023) (December 31, 2019 - \$ 1,002,388 (UK£ 583,666)). There were no additional loan advances from G&F Phelps Ltd during the three months ended March 31, 2020.

As at March 31, 2020 due to directors for fees totalled \$ 124,750 (December 31, 2019 - \$ 118,500) and due to key management, primarily for salaries and benefits accrued at March 31, 2020, amounted to \$ 550,529 (UK£ 312,730) (December 31, 2019 - \$ 464,320 (UK£ 270,362)) and are included under due to related parties.

During the third quarter of 2018 Galantas completed a private placement of shares for aggregate gross proceeds of \$ 1,571,771 (approximately UK£ 929,780). The placement comprised of the issue of 2,213,762 common shares of no-par value. Melquart Ltd subscribed for 1,190,476 common shares, which increased their holding to 4,022,455 common shares. Mr. Ross Beatty subscribed for 238,095 common shares which increased his holding to 3,744,749 shares resulting in Mr. Beatty currently holding 11.59% of the Company's issued common shares. Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, subscribed for 476,191 common shares in the placing which increased his holding to 3,933,817 common shares.

In the fourth quarter of 2018 Galantas completed a further private placement of shares in two parts for aggregate gross proceeds of \$ 6,900,000 (approximately UK£ 4,000,000). The placement comprised of the issue of 8,000,000 common shares of no-par value. Melquart Ltd., a related party subscribed for 2,200,000 common shares which increased their holding to 6,222,455 common shares. Miton Asset Management Limited subscribed for 5,000,000 common shares which resulted in Miton becoming a related party of the Company. In addition under a Shares for Debt Arrangement and following TSXV and shareholder approvals, Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, exchanged 1,000,000 common shares for debt owed to him for past management fees, in the amount of UK£ 500,000 (CAD \$ 862,500) at £0.50 (CAD \$0.8625) per share which increased his holding to 4,933,817 common shares resulting in Mr. Phelps currently holding 15.26% of the Company's issued common shares. In addition, Ms. Roisin Magee, a Director of Galantas Gold Corporation, participated in

the private placement with a subscription for 50,000 common shares. Ms. Magee now owns approximately 0.15% of the Company's issued and outstanding common shares.

During the third quarter of 2019 Galantas completed a part brokered private placement of 2,352,941 common shares, at an issue price of UK£0.425 (\$0.68) per share for gross proceeds of UK£1,000,000 (\$1,600,000). Miton Asset Management Limited subscribed for 376,471 common shares in the private placement and currently own 4,357,135 common shares representing 13.48% of the Company's issued and outstanding shares. Melquart Ltd. subscribed for 1,534,117 common shares which increased their holding to 7,756,572 common shares representing 24.00% of the Company's issued and outstanding shares.

Following the private placements noted above Melquart Ltd, Miton Asset Management Limited, Mr. Beaty and Mr. Phelps are deemed to be related parties of Galantas by virtue of being substantial shareholders of the Company.

Excluding the Melquart Ltd, Miton Asset Management Limited, Mr. Beaty and Mr. Phelps shareholdings discussed above, the remaining 35.67% of the shares are widely held, which include 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.

## Proposed Transactions

Other than Events after the Reporting Period as set out on pages 26 and 27 of the MD&A there are no proposed transactions of a material nature that have been finalized by the Company.

## 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 applied prospectively. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of property, plant and equipment incurred on the Omagh underground mine in the consolidated statements of financial position. The Omagh underground mine and the open pit mine are considered as one cash generating unit ("CGU") and were tested for impairment at December 31, 2019. The calculations of the recoverable amount of CGU require the use of methods such as the discounted cash flow method, which uses assumptions to estimate future cash flows. No additional impairment was noted.
- the estimated life of the ore body based on the estimated recoverable ounces or pounds mined from proven and probable reserves of the mine development costs which impacts the

consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;

- the estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- stock-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including volatility, which is an estimate based on historical price of the Company's share, the forfeiture rate and expected life of the instruments;
- warrants – management is required to make a number of estimates when determining the fair value of the warrants, including volatility, the forfeiture rate and expected life of the instruments;
- Derivative financial liability – management is required to make a number of estimates when determining the fair value of the derivative financial liability, including volatility, the forfeiture rate and expected life of the instruments 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

- Functional Currency– the functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined its functional currency is the Canadian dollar and each subsidiary to be the UK £ Sterling. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined primary economic environment;
- Exploration and evaluation assets – the determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgement and assessment of all relevant factors;
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements; and
- Going concern assumption – Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be

able to realize its assets and discharge its liabilities in the normal course of operations as they come due and

- Whether there are any indicators that the Company's property, plant and equipment assets and exploration and evaluation assets are impaired. Where an indicator of impairment exists for its non-current assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above.

## Accounting Policies including Initial Adoption

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The March 31, 2020 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of July 7, 2020 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as set out in Note 4 of the annual consolidated financial statements as at and for the year ended December 31, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

### New accounting standards adopted

#### IFRS 3, Business Combinations

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

#### IAS 1, Presentation of Financial Statements

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

#### IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

## Financial and Property Risk Management

### Property risk

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

### Financial risk

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

#### (i) Credit risk and sales concentration

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, accounts receivable and long-term deposit. Cash and long-term deposit are held with financial institutions and the United Kingdom Crown respectively, from which management believes the risk of loss to be minimal. All the revenues from sales are from one customer and the accounts receivable consist mainly of a trade account receivable from one customer, value added tax receivable and sales tax receivable. The Company is exposed to concentration of credit and sales risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. Valued added tax receivable is collectable from the Government of Northern Ireland. Sales tax receivable is collectable from government authorities in Canada.

#### (ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company manages liquidity risk by monitoring maturities of financial commitments and maintaining adequate cash reserves and available borrowing facilities to meet these commitments as they come due. As at March 31, 2020 the Company had a working capital deficit of \$ 7,299,380 (December 31, 2019- working capital of deficit of \$ 6,092,200). 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. As at March 31, 2020, the Company was cash flow negative. Subsequent to March 31, 2020 Galantas reported a proposed private placement of common shares and amendments to the terms of its loan facility with Ocean Partners UK Ltd both of which are subject to TSXV and regulatory approval (see press releases dated June 26, 2020 and July 3, 2020). The private placement is expected to include funds raised in both UK and Canadian currency and is for a maximum of 2,833,132 shares, at an issue price of \$ 0.225 (UK£ 0.1328) per share for maximum gross proceeds of \$ 637,454 (UK£ 376,240). Provisional indications have been received for the maximum amount. Galantas has also agreed on terms, subject to final documentation, of an increase of US \$ 200,000 on the outstanding loan with Ocean Partners UK Ltd. The net proceeds to be raised by the



private placement and the additional Ocean Partners loan are intended to be used to support mine operations and provide general working capital for the Company.

(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 price risk.

(a) Interest rate risk

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

(b) Foreign currency risk

Certain of the Company's assets, liabilities are designated in UK£ and expenses are incurred in UK£ which is the currency of Northern Ireland and the United Kingdom while the Company's primary revenues are received in the currency of United States and are therefore subject to gains and losses due to fluctuations in these currencies against the functional currency. The loan from third party is designated in US dollars.

(c) Commodity price risk

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

### **Sensitivity analysis**

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

(i) Certain related party loans and a loan facility with a third party are subject to interest rate risk. As at March 31, 2020, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the three months ended March 31, 2020 would have been approximately \$ 60,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans and a loan facility with a third party. Similarly, as at March 31, 2020 shareholders' equity would have been approximately \$ 60,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans and a loan facility with a third party.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, long-term deposit, accounts payable and other liabilities, financing liability, due to related parties and convertible debenture that are denominated in UK£ and third party loans denominated in US Dollars. As at March 31, 2020, had the UK£ weakened/strengthened by 5% against the CAD with all other variables held constant the Company's consolidated comprehensive loss for the three months ended March 31, 2020 would have been approximately \$ 279,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at March 31, 2020, shareholders' equity would have been approximately \$ 279,000 higher/lower 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. Management believes that the impact would be immaterial for the three months ended March 31, 2020.

## Capital Risk Management

The Company manages its capital with the following objectives:

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

□ to maximize shareholder return.

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

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit which at March 31, 2020 totalled \$ 13,909,080 (December 31, 2019 - \$ 14,222,974). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on its exploration activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2020. The company is not subject to any capital requirements imposed by a lending institution or regulatory body.

## Disclosure of Internal Controls

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

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

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under

securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

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

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

## Disclosure of Other MD&A Requirements

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

General Administrative Expenses for the Quarters ended March 31, 2020 and March 31, 2019 are detailed below:

Expense Account	Quarter Ended March 31, 2020 \$	Quarter Ended March 31, 2019 \$
Management & administrative wages	141,222	191,688
Other operating expenses	94,060	45,226
Accounting & corporate	14,144	13,895
Legal & audit	42,118	15,574
Stock-based compensation	(16,288)	135,340
Shareholder communication and investor relations	47,076	48,133
Transfer agent	27,736	1,901
Directors fees	6,250	6,250
General office	2,713	2,599
Accretion expenses	146,121	57,046
Loan interest and bank charges less deposit interest	<u>151,616</u>	<u>84,777</u>
<b>Total</b>	<b>\$ 656,768</b>	<b>\$ 602,429</b>

General administrative expenses for the quarter ended March 31, 2020 totalled \$ 656,768 compared to \$ 602,429 for the quarter ended March 31, 2019.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and at the Omagh mine which totalled \$ 141,222 for the quarter ended March 31, 2020 compared to \$ 191,688 for the first quarter of 2019. The lower costs in the first quarter of 2020 are due to the reduced number of administrative personnel employed following the suspension of operations in 2019. Other operating expenses include, amongst others professional fees, insurance costs and travel and amounted to \$ 94,060 for the quarter ended March 31, 2020 compared to \$ 45,226 for the

corresponding period of 2019. The higher costs in the first quarter of 2020 are due to an increased in insurance costs. Accounting and corporate costs for the quarter amounted to \$ 14,144 compared to \$ 13,895 for the corresponding quarter of 2019. Legal and audit costs totalled \$ 42,118 for the quarter compared to \$ 15,574 for the first quarter of 2019. Legal costs for the first quarter amounted to \$ 20,476 which compared with \$ Nil for the first quarter of 2019. The increased level of legal fees in the first quarter of 2020 was mainly due to the correction of an under provision for 2019 together with legal costs incurred in connection with the Galantas share consolidation. Audit fees for the first quarter amounted to \$ 21,642 compared to \$ 15,574 for the first quarter of 2019. The increase in the first quarter of 2020 was due to the correction of an audit fees under provision in 2019.

Stock-based compensation costs for the quarter amounted to \$ (16,288) credit compared to \$ 135,340 for the first quarter of 2019. The \$ (16,288) credit in the first quarter of 2020 was due to the cancellation of employee stock options granted in earlier periods. Stock based compensation costs in first quarter 2019 were mainly in connection with stock options granted during the first quarter of 2019.

Shareholder communication and investor relations costs amounted to \$ 47,076 for the first quarter of 2020 compared to \$ 48,133 for the corresponding quarter of 2019. Shareholder communication costs include investor relations, shareholders information, filing fees and listing fees. Transfer agents' fees for the first quarter of 2020 amounted to \$ 27,736 compared to \$ 1,901 in the corresponding period of 2019. The increased level of fees was due to costs incurred in the first quarter of 2020 in connection with the share consolidation completed in April 2020. Directors' fees for the first quarter of 2020 totalled \$ 6,250 compared to \$ 6,250 for 2019. General office expenses amounted to \$ 2,713 compared to \$ 2,599 for the first quarter of 2019.

Accretion expenses for the first quarter of 2020 amounted to \$ 146,121 which compared to \$ 57,046 for the first quarter of 2019. Accretion expenses include accretion of the fair value of the 15,000,000 bonus warrants issued during the second quarter of 2018 in connection with the Ocean Partners US\$ 1.6 million loan as set out in Note 10 of the March 31, 2020 consolidated financial statements and accretion on the convertible feature of the Convertible Debenture as set out in Note 11 of the March 31, 2020 consolidated financial statements. The increase in the accretion charge in the first quarter 2020 is due to the inclusion of accretion on the convertible debenture. Loan interest and bank charges less deposit interest incurred in the first quarter of 2020 were mainly in connection with interest on the G&F Phelps UK£ loan and the convertible debenture interest and amounted to \$ 151,616 compared to \$ 84,777 for the first quarter of 2019. The increase in the interest charge is due to the inclusion of interest on the convertible debenture in the first quarter of 2020.

### **Disclosure of Outstanding Share Data**

The Company is authorized to issue in series an unlimited number of common and preference shares. At July 7, 2020 and following the April 17, 2020 stock consolidation there were a total of 32,321,472 shares issued and 595,000 stock options outstanding with expiry dates from March 2022 to June 2024.

### **Events after Reporting Period**

(i) On April 19, 2020, 1,500,000 warrants with an exercise price of \$1.575 expired unexercised.

(ii) On June 1, 2020, 285,000 stock options with an exercise price of \$1.05 expired unexercised.

(iii) On June 26, 2020, the Company announced a proposed private placement of common shares and amendments to the terms of its loan facility (refer to note 10(ii)). The net proceeds to be raised by the private placement are intended to be used to support mine operations and provide general working capital for the Company. The private placement is expected to include funds raised in both UK and

Canadian currency and is for a maximum of 2,636,355 shares, at an issue price of \$ 0.225 (UK£ 0.1328) per share for maximum gross proceeds of \$ 593,180 (UK£ 350,000). Provisional indications have been received for \$ 457,469 (UK£ 270,000). A four month plus one day hold period will apply to the shares and the shares will rank pari passu with the existing shares in issue of the Company. The private placement will be brokered and insiders of the Company are expected to participate in the private placement.

Galantas also agreed on terms, subject to final documentation, of an increase in the outstanding loan facility (refer to note 10(ii)). The amount of the loan facility will increase by US\$200,000 to a total of US\$1.8 million. The interest rate applicable on the loan facility will be increased from US\$ 12 month LIBOR + 8.75% to US\$ 12 month LIBOR + 9.9% and the maturity date will be extended from December 30, 2020 to December 31, 2021. Interest may be rolled into the loan facility until December 31, 2020, at the Company's option. The existing second charge debenture over mine assets will remain in place. Galantas entered into the loan facility through a concentrate pre-payment agreement/loan agreement signed by its subsidiary Flintridge and the Lender on April 11, 2018.

As consideration for amending the terms of the loan facility, the Lender will receive, upon closing of the loan facility agreements, 1,700,000 bonus warrants of Galantas subject to the rules of TSXV. Each bonus warrant will be exercisable for one common share of Galantas at an exercise price of \$0.33 per bonus share, being 110% of the TSXV closing price the day before this announcement. The bonus warrants will expire on December 31, 2021 and the bonus shares will be subject to an initial four month plus one day hold period from the date of their issuance. In the event that the weighted average closing price per common share of the Company is more than \$0.4125 per share for more than five consecutive trading days, the Company shall be entitled to accelerate the expiry time to a date that is 30 days from the date on which the Company announces the accelerated expiry time by press release. The bonus warrants are subject to TSXV and regulatory approval.

Following the completion of the private placement and the loan facility, G&F Phelps will enter into an arrangement in respect of its loans with the Company which will provide that G&F Phelps will not call for repayment of the G&F Phelps loans (which are repayable on demand), until June 30, 2021 at the earliest, unless certain events occur including inter alia a sale or insolvency of the Company, a material liquidity event, change of control or breach of the terms of the G&F Phelps loans. G&F Phelps is a company owned by Roland Phelps, Chief Executive Officer of Galantas.

(iv) On July 3, 2020, the Company announced that it increased the proposed private placement to a maximum of 2,833,132 shares, at an issue price of \$0.225 (UK£0.1328) per share for maximum gross proceeds of \$637,454 (UK£376,240). Provisional indications have been received for the maximum amount.

(v) The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

## Trends Affecting the Company's Business

### Gold Price in US Dollars and UK Sterling

The Gold concentrate output from the Omagh Mine is sold in US dollars. Most of the value is accrued from the gold content. The following graphs are published by LBMA.org.uk. The first graph shows the gold price expressed in US dollars (USD) from January 2018 to May 2020. The graph shows USD gold price in a generally upward trend since June 2019, with a price above US\$ 1,500 during August and September 2019 but easing back below \$ 1,500 during the fourth quarter of 2019. However, during the first quarter of 2020, and following the worldwide coronavirus crisis, the gold price had firmed back up to above \$ 1,600 by the end of the quarter. Subsequent to March 31, 2020 the US \$ gold price continued to increase to levels above \$ 1,700 mainly on the back of the continuing worldwide economic uncertainty related to the coronavirus crisis.

The second graph shows the gold price expressed in UK£ sterling terms. The Sterling gold price has also been in an upward trend since June 2019. Part of the increase is attributable to an increase in the US Dollar gold price but has been further enhanced by a fall in Sterling compared to the US Dollar. The increases seen in the third quarter of 2019 created a then all time highs in Sterling terms. However, the Sterling gold price subsequently eased back in line with the US Dollar gold price during the fourth quarter of 2019. In the first quarter of 2020 the UK£ sterling gold price increased to a greater extent than the US\$ gold price on the back of a fall in Sterling against the US Dollar currency. Subsequent to March 31, 2020 the UK£ gold price continued to increase in line with the US \$ gold price.

The gold price for the three months ended March 31, 2020 averaged US\$ 1,583 and UK£ 1,237 compared to US\$ 1,304 and UK£ 1,002 for the three months ended March 31, 2019.



Graph of USD Gold Price for the period January 2018 to May 2020: source LBMA



Graph of GBP Gold price for the period January 2018 to May 2020: source LBMA

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

#### The US Dollar / UK£ Sterling Currency Exchange Rate

The following graphs are sourced from the Bank of England database for the spot exchange rate of US \$ and Canadian \$ to UK£ Sterling (GBP or UK£). Sales revenues at the Omagh mine are designated in US Dollars and are converted to UK£, as operating, exploration and capital costs are designated in UK£ Sterling. Thus, a stronger US\$ / weaker UK£ is to the Company's financial benefit.

The US Dollar had been on an upward trend against a weakening UK£ Sterling since March 2019 with UK£ Sterling showing continuing weakness. The exchange rate had been driven by Brexit considerations. However, following a more positive Brexit prognosis the UK£ Sterling regained some ground during the fourth quarter of 2019. However, by the end of the first quarter 2020 sterling had resumed its downward trend against the dollar due to the ongoing economic impact of the coronavirus on the UK economy. The US dollar averaged \$ 1.28 against UK£ sterling for the first quarter of 2020 compared to \$1.30 for the first quarter of 2019.

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.



GBP / USD Exchange Rate: 5-year Trend: Source Bloomberg



GBP / CAN Exchange Rate: 5-year Trend: Source Bloomberg

### 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/strengthening of the Canadian dollar also increases/decreases the value of UK£ based net assets, which are converted at period end rates, when expressed in Canadian dollars.

Although on a generally strengthening trend against UK£ Sterling, considered to be Brexit related, the Canadian Dollar has not shown the same strength against Sterling as the US Dollar, with retrenchment later in 2019 considered by some to be related to weaknesses in the world economy and relationships



with oil prices together with a more positive Brexit prognosis during the fourth quarter of 2019 which trend continued into the first quarter of 2020.

The Canadian Dollar averaged \$ 1.72 against UK£ Sterling during the first quarter of 2020 compared to \$1.73 for the first quarter of 2019. However subsequent to March 31, 2020 the UK£ further weakened on the back of the economic impact of the coronavirus in the UK.

### The Financing Trends & Political Trends

Difficulties in the Western credit markets have impacted on all companies entering into banking credit arrangements. The Canadian and UK equity markets for junior mining companies appears to have weakened during 2018 and remains weak. Whilst the remaining malaise in this market sector has restricted financing opportunities, Galantas has been able to secure funding arrangements during 2018, and 2019 based upon early cash flow expectations.

In Northern Ireland, the widely acknowledged political agreement 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 has been an increase in political antipathy against gold mining companies, based upon opinions regarding the use of cyanide reagents. Galantas does not utilise cyanide reagents and has therefore not suffered the same level of opprobrium. Potential delays related to Brexit issues may cause some interruption to supplies. These have been minimised in advance as much as possible. No tariff issues on the company's products is anticipated.

### **Risks and Uncertainties**

Galantas operates in a sector – mineral production and exploration – which carries inherent risks only some of which are within management's ability to reduce or remove. The main sector risk is always metal price. An investment in the securities of the Company is highly speculative and involves numerous and significant risks. It should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's MD&A for the fiscal year ended December 31, 2019, available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no significant changes to such risk factors since the date thereof.

### **Qualified Person Statement**

The financial components of this disclosure have been reviewed by Leo O' Shaughnessy (Chief Financial Officer) and the production, exploration and permitting components by Roland Phelps C.Eng. MIMMM (President & CEO), both Qualified Persons under the meaning of NI. 43-101 and AIM rules. The information in this disclosure is based upon local production and financial data prepared under their supervision. The statement of mineral resource estimates is based upon a report announced 28<sup>th</sup> July 2014 and prepared by the Galantas Geological and Mining Team under Mr. Phelps' supervision.