GALANTAS GOLD CORPORATION

Management's Discussion and Analysis

Year Ended

December 31, 2018

GALANTAS GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2018

Introduction

This Management Discussion and Analysis ("MD&A"), dated April 16, 2019 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 year ended December 31, 2018. 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 year ended December 31, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017 together with the notes thereto. The Company's 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 of the IFRS Interpretations Committee ("IFRIC"). All amounts presented are stated in Canadian dollars, unless otherwise indicated. Information contained herein is presented as of April 16, 2019 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*** or at the Company's website ***www.galantas.com***.

Cautionary Note Regarding Forward-Looking Information

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

Forward-looking information	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of base metals and other metals.	Financing will be available for future exploration and development 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	Metal price volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for future exploration and development of the Company's properties; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
The Company's ability to obtain planning consent from the Planning Services, Northern Ireland to allow it develop the underground mine at its Omagh property.	The Company 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	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

	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.	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.
The Company's ability to meet its working capital needs at the current level for the year ending December 31, 2019.	The operating and exploration activities of the Company for the year ending December 31, 2019 and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company.	Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
Management's outlook regarding future trends.	Financing will be available for the Company's exploration, development and operating activities; the price of applicable metals, interest rates and exchange rates will be favourable to the Company.	Metal price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.
Asset values for the year ended December 31, 2018.	Management's belief that no write-down is required for its property and equipment resulting	If the Company does not obtain equity or debt financing on terms favorable to the Company or at

	from continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programs on the Company's projects.	all, a decline in asset values that could be deemed to be other than temporary, may result in impairment losses.
Sensitivity analysis of financial instruments.	The Company has an interest rate risk on its G&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.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.
Prices and price volatility for metals.	The price of metals will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of metals will be favourable to the Company.	Changes in debt and equity markets and the spot prices of metals; interest rate and exchange rate fluctuations; changes in economic and political conditions.

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

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

Date of MD&A

This MD&A was prepared on April 16, 2019.

Overview – Strategy - Description of Business

Company Overview

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 in Canada under an off-take agreement. The Company's strategy to increase shareholder value is 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;

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 28th May 2008 and published on www.sedar.com and www.galantas.com. In June 2012 ACA Howe International Ltd (Howe UK) completed an updated NI 43-101 compliant Mineral Resource Estimate together with a Preliminary Economic Assessment. This report, which was based on drilling results and analyses received to June 2012, identified all resources discovered at that date. The Company subsequently filed the complete Technical Report and Preliminary Economic Assessment on SEDAR in August 2012. An updated resource estimate was prepared by the Company during the second quarter of 2013 based on drilling results received to May 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.

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 will utilize the same processing methods and will be 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, Galantas reported that it had 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, the Company announced that the Court of Appeal has 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 is confirmed.

Galantas had earlier been advised that its consents continue to remain valid, at least until judgement and thereafter subject to the judgement.

Galantas had 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 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. 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. 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.

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 employed 37 personnel as of December 31, 2018.

Key Performance Driver

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

Overview of Fiscal Year 2018

Galantas incurred a net loss of $ 2,885,437 for the year ended December 31, 2018 compared with a net loss of $ 2,078,139 for the year ended December 31, 2017.

The Company had cash balances at December 31, 2018 of $ 6,188,554 compared to $ 779,758 at December 31, 2017. The working capital deficit at December 31, 2018 amounted to $ 272,783 which compared with a working capital deficit of $ 3,492,608 at December 31, 2017.

Galantas completed two private placements during 2018. During the third quarter Galantas completed a private placement of shares on a part-brokered basis for aggregate gross proceeds of $ 1,571,771 (approximately UK£ 929,780). The placement comprised of the issue of 22,137,619 common shares of no par value. United Kingdom placees subscribed for a total of 17,416,667 shares at a price of UK£ 0.042 per share. Canadian placees subscribed for a total of 5,720,952 shares at a price of $ 0.071 per share. In the fourth quarter Galantas completed an additional private placement of shares on a part-brokered basis in two parts for aggregate gross proceeds of $ 6,900,000 (approximately UK£ 4,000,000). The placement comprised of the issue of 80,000,000 common shares of no par value. United Kingdom placees subscribed for a total of 75,200,000 shares at a price of UK£ 0.05 per share. Canadian placees subscribed for a total of 4,800,000 shares at a price of $ 0.08625 per share. The net proceeds raised from both placements are for both working capital purposes and the continued underground development at the Omagh gold mine. In addition under a Shares for Debt Arrangement and following TSXV and shareholder approvals, Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, exchanged 10,000,000 common shares for debt owed to him for past management fees, in the amount of £500,000 (CAD $862,500) at £0.05 (CAD $0.08625) per share.

During the second quarter Galantas announced that its operating subsidiary, Flintridge Resources Ltd. had signed a concentrate sales agreement together with a loan facility agreement for US$ 1.6 million (CDN$ 2.012 million) with Ocean Partners UK Ltd. a United Kingdom based company, together with an increased, on-demand loan facility of £ 600,000 with G&F Phelps Ltd. The loans were used for further development of the Omagh Mine and working capital. As consideration for the US$ 1.6 million loan facility Ocean Partners received 15,000,000 bonus warrants of Galantas which will be exercisable into one common share of Galantas at an exercise price of $ 0.1575 per bonus share. The bonus warrants have a maximum life of two years and the bonus shares will be subject to an initial four month plus one day hold period from the date of issuance of the bonus warrants. No bonus warrants were issued in respect of the G&F Phelps loan facility.

Additional loan advances from G&F Phelps Ltd, a related party, during 2018 totalled $ 883,128 (UK£ 506,410).

The Omagh team has made good progress with underground development during 2018 with the north / south Kearney vein being intersected in June as planned. The decline continued to be progressed during the third quarter which has resulted in limited feed to the mill resulting in the mill commencing production of gold concentrate. Further cross-cuts are planned to access to lower levels of in vein development which will form the development necessary to demarcate production panels which are expected to provide an enhanced supply of mill feed. Later in 2018 Galantas reported that delivery of the first consignment of concentrate derived from underground feedstock at the mine had been made with a second shipment of concentrate being shipped prior to year-end.

During the fourth quarter Galantas reported that it had been informed that the Court Of Appeal in Northern Ireland had delivered its judgement in regard to an appeal against the Judicial Review judgement in connection with the Company's planning consent. The Court has determined that the appeal has failed and thus the planning consent is confirmed. An applicant sought to have the Company's planning consent for its Omagh gold mine quashed via a Judicial Review in Belfast's High Court. The Company's consent was confirmed as a result of that Judicial Review. The Applicant appealed against that decision in the Court Of Appeal and it is this judgement that has again confirmed the planning consent.

Also during the fourth quarter Galantas reported that Ms. Róisín Magee joined the Board of Directors. Róisín Magee, with 32 years' experience in the corporate finance and investment industry, is an experienced investment manager having held senior positions in investment teams in London and Dublin. Formerly Chief Investment Officer at AIB Investment Managers Ltd in Dublin, she has been a member of the Investment Committee at TCF Fund Managers LLP in London since 2013.

Review of Financial Results

Year Ended December 31, 2018

The net loss for the year ended December 31, 2018 amounted to $ 2,885,437 compared to a net loss of $ 2,078,139 for the year ended December 31, 2017 as summarized below.

	Year Ended December 31, 2018	**Year Ended December 31, 2017**
Revenues	**$ 71,243**	**$ 35,308**
Production costs	(180,906)	(215,503)
Inventory movement	(4,152)	(9,948)
Costs and expenses of operations	**(185,058)**	**(225,451)**
Loss before the undernoted	**(113,815)**	**(190,143)**
Aggregates levy	(352,168)	0
Depreciation	(350,999)	(203,431)
General administrative expenses	(2,131,872)	(1,714,264)
Unrealized gain on fair value of derivative financial liability	10,000	14,000
Foreign exchange gain	53,417	15,699
	-------------	--------------
Net Loss for the year	**$ (2,885,437)**	**$ (2,078,139)**

Sales revenues for the year ended December 31, 2018 consisting of jewellery sales, amounted to $ 71,243 which compared to sales revenues of $ 35,308 for year ended December 31, 2017.

Cost and expenses of operations include production related costs at the mine and inventory movements and totalled $ 185,058 for the year ended December 31, 2018 compared to $ 225,451 for 2017.

Production related costs for the year ended December 31, 2018 amounted to $ 180,906 compared to $ 215,503 for the year ended December 31, 2017. Production related costs at the mine, the majority of which are incurred in UK£, include wages, oil and fuel, repairs and servicing, environmental monitoring and royalties. Production related costs were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site. The decrease in production related costs in 2018 follows the commencement of underground mine development which resulted in the majority of costs being capitalised to exploration and evaluation assets.

The inventory movement of $ 4,152 for the year ended December 31, 2018 compared to an inventory movement of $ 9,948 for 2017 which reflected the decrease in inventory levels at December 31, 2018 and December 31, 2017 when compared to January 1, 2018 and January 1, 2017.

This has resulted in a net operating loss of $ 113,815 before aggregates levy, depreciation, general administrative expenses, unrealized gain on fair value of derivative financial liability and foreign exchange gain for year ended December 31, 2018 compared to a net operating loss of $ 190,143 for 2017.

The aggregates levy amounted to $ 352,168 which compared with $ Nil for 2017. The Aggregates levy arose as a result of the Company being unsuccessful in respect of an aggregates levy appeal. As a result a subsidiary of the Company is now being held liable for the aggregates levy plus interest and a penalty which has been accounted for as an expense in the current year consolidated financial statements.

Depreciation of property, plant and equipment excluding mine development costs totalled $ 350,999 during the year ended December 31, 2018 which compared with $ 203,431 for 2017. This increase is mainly due to the increased level of property, plant and equipment to be depreciated in 2018. Following the suspension of production there has been no depreciation of mine development costs during 2018 and 2017.

General administrative expenses for the year ended December 31, 2018 amounted to $ 2,131,872 compared to $ 1,714,264 for 2017. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 29 to 31of the MD&A.

The unrealized gain on fair value of derivative financial liability, which amounted to $ 10,000 compared to $ 14,000 for 2017, arose as a result of the exercise price of the warrants issued during 2014 and 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being recorded in the consolidated statements of profit or loss as an unrealized gain or loss on fair value of derivative financial liability. See Note 15(d) of the December 31, 2018 consolidated financial statements. The foreign exchange gain for 2018 of $ 53,417 compared with a foreign exchange gain of $ 15,699 for 2017.

This has resulted in a net loss of $ 2,885,437 for the year ended December 31, 2018 compared to a net loss of $ 2,078,139 for 2017 per the Consolidated Statements of Loss. When the Net Loss is adjusted for non-cash items before changes in non-cash working capital the cash loss from operating activities amounted to $ 1,848,019 for the year ended December 31, 2018 compared to a cash loss from operating activities of $ 1,357,221 for the year ended December 31, 2017. The cash loss from operating activities after changes in non-cash working capital items amounted to $ 466,632 for 2018 compared to a cash loss of $ 861,589 for 2017 as per the Consolidated Statements of Cash Flows.

Exchange differences on translating foreign operations, which is included in Consolidated Statements of Other Comprehensive Loss, resulted in a $ 293,807 gain for the year ended December 31, 2018 which compared to a gain of $ 168,261 for 2017. This resulted in a Total comprehensive loss of $ 2,591,630 for the year ended December 31, 2018 compared to a Total comprehensive loss of $ 1,909,878 for the year ended December 31, 2017. The foreign currency translation gain during 2018 and 2017 arose as a result of the net assets of the Company's UK subsidiaries, which are denominated mainly in UK£, being translated to Canadian dollars at year end exchange rates. The Canadian dollar exchange rate weakened against UK£ at December 31, 2018 and December 31, 2017 when compared to December 31, 2017 and December 31, 2016 respectively which has resulted in an increase in the Canadian dollar value of these net assets at December 31, 2018 and December 31, 2017 when compared to December 31, 2017 and December 31, 2016 resulting in the foreign currency translation gains.

Total assets at December 31, 2018 amounted to $ 24,257,856 compared to $ 13,735,297 at December 31, 2017. Cash at December 31, 2018 was $ 6,188,554 compared to $ 779,758 at December 31, 2017. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to $ 287,273 at December 31, 2018 compared to $ 316,410 at December 31, 2017. Inventories at December 31, 2018 amounted to $ 11,335 compared with $ 15,095 at December 31, 2017.

Property, plant and equipment totalled $ 16,487,501 compared to $ 8,166,752 at December 31, 2017. Exploration and evaluation assets totalled $ 760,023 at December 31, 2018 compared to $ 3,948,452 at the end of 2017. During the year ended December 31, 2018, and following the achievement of technical feasibility and commercial viability at the Omagh mine, the Company transferred the cost of all its Exploration and evaluation assets relating to the Omagh mine to Property, plant and equipment under the caption of Development assets. Long term deposit at December 31, 2018, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to $ 523,170 compared to $ 508,830 at December 31, 2017.

Current liabilities at December 31, 2018 amounted to $ 6,759,945 compared to $ 4,603,871 at the end of 2017. The working capital deficit at December 31, 2018 amounted to $ 272,783 compared to a working capital deficit of $ 3,492,608 at December 31, 2017. Accounts payable and other liabilities totalled $ 2,257,329 compared to $ 1,216,332 at December 31, 2017. The current portion of a financing facility totaled $ 382,974 at December 31, 2018 compared to $ 6,182 at December 31, 2017. Amounts due to related parties at December 31, 2018 amounted to $ 4,119,642 compared to $ 3,381,357 at the end of 2017.

The non-current portion of the financing facility totaled $ 1,081,190 at December 31, 2018 compared to $ 19,689 at December 31, 2017. The decommissioning liability at December 31, 2018 amounted to $ 578,242 compared to $ 551,680 at December 31, 2017. The derivative financial liability at December 31, 2018 amounted to $ Nil compared to $ 10,000 at the end of 2017. The derivative financial liability arose as a result of the exercise price of the warrants issued in 2014 and 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability.

Capital and Reserves totalled $ 15,838,479 compared to $ 8,550,057 at December 31, 2017.

Selected Annual Information

	Year Ended December 31 2018	Year Ended December 31 2017	Year Ended December 31 2016
Revenue (including interest income)	$ 71,243	$ 35,308	$ 74,068
Net loss	$ (2,885,437)	$ (2,078,139)	$ (1,613,298)
Net loss per share basic	$ (0.01)	$ (0.01)	$ (0.01)
Net loss per share diluted	$ (0.01)	$ (0.01)	$ (0.01)
Cash	$ 6,188,554	$ 779,758	$ 557,005
Working Capital (Deficit)	$ (272,783)	$ (3,492,608)	$ (3,095,124)
Total Assets	$ 24,257,856	$ 13,735,297	$ 10,928,754
Non-current Liabilities	$ 1,659,432	$ 581,369	$ 577,570
Shareholders' Equity	$ 15,838,479	$ 8,550,057	$ 6,568,471

Revenues in 2018 consisted of jewelry sales as discussed in Review of 2018 Financial Results on pages 8 to 10 of this MD&A. Revenues in 2017 and 2016 consist mainly of jewelry sales. Prior to the suspension of production in late 2013 revenue primarily consisted of sales of concentrates from the Omagh mine.

The net loss for years ended December 31, 2018 and 2017 amounted to $ 2,885,437 and $ 2,078,139 respectively and is discussed in Review of 2018 Financial Results on pages 8 to 11 of this MD&A. The net loss for 2016 amounted to $ 1,613,298. The Company does not have any extraordinary items and has not declared a dividend for the years presented above.

The cash levels at December 31, 2018 reflect the completion of the private placement in December 2018 as discussed in Review of 2018 Financing Activities on pages 12 and 13 of this MD&A. The lower cash levels at December 31, 2017 and 2016 reflect the private placements and subsequent expenditures incurred during those years. The high cash levels at December 31, 2018 have resulted in a reduced working capital deficit of 272,783 compared to a working capital deficit of $ 3,492,608 at December 31, 2017 and a working capital deficit of $ 3,095,124 at December 31, 2016. The increased working capital deficit in 2017 when compared to 2016 was mainly due to an increase in current liabilities at December 31, 2017 and in particular amounts due to related parties.

Total assets, which are denominated mainly in UK£ and translated to Canadian dollars at year end exchange rates amounted to $ 24,257,856 at December 31, 2018 compared to $13,735,297 at December 31, 2017. The increase in total assets at the end of 2018 was mainly the result of both the high cash levels at the end of 2018 and increased property plant and equipment expenditures during 2018.Total assets at December 31, 2017 had increased to $ 13,735,297 from $ 10,928,754 at December

31, 2016. The increase in total assets at the end of 2017 was mainly the result of both increased property plant and equipment expenditures and exploration and evaluation asset expenditures in 2017.

Non-current liabilities at December 31, 2018, 2017 and 2016 consist of financing facility, decommissioning liability and derivative financial liability. The increase in non-current liabilities at December 31, 2018 is primarily due to the addition of the Ocean Partners loan during 2018 as set out in Note 14 of the December 31, 2018 financial statements.

The increase in Shareholders equity to $ 15,838,479 from $ 8,550,057 in 2017 was mainly due to the increase in share capital arising from the 2018 private placements partially offset by the net loss and other comprehensive loss incurred during 2018. The 2017 increase in shareholders equity to $ 8,550,057 from $ 6,568,471 in 2016 was also due to the increase in share capital arising from the 2017 private placements partially offset by the net loss and other comprehensive loss incurred during 2017.

Review of Operations

2018 Financing Activities

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 22,137,619 common shares of no par value. United Kingdom placees subscribed for a total of 17,416,667 shares at a price of UK£ 0.042 per share. Canadian placees subscribed for a total of 4,720,952 shares at a price of $ 0.071 per share. The shares will rank pari passu with the existing shares in issue of the Company. The placing was conducted on a part-brokered basis. Fees and commissions totalled $ 53,657 (UK£ 31,741). Melquart Ltd, a UK based investment institution, subscribed for 11,904,762 common shares which increased their holding to 40,224,525 common shares. Mr. Ross Beaty subscribed for 2,380,952 common shares, which increased his holding to 37,447,478 common shares representing 12.49% of the Company’s current issued and outstanding shares. Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, subscribed for 4,761,905 common shares which increased his holding to 39,338,167 common shares.

In the fourth quarter Galantas completed a second 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 80,000,000 common shares of no par value. United Kingdom placees subscribed for a total of 75,200,000 shares at a price of UK£ 0.05 per share. Canadian placees subscribed for a total of 4,800,000 shares at a price of $ 0.08625 per share. The placing was conducted on a part-brokered basis. Fees and commissions totalled $ 338,790 (UK£ 196,400). Melquart Ltd. subscribed for 22,000,000 common shares which increased their holding to 62,224,525 common shares representing 20.76% of the Company’s issued and outstanding shares. Miton Asset Management Limited subscribed for 50,000,000 common shares which results in their holding common shares representing 16.68% of the Company’s issued and outstanding shares becoming a related party and a control person of the Company. The net proceeds raised from both placements are for both working capital purposes and the continued underground development at the Omagh gold mine. In addition under a Shares for Debt Arrangement and following TSXV and shareholder approvals, Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, exchanged 10,000,000 common shares for debt owed to him for past management fees, in the amount of £500,000 (CAD $862,500) at £0.05 (CAD $0.08625) per share which increased his holding to 49,338,167 common shares representing 16.46% of the Company’s issued and outstanding shares. Following the private placements 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.

Additional loan advances during 2018 from G&F Phelps Ltd, a related party, totalled $ 883,128 (UK£ 506,410).

During the second quarter of 2018 Galantas announced that its operating subsidiary, Flintridge Resources Ltd. had signed a concentrate pre-payment agreement and loan facility agreement for US$ 1.6 million (CDN$ 2.012 million) with Ocean Partners UK Ltd. a United Kingdom based company, together with an increased, on-demand loan facility of £ 600,000 with G&F Phelps Ltd. The loans are to be used for further development of the Omagh mine and working capital. The interest rate on the Ocean loan facility is set at USD 12 month LIBOR + 8.75%. No interest is charged for first six months and repayments shall commence against deliveries in 2019. There was a US$ 25,000 arrangement fee on completion. The maturity date of the Ocean loan facility will be December 31, 2020. The interest charged on the G&F Phelps loan was increased to USD 12 month LIBOR + 6.75% effective April 1, 2018. No arrangement fee was paid on the G&F Phelps loan facility. G&F Phelps Ltd. is a company owned by Roland Phelps, President & CEO, Galantas Gold Corporation a related party. As consideration for the US$ 1.6 million loan facility Ocean Partners received 15,000,000 bonus warrants of Galantas which will be exercisable into one common share of Galantas at an exercise price of $ 0.1575 per bonus share. The bonus warrants have a maximum life of two years and the bonus shares will be subject to an initial four month plus one day hold period from the date of issuance of the bonus warrants. No bonus warrants were issued in respect of the G&F Phelps loan facility. (See press release dated April 12, 2018).

Production/Mine Development

The Omagh gold mine commenced limited production of gold concentrate during the third quarter of 2018 from feed produced in the development of the Kearney vein. During the fourth quarter Galantas reported that delivery had been made of the first consignment of concentrate derived from underground feedstock at the mine.

The granting of planning consent in 2015 for an underground operation at the Omagh site permits the continuation and expansion of gold mining, following the exhaustion of accessible resources available to the previous open pit operation. The underground mine, which is now in active development is utilizing the same processing methods. 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 phased development arrangement, in terms of mine access dimensions will allow for rapid expansion of production as additional capital becomes available. The main underground decline has been driven at a size to accommodate 30 tonne mine trucks, which would be required to service a larger production rate and minimise haulage costs.

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 throughout the remainder of 2017 and 2018. A detailed plan is being implemented to accelerate progress in line with the planning consent. The main decline tunnel descends at a slope of 1 in 7, from near the base of the former Kearney open pit. A horizontal west to east access tunnel driven from the decline tunnel intersected the north / south Kearney vein in mid 2018 at approximately a right angle and has exposed the vein to be approximately 2.8 metres wide at that point. A horizontal development tunnel was driven on vein, at this level, in both directions during the third quarter, beneath a safety (Crown) pillar which resulted in limited feed to the mill during the third quarter. While the decline continued to be progressed during the fourth quarter the main focus was on the construction and completion of a second means of egress / escapeway. The decline continues to be progressed with further cross-cuts planned to access to lower levels of vein development which will form the development necessary to demarcate production panels. The increased number of development headings is expected to provide an enhanced supply of mill feed. As of March 26, 2019 the company reported that operations have commenced on the third level (1072 level) of the mine.

The underground development, using drill and blast techniques, is being carried out by an in-house crew which is trained in safety and operating procedures. An in-house, mines rescue team has also been trained and equipped.

New drilling equipment has been acquired on a rental basis, with options to purchase, and has led to a marked improvement in advance rates. In addition a new 3.6t capacity load-haul-dump unit, has been acquired on a rental purchase basis which will improve productivity in loading operations from the smaller cross-section vein drives. It is equipped with radio remote control which enhances safety in stope mucking operations. Further equipment purchases are under negotiation.

Environmental monitoring continues to demonstrate compliance with the standards imposed by the regulatory authorities. Safety is a high priority and the zero lost time accident rate, since the start of underground operations, continues.

The mine processing plant commenced operating on limited feed from the development of in-vein drivages of the Kearney gold vein. The processing plant, which was used formerly for open-pit operations, has recently had the benefit of a recent upgrade to some sections and further upgrades are planned. Recent analyses suggest that the product from the plant meets quality criteria and operates at a high efficiency. The plant is expected to operate part-time until the supply of mill feed increases.

Post year-end (26th March 2019), the company announced that it expected to add a second milling shift late in the second quarter of 2019 and additional shift in the third quarter.

Permitting

In June 2015 the Company reported that the Minister of Environment, Northern Ireland had granted planning consent for an underground gold mine at the Omagh site. The planning consent permits the continuation and expansion of gold mining and is expected to create hundreds of jobs locally. The positive decision was the result of 3 years of examination of environmental and other factors regarding the application. Included were environmental studies by NIEA (Northern Ireland Environment Agency) and independent specialists. The consent includes operating and environmental conditions, which the Company has reviewed. A number of conditions precedent to development were required to be satisfied which the Company has carried out.

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 CATEGORY	RESOURCE ESTIMATE : GALANTAS 2014 CUT-OFF 2 g/t Au			Increase over **GAL 2013 report**
	TONNES	**GRADE (Au g/t)**	**Au Ozs**	
MEASURED	138,241	7.24	32,202	55%
INDICATED	679,992	6.78	147,784	21.4%
INFERRED	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.

RESOURCE ESTIMATE BY VEIN : GALANTAS 2014

	MEASURED			INDICATED			INFERRED		
	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
TOTAL	**138,241**	**7.25**	**32,202**	**679,992**	**6.78**	**147,784**	**1,373,879**	**7.71**	**341,123**

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 for 2017.

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 OMLDD-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.

Key structural measurements are recorded by geologists as the underground development advances. This data is used to assist tunnel support design considerations. Projections of the Kearney stringer vein suggested that this should be intersected by the development for a second time. The stringer was intersected and a sample collected, post first quarter end, on 20 April and recorded 0.2g/t gold. A sample was also taken from a 0.8 m wide stringer vein in a western cross-cut development, which is planned to continue towards Joshua vein, with assay results returning 13.7 g/t Gold and 13.7 g/t Silver. Assays were analysed by Wheal Jane Laboratory, Cornwall, UK, a UKAS accredited laboratory, using wet chemistry & AAS techniques.

In line with planning requirements, a sample of country rock was collected for acid generating potential in the main decline tunnel (<25 m depth). Results for this indicate a neutralisation potential (NP) of 25 and acid potential (AP) of 0.3 (tCaCO3/1000t ore), giving a safety factor (NPR) of 80. The results were supplied by ALS Global, OMAC Laboratories Ltd, Galway, Ireland, an INAB accredited testing laboratory, through ALS Vancouver, Canada, using LECO and ICP-AES methods. The Kearney vein was identified where the resource model predicted, in June (see Press Release June 25, 2018); assay results indicate a grade of 4.1 g/t gold over 1.5 m. Subsequent to the year end, a second sample of country rock has been taken from the main decline tunnel at a lower elevation, for assessment of acid generating potential, in accordance with regulatory requirements. It is noted that the open-pit and mine environs have not tested as likely to generate acid drainage and that result is confirmed by monthly water testing.

The third quarter saw progress in two vein drives on the 1096 (first) level, one to the north and one to the south of the original intersection. The drives are mapped between each blast, and the geological team are using structural observations and consideration of the resource model to ensure that the development remains in the main vein. Probe holes are used where necessary to test for any significant mineralisation splays and to help direct drilling. Channel samples are cut perpendicular to the vein when possible (approximately every three blasts). Results for the initial northern vein drive intersection indicate 12.8 g/t gold and 33.1 g/t silver over 1.7 m (see Press Release August 29th). A channel was sampled within the southern vein drive over a vein width of 1.8 m at the end of September. Recent assay results for this, and a further southern vein drive channel, were analysed after the end of the third quarter. The results were published in November (see Press Release 8th November, 2018).

Development during the fourth quarter progressed predominantly in the escapeway, decline and northern vein drive. Detailed face maps and ground control (Q value) assessments were competed between each blast cycle. The vein narrowed to the north but mineralisation and structure were still traceable. The micromine model was used to inform the mine plan for the next (second) level (1084 RL). Blasting on the K1084 access drive began in December. Subsequent to the year end, the Kearney vein was intersected on the 1084 level, at a position to the north of the 1096 level and was reported February 11, 2019 as well mineralised across an approximate 2 metre width.

The geology team are providing data and sample material for two academic projects based at NUI in Galway and the University of Leeds. Drill core sub-samples and thin sections have been supplied to assist both projects. In addition, small gold grains were collected for microgeochemical analysis by sluicing and panning sediment in nearby Botera and Creevan Burns.

Fieldwork resumed in the Lough Derg region during the third and fourth quarters, in line with the new work programmes submitted to the Exploration and Mining Division in May. The focus was on two soil grids centred firstly on a cluster of geochemical anomalies within the Straness area, in close proximity to the Laghy Fault; secondly, on an area straddling the Lough Derg Slide (LDS). Shallow samples were collected for analysis via the Ionic Leach method; this extremely sensitive method has recently been successfully applied in Irish exploration projects. The first grid straddled PL areas 3039 and 3040, during this programme three mineralised float rock samples and one cross-cutting mineralised quartz vein (~10 cm wide) were identified within 200 m of the Laghy fault, approximately 2.5 km ENE of the narrow gold bearing veins identified in 2016. The new vein, with visible pyrite, trends NNE within Dalradian metasediments. A float quartz sample collected within the grid returned 238 ppm Mo with minor Ag (0.16 ppm).

Ranking analysis was completed on the new shallow soil dataset in December. Groups of pathfinder elements were selected separately for different deposit types. Three potential target areas for orogenic gold deposits were defined, all of which were close to the LDS. The Tellus gold and base metal soil data were similar to the Galantas Ionic Leach results, providing support for the application of this new method in our field area.

An Interim report detailing exploration work carried out in PL areas: 3039, 3040 and 3235 was submitted to the Exploration and Mining Division in December. The work spans the first sixth month period of the renewed licences; PL2315 was relinquished by the Company in order to allow for investment of time and budget into the more promising three licences.

An exploration drilling proposal was compiled in December. This details collar locations and targets for 14 holes (1900 m) on Kearney, Kerr and Joshua from underground stations.

Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the fourth quarter of 2018 and for the seven preceding quarters are summarized below.

Quarter Ended	Accounting Policies	Total Revenue	Net Income (Loss)	Net Income (Loss) per share & per share diluted
December 31, 2018	IFRS	$ 0	$ (953,712)	$ (0.00)
September 30, 2018	IFRS	$ 14,203	$ (706,717)	$ (0.01)
June 30, 2018	IFRS	$ 57,040	$ (700,510)	$ (0.00)
March 31, 2018	IFRS	$ 0	$ (524,498)	$ (0.00)
December 31, 2017	IFRS	$ 106	$ (429,273)	$ (0.00)
September 30, 2017	IFRS	$ 15,861	$ (452,756)	$ (0.00)
June 30, 2017	IFRS	$ 16,607	$ (511,876)	$ (0.00)
March 31,2017	IFRS	$ 2,734	$ (684,234)	$ (0.00)

The results for the quarter ended December 31, 2018 are discussed under Review of Financial Results on pages 22 to 24 of the MD&A. The net loss for the quarter ended December 31, 2018 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.

For the quarter ended March 31, 2018 the net loss totaling $ 524,498 consisted of sales revenues $ Nil, cost and expenses of operations $ 24,066, depreciation $ 64,249, general administrative expenses $ 408,890, unrealized gain on fair value of derivative financial liability $ 10,000 and foreign exchange loss $ 37,293.

For the quarter ended December 31, 2017 the net loss totaling $ 429,273 consisted of sales revenues $ 106, cost and expenses of operations $ 11,515, depreciation $ 60,074, general administrative expenses $ 347,656, unrealized gain on fair value of derivative financial liability $ 2,000 and foreign exchange loss $ 12,134.

For the quarter ended September 30, 2017 the net loss totaling $ 452,756 consisted of sales revenues $ 15,861, cost and expenses of operations $ 38,915, depreciation $ 52,415, general administrative expenses $ 367,257, unrealized gain on fair value of derivative financial liability $ 6,000 and foreign exchange loss $ 16,030.

For the quarter ended June 30, 2017 the net loss of $ 511,876 consisted of sales revenues $ 16.607, cost and expenses of operations $ 111,605, depreciation $ 50,887, general administrative expenses $ 497,235, unrealized gain on fair value of derivative financial liability $ 28,000 and foreign exchange gain $ 103,244.

For the quarter ended March 31, 2017 the net loss of $ 684,234 consisted of sales revenues $ 2,734, cost and expenses of operations $ 63,416, depreciation $ 40,055, general administrative expenses $ 502,116, unrealized loss on fair value of derivative financial liability $ 22,000 and foreign exchange loss $ 59,381.

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 anticipate 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 $ 272,783 at December 31, 2018 which compared with a working capital deficit of $ 3,492,608 at December 31, 2017. The Company had cash balances of $ 6,188,554 at December 31, 2018 compared with cash balances of $ 779,758 at December 31, 2017. Accounts receivable consisting mainly of reclaimable taxes and prepayments amounted to $ 287,273 at December 31, 2018 compared to $ 316,410 at December 31, 2017. Inventory at December 31, 2018 amounted to $ 11,335 compared with an inventory of $ 15,095 at December 31, 2017.

Accounts payable and other liabilities amounted to $ 2,257,329 at December 31, 2018 compared with $ 1,216,332 at December 31, 2017. The current portion of a financing facility totaled $ 382,974 at December 31, 2018 compared to $ 6,182 at December 31, 2017. Amounts due to related parties at December 31, 2018 amounted to $ 4,119,642 compared to $ 3,381,357 at the end of 2017. In addition a subsidiary of Galantas previously had a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of $ 530,651 (UK£ 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believed this claim was without merit and had appealed the assessment. This appeal hearing commenced in March 2017 and following a number of adjournments was completed in August

2018. Subsequent to December 31, 2018, the Tax Tribunals Service issued their judgement dismissing the appeal by Omagh in respect of the assessments. A provision has now been included in the consolidated financial statements in respect of the Aggregates Levy plus interest and penalty. There is a contingent liability in respect of potential additional interest which may be applied in respect the Aggregates Levy dispute. The Company is unable to make a reliable estimate of the amount of the potential additional penalty that may be applied by HMRC.

During the third quarter of 2018 Galantas completed a private placement of shares on a part-brokered basis for aggregate gross proceeds of $ 1,571,771 (approximately UK£ 929,780). In the fourth quarter Galantas completed an additional private placement of shares on a part-brokered basis in two parts for aggregate gross proceeds of $ 6,900,000 (approximately UK£ 4,000,000). The net proceeds raised from both placements are for both working capital purposes and the continued underground development at the Omagh gold mine. In addition under a Shares for Debt Arrangement, Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, following TSXV and shareholder approvals exchanged 10,000,000 common shares for debt owed to him for past management fees, in the amount of £500,000 (CAD $862,500) at £0.05 (CAD $0.08625) per share.

Earlier in 2018 Galantas announced that its operating subsidiary, Flintridge Resources Ltd. has signed a concentrate pre-payment agreement and a loan facility agreement for US$ 1.6 million (CDN$ 2.012 million) with Ocean Partners UK Ltd. a United Kingdom based company, together with an increased, on-demand loan facility of £600,000 with G&F Phelps Ltd. The loans are to be used for further development of the Omagh mine and working capital. As consideration for the US$ 1.6 million loan facility Ocean Partners received 15,000,000 bonus warrants of Galantas each of which will be exercisable into one common share of Galantas at an exercise price of $ 0.1575 per bonus share, being 150% of the TSXV closing price the day before this announcement. The bonus warrants have a maximum life of two years and the bonus shares will be subject to an initial four month plus one day hold period from the date of issuance of the bonus warrants. No bonus warrants were issued in respect of the G&F Phelps loan facility (See press release dated April 12, 2018). Additional loan advances from G&F Phelps Ltd, a related party, during the year ended December 31, 2018 totalled $ 883,128 (UK£ 506,410).

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the December 31, 2018 audited consolidated financial statements. The Company's ongoing viability had been dependent on obtaining planning consent for the development of an underground mine at Omagh and in securing sufficient financing to fund ongoing operational activity and the development of the underground mine both of which it has now achieved. The going concern assumption is dependent upon forecast cash flows at the Omagh mine being met together with the continued support of both Cavanacaw Corporation and Galantas Gold Corporation. 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 2018:

Director fees of $ 29,250 were accrued for the year ended December 31, 2017 ($ 26,500 for the year ended December 31, 2017). Stock-based compensation for these directors totalled $ 16,039 for the year ended December 31, 2018 ($ 47,334 for the year ended December 31, 2017).

Remuneration for the President/CEO totalled $ 345,980 (UK£ 200,000) for the year ended December 31, 2018 ($ 334,400 (UK£ 200,000) for the year ended December 31, 2017). Stock-based compensation for the President/CEO totalled $ 16,039 for year ended December 31, 2018 ($ 47,334 for the year ended December 31, 2017).

Remuneration of the CFO totalled $ 76,388 for the year ended December 31, 2018 ($ 74,800 for the year ended December 31, 2017). Stock based compensation for the CFO totalled $ 6,415 for the year ended December 31, 2018 ($ 18,933 for the year ended December 31, 2016).

At December 31, 2018 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of $ 3,182,205 (UK£ 1,824,764) (December 31, 2017 $ 2,236,060 (UK£ 1,318,354)) and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the year ended December 31, 2018 amounted to $ 261,627 (UK£ 151,238) (year ended December 31, 2017 - $ 56,952 (UK£ 34,062). Interest accrued on related party loans is included under due to related parties. As at December 31, 2018, the interest accrued amounted to $ 658,338 (UK£ 377,509) (December 31, 2017 - $ 383,778 (UK£ 226,271)). Following the increase of £600,000 to the on-demand loan facility with G&F Phelps Ltd earlier in 2018 the interest rate on the G&F Phelps loan facility was increased to USD 12 month LIBOR + 6.75% with effect from April 1, 2018.

As at December 31, 2018 due to directors for fees totalled $ 166,000 (December 31, 2017 $ 136,750) and due to key management, primarily for salaries and benefits accrued at December 31, 2018, amounted to $ 113,099(UK£ 64,854) (December 31, 2017 - $ 624,769 (UK£ 368,356)) and are included under due to related parties.

During the first quarter of 2017 Galantas completed a private placement in two parts for aggregate gross proceeds of $ 2,446,299 (approximately UK£1,482,875). The placement comprised of the issue of 33,093,258 common shares. Melquart Ltd, a UK based investment institution, subscribed for 22,222,222 common shares. In addition Mr. Ross Beaty subscribed for an additional 3,326,170 common shares in the placing. As a consequence of the placing, Mr. Beaty had an interest in 31,151,567 common shares.

During the fourth quarter of 2017 Galantas completed a private placement for aggregate gross proceeds of $ 1,165,857 (approximately UK£1,482,875). The placement comprised of the issue of 16,655,099 common shares. Melquart Ltd subscribed for 6,097,561 common shares, which increased their holding to 28,319,783 common shares. Mr. Ross Beaty subscribed for an additional 2,914,959 common shares in the placing. As a consequence of the placing, Mr. Beaty had an interest in 35,066,526 common shares. Mr. Roland Phelps, President & CEO, subscribed for an additional 1,219,512 common shares in the placing. As a consequence of the placing, Mr. Phelps had an interest in 34,576,262 common shares.

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 22,137,619 common shares of no par value. Melquart Ltd subscribed for 11,904,762 common shares, which increased their holding to 40,224,545 common shares. Mr. Ross Beaty subscribed for 2,380,952 common shares which increased his holding to 37,447,478 common shares resulting in Mr. Beatty currently holding 12.49% of the Company's issued common shares. Mr. Roland Phelps, President & CEO, Galantas Gold Corporation, subscribed for 4,761,905 common shares in the placing which increased his holding to 39,338,167 common shares. Melquart, Mr. Beaty and Mr. Phelps are deemed to be related parties of Galantas by virtue of being substantial shareholders of the Company.

In the fourth quarter 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 80,000,000 common shares of no par value. Melquart Ltd. subscribed for 22,000,000 common shares which increased their holding to 62,224,545 common shares representing 20.76% of the Company's issued and outstanding shares. Miton Asset Management Limited subscribed for 50,000,000 common shares which results in their holding common shares representing 16.68% of the Company's issued and outstanding shares resulting 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 10,000,000 common shares for debt owed to him for past management fees, in the amount of £500,000 (CAD $862,500) at £0.05 (CAD $0.08625) per share which increased his holding to 49,338,167 common shares representing 16.46% of the Company's issued and outstanding shares. Following the private placements 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. In addition Roisin Magee, a Director of Galantas Gold Corporation, has participated in the private placement with a subscription for 500,000 Common Shares. Ms. Magee now owns approximately 0.17% of the Company's issued and outstanding common shares

Excluding the Melquart Ltd, Miton Asset Management Limited, Ross Beaty and Roland Phelps shareholdings discussed above, the remaining 33.61% 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. The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company.

Additional loan advances during 2018 from G&F Phelps Ltd, a related party, totalled $ 883,128 (UK£ 506,410).

Fourth Quarter 2018 Financial Review

Quarter Ended December 31, 2018

The net loss for the quarter ended December 31, 2018 amounted to $ 953,712 compared to a net loss of $ 429,273 for the quarter ended December 31, 2017 as summarized below:

	Quarter Ended December 31, 2018	Quarter Ended December 31, 2017
Revenues	**$ 0**	**$ 106**
Production costs	(84,501)	(11,486)
Inventory movement	24	(29)
Cost and expenses of operations	**(84,477)**	**(11,515)**
Loss before the undernoted	**(84,477)**	**(11,409)**
Aggregates levy	(352,168)	0
Depreciation	(131,376)	(60,074)
General administrative expenses	(530,573)	(347,656)
Unrealized gain on fair value of derivative liability	0	2,000
Foreign exchange gain/(loss)	144,882	(12,134)
	--------------	--------------
Net Loss for the Quarter	**$ (953,712)**	**$ (429,273)**

Sales revenues for the quarter ended December 31, 2018 amounted to $ Nil compared to revenues of $ 106 for the corresponding period of 2017.

Cost and expenses of operations include production related costs at the mine and inventory movements and totalled $ 84,477 for the quarter ended December 31, 2018 compared to $ 11,515 for the fourth quarter of 2017.

Production related costs for the quarter ended December 31, 2018 amounted to $ 84,501 compared to $ 11,486 for the fourth quarter of 2017. Production related costs at the mine, the majority of which are incurred in UK£, include wages, oil and fuel, repairs and servicing, environmental monitoring and royalties. There was no production during both periods and this is reflected in the low costs incurred, which were mainly in connection with ongoing care, maintenance and restoration costs at the mine site. The decrease in production related costs is due to the commencement of underground mine development which has resulted in the majority of costs incurred being capitalised to exploration and evaluation assets.

The inventory movement of $ 24 credit for the fourth quarter of 2018 compared to and inventory movement of $ 29 for the fourth quarter of 2017.

This has resulted in a net operating loss of $ 84,477 before depreciation, general administrative expenses, exceptional item and foreign exchange gain/loss for quarter ended December 31, 2018 compared to a net operating loss of $ 11,409 for the quarter ended December 31, 2017.

The aggregates levy amounted to $ 352,168 for the fourth quarter of 2018 which compared with $ Nil for 2017. The aggregates levy arose as a result of the Company being unsuccessful in respect of an aggregates levy appeal. As a result the Company is now being held liable for the aggregates levy plus interest and a penalty which has been accounted for as an expense in the current year consolidated financial statements.

Depreciation of property, plant and equipment excluding mine development costs during the fourth quarter totalled $ 131,376 which compared with $ 60,074 for the fourth quarter of 2017. Following the suspension of production there was no depreciation of mine development costs during 2018 and 2017.

General administrative expenses for the quarter ended December 31, 2018 amounted to $ 530,573 compared to $ 347,656 for the fourth quarter of 2017. General administrative expenses for the fourth quarter are reviewed in more detail in Other MD&A Requirements on pages 31and 32 of the MD&A.

The unrealized gain on fair value of derivative financial liability for the fourth quarter of 2018 amounted to $ Nil which compared to an unrealized gain of $ 2,000 for the fourth quarter of 2016 and arose as a result of the exercise price of the warrants issued in 2014 and 2015 being denominated in a currency other than the functional currency, resulting in these warrants being considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being recorded in the consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

There was a foreign exchange gain of $ 144,882 for the fourth quarter of 2018 which compared with a foreign exchange loss of $ 12,134 for the fourth quarter of 2017.

This has resulted in a net loss of $ 953,712 for the quarter ended December 31, 2018 compared to a net loss of $ 429,273 for the fourth quarter of 2017.

Proposed Transactions

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, 2018. 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 accounting policies and methods of computation followed in Galantas's December 31, 2018 consolidated financial statements are set out in detail on Note 4 of the consolidated financial statements.

New accounting standard adopted

Effective January 1, 2018, the Company adopted IFRS 9 - Financial Instruments. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

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

The new hedge accounting guidance aligns hedge accounting more closely with an entity's risk management objectives and strategies. IFRS 9 does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it allows more hedging strategies used for risk management to qualify for hedge accounting and introduces more judgement to assess the effectiveness of a hedging relationship, primarily from a qualitative standpoint. The Company has elected to continue with IAS 39 for hedging. This does not have an effect on the reported results.

New accounting standards not yet effective

(I) On June 7, 2017, the IASB issued IFRIC 23 - Uncertainty Over Income Tax Treatments. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company does not expect the interpretation to have a material impact on the consolidated financial statements.

(ii) On January 13, 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 - Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its consolidated financial statements for the period beginning on January 1, 2019. The Company is evaluating the impact of adoption and expects to report more detailed information in its consolidated financial statements as the effective date approaches.

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 customers 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 December 31, 2018 the Company had a working capital deficit of $ 272,783 (December 31, 2017 - working capital of deficit of $ 3,492,608). 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 December 31, 2018, the Company was cash flow negative. Sufficient funding has been secured to fund ongoing operational activity and the development of the underground mine subject to forecast cash flows at the Omagh mine being met together with the continued support of both Cavanacaw Corporation and Galantas Gold Corporation’.

(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 December 31, 2018, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the year ended December 31, 2018 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 December 31, 2018 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 and due to related parties that are denominated in UK£ and third party loans denominated in US Dollars. As at December 31, 2018, had the UK£ weakened/strengthened by 5% against the CAD with all other variables held constant the Company’s consolidated other comprehensive loss for the year ended December 31, 2018 would have been approximately $ 65,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2018, shareholders' equity would have been approximately $ 65,000 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 year ended December 31, 2018.

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 December 31, 2018 totalled $ 15,838,479 (December 31, 2017 - $ 8,550,057). 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 and year ended December 31, 2018. 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 audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the audited 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 Years Ended December 31, 2018 and December 31, 2017 are detailed below:

Expense Account	Year Ended December 31, 2018	Year Ended December 31, 2017
Management & administrative wages	$ 784,545	$ 611,107
Other operating expenses	198,493	204,294
Accounting and corporate	68,933	64,875
Legal & audit	91,419	80,647
Stock-based compensation	225,169	463,869
Shareholder communication and investor relations	194,992	172,930
Transfer agent	10,213	9,159
Directors fees	29,250	26,500
General office	9,486	7,797
Accretion expenses	251,547	10,560
Loan interest and bank charges	267,825	62,526
	--------------	--------------
Total	**$ 2,131,872**	**$ 1,714,264**

General administrative expenses for the year ended December 31, 2018 totaled $ 2,131,872 compared to $ 1,714,264 for the year ended December 31, 2017.

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 totaled $ 784,545 for the year ended December 31, 2018 compared to $ 611,107 for 2017. The higher costs in 2018 are mainly due to the employment of additional administrative personnel during 2018 reflecting the increased level of activity at the Omagh mine. Other operating expenses, the majority of which are also incurred in UK£ and include amongst others professional fees, insurance costs, health and safety training and travel amounted to $ 198,493 for the year ended December 31, 2018 compared to $ 204,294 for 2017. Accounting and corporate costs for the year ended December 31, 2018 amounted to $ 68,933 compared to $ 64,875 for 2017. Legal and audit costs totalled $ 91,419 for the year ended December 31, 2018 compared to $ 80,647 for 2017. Legal costs amounted to $ 40,346 which compared with $ 19,599 for 2017. Audit fees for 2018 amounted to $ 51,073 compared to $ 61,048 for 2017. Stock-based compensation costs for the year ended December 31, 2018 amounted to $ 225,169 compared to $ 463,869 for 2017. Stock based compensation costs were in connection with stock options granted in the first quarter of 2017 and in the second quarter of 2018.

Shareholder communication and investor relations costs amounted to $ 194,992 for the year ended December 31, 2018 compared to $ 172,930 for 2017. Shareholder communication and investor relations costs include shareholders information, investor relations, filing fees, listing fees and certain costs in connection with the holding of the Company's AGM. The increase in shareholder communication costs in 2018 was due mainly to increased investor relations costs incurred during the year. Transfer agents fees amounted to $ 10,213 compared to $ 9,159 for 2017. Transfer agent's costs for both periods include certain costs in connection with the holding of the Company's AGM. Directors' fees totalled $ 29,250 compared to $ 26,500 for 2017. General office expenses for 2018 amounted to $ 9,486 compared to $ 7,797 for 2017.

Accretion expenses for the year ended December 31, 2018 amounted to $ 251,547 which compared to $ 10,560 for 2017.The increased accretion charge in 2018 is due to the inclusion of the accretion of the fair value of the 15,000,000 bonus warrants granted in the second quarter of 2018 in connection with the Ocean Partners US$ 1.6 million loan as set out in Note 14 of the December 31, 2018 consolidated financial statements. Loan interest and bank charges for the year ended December 31, 2018 were mainly in connection with interest on the G&F Phelps UK£ loan and amounted to $ 267,825 compared to $62,526 for the year ended December 31, 2017. The higher interest charge for 2018 is due to an increase in the interest rate charged on the G&F Phelps loan effective April 2018.

General Administrative Expenses for the Quarters ended December 31, 2018 and December 31, 2017 are detailed below:

Expense Account	Quarter Ended December 31, 2018	Quarter Ended December 31, 2017
Management & administrative wages	$ 188,404	$ 156,427
Other operating expenses	46,574	45,733
Accounting & corporate	22,203	20,295
Legal & audit	14,469	(21,675)
Stock-based compensation	39,657	81,391
Shareholder communication and investor relations	46,152	38,325
Transfer agent	2,147	0
Directors fees	10,000	6,500
General office	2,987	1,943
Accretion expenses	66,106	2,663
Loan interest and bank charges	91,874	16,054
	-----------	-----------
Total	**$ 530,573**	**$ 347,656**

General administrative expenses for the quarter ended December 31, 2018 totaled $ 530,573 compared to $ 347,656 for the quarter ended December 31, 2017.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and the Omagh mine totaled $ 188,404 for the quarter ended December 31, 2018 and compared with $ 156,427 for the fourth quarter of 2017. The higher costs in the fourth quarter of 2018 are mainly due to the employment of additional administrative personnel reflecting the increased level of activity at the Omagh mine. Other operating expenses, the majority of which are also incurred in UK£ and include amongst others professional fees, insurance costs and travel amounted to $ 46,574 for the quarter ended December 31, 2018 compared to $ 45,733 for the fourth quarter of 2017. Accounting and corporate costs for the quarter amounted to $ 22,203 compared to $ 20,295 for the corresponding quarter of 2017. Legal and audit costs totalled $ 14,469 for the quarter compared to $ (21,675) credit for the fourth quarter of 2017. Legal costs for the fourth quarter amounted to $ $ 5,337 which compared with

$ (33,738) credit for the fourth quarter of 2017. The legal fees credit in the fourth quarter of 2017 was due to both the reversal of legal costs over accrued in earlier periods and the reclassification of legal fees incurred in earlier quarters to underground development costs. Audit fees for the fourth quarter amounted to $ 9,132 compared to $ 12,063 for the fourth quarter of 2017.

Shareholder communication and investor relations costs amounted to $ 46,152 for the fourth quarter of 2018 compared to $ 38,325 for the corresponding quarter of 2017. Shareholder communication costs include shareholders information, investor relations, filing fees and listing fees. The increase in shareholder communication costs in 2018 was due mainly to increased investor relations costs incurred during the quarter. Transfer agents fees for the fourth quarter of 2017 amounted to $ 2,147 compared to $ Nil for the corresponding period of 2017. Directors' fees for the fourth quarter of 2018 totalled $ 10,000 compared to $ 6,500 for the fourth quarter of 2017. General office expenses for the fourth quarter of 2018 amounted to $ 2,987 compared to $ 1,943 for 2017. Accretion expenses for the fourth quarter of 2018 amounted to $ 66,106 which compared to $ 2,663 for the fourth quarter of 2017. The increased charge is due to the inclusion in the fourth quarter of 2018 of the accretion of the fair value of the 15,000,000 bonus warrants granted in the second quarter of 2018 in connection with the Ocean Partners US$ 1.6 million loan as set out in Note 14 of the December 31, 2018 consolidated financial statements. Loan interest and bank charges for the year ended December 31, 2018 were mainly in connection with interest on the G&F Phelps loan and amounted to $ 91,874 compared to $ 16,054 for the year ended December 31, 2017. The higher interest charge in 2018 is due to both the inclusion of the Ocean Partners loan interest and an increase in the interest rate charged on the G&F Phelps loan effective April 2018.

Disclosure of Outstanding Share Data

At April 16, 2019 there were a total of 299,686,805 shares issued, 15,000,000 warrants with an expiry date of April 2020 and 12,050,000 stock options with expiry dates from June 2020 to February 2024.

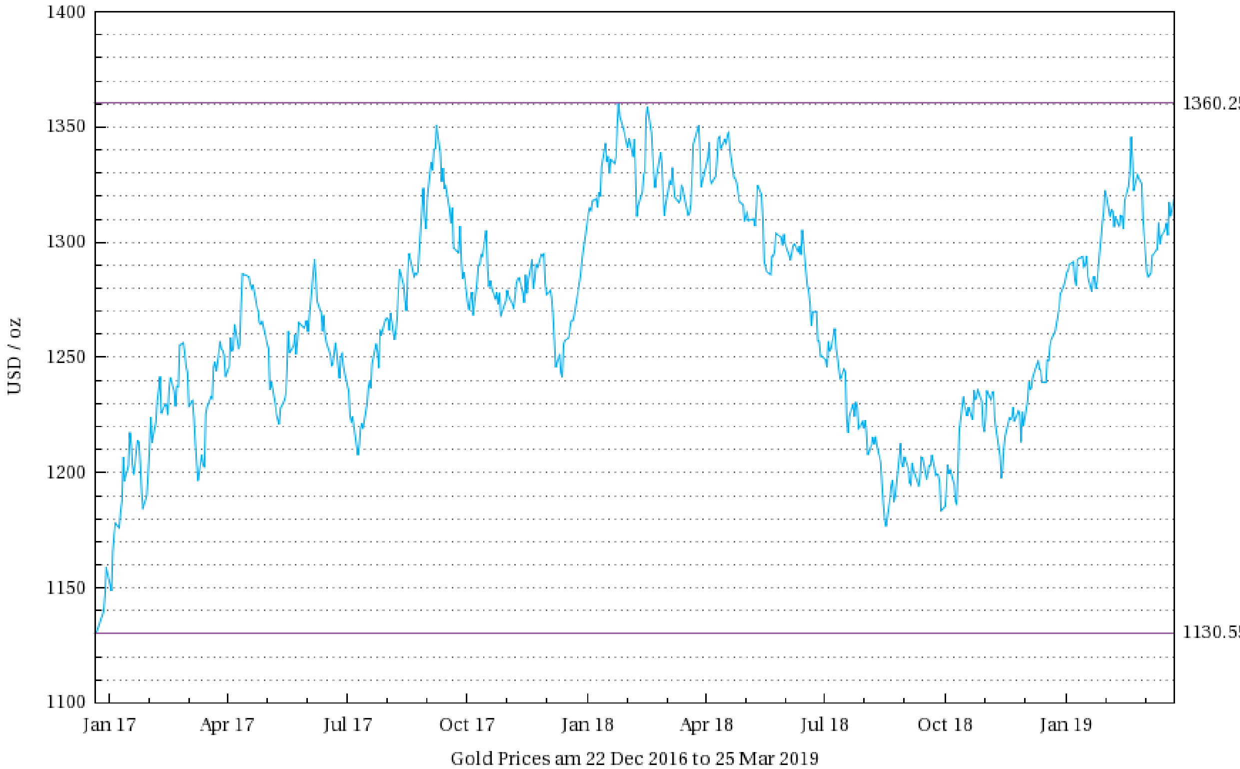
Trends Affecting the Company's Business

Gold Price in US Dollars and UK Sterling

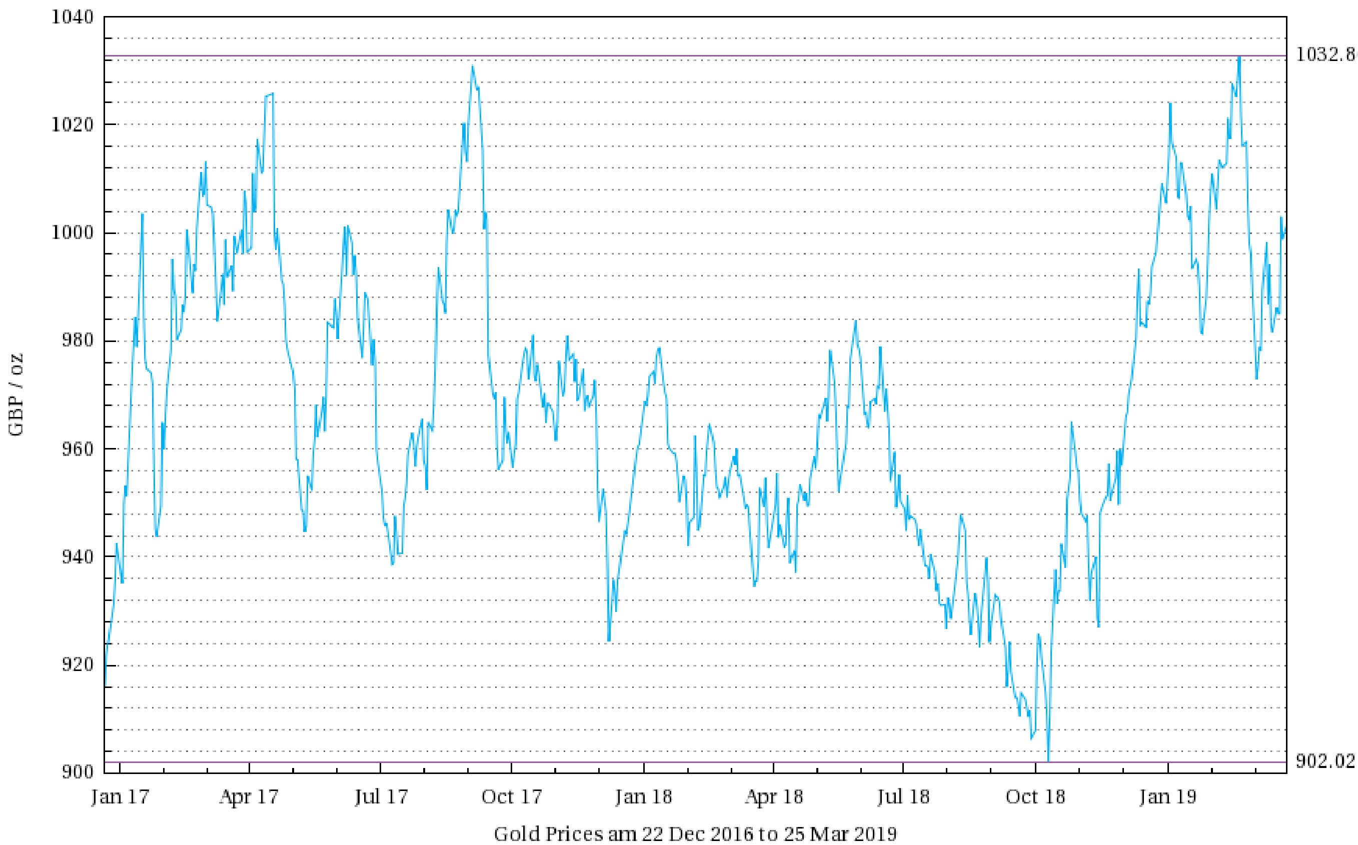
The Gold concentrate output from the Omagh Mine, when operational, is sold in US dollars. Most of the value is accrued from the gold content. The following graphs are published by LBMA.org.uk. The first graph shows the gold price expressed in US dollars. An overall strengthening trend is evident from January 2017 to March 2018, with highs around US$ 1,360. The price declined to lows around US$1,175 in the third quarter of 2018 but re-bounded to a high of US$ 1,345 in the first quarter of 2019.

The second graph shows the gold price expressed in UK£ sterling terms. The gold price in sterling terms has oscillated in a range between UK£902 per ounce(Octover 2018) and UK£1,035 (February 2019). The oscillations in part reflect the influence of US / UK£ exchange rate.

The average gold price for the year ended December 31, 2018 averaged US$ 1,269 and UK£ 950 compared to US$ 1,278 and UK£ 973 for the year ended December 31, 2017.



Graph of USD Gold Price for the period Jan 2017 to March 2019: source LBMA



Graph of GBP Gold price for the period Jan 2017 to March 2019: source LBMA.

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

The US Dollar / UK£ Sterling Currency Exchange Rate

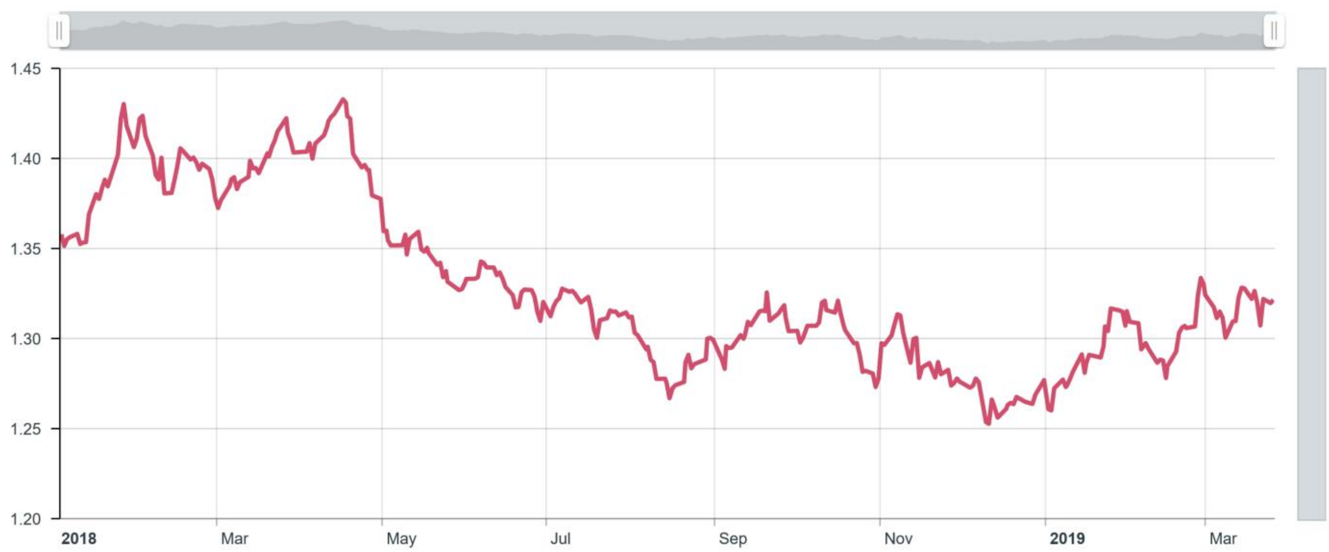
The following graphs are sourced from the Bank of England database for the spot exchange rate of US $ and Canadian $ to UK£ Sterling. Sales revenues at the Omagh mine are designated in US Dollars and are converted to UK£, as operating, exploration and capital costs are designated in UK£ Sterling. Thus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

Since January 2017 sterling regained back some of the ground it lost to the US dollar during 2016 and continued to strengthen into the first quarter of 2018. However sterling lost some ground to the US dollar during the second quarter as the US dollar strengthened against most major currencies. That trend reversed late in the fourth quarter 2018 and has been in an overall strengthening trend since.

The US dollar averaged $ 1.34 against UK£ sterling for the year ended December 31, 2018 compared and had an average of $1.29 for 2017.

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

The exchange rate has been driven of late by Brexit considerations, a situation which is still in a state of flux.



Graph of USD -v- GBP for the period Jan 2018 – March 2019: Source Bank of England

Graph of CDN -v- GBP for the period 2018 – March 2019: Source Bank of England

The Canadian Dollar / UK£ Sterling Currency Exchange Rate.

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

The Canadian Dollar had been on a strengthening trend since 2016 as a result of sterling weakness following the Brexit referendum in the UK which continued into mid-2017. However the strengthening trend against sterling then reversed and the Canadian Dollar was on a weakening trend until March 2018. The Canadian Dollar trended upwards against UK sterling until the start of the third quarter, from when the trend reversed into a weakening trend.

The average Canadian dollar exchange rate against sterling for the year ended December 31, 2018 was CAN$1.73:UK£ compared to CAN$1.69:UK£ for the year ended December 31, 2017.

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, based upon early cash flow expectations.

In Northern Ireland, the widely acknowledged previous 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 remains some uncertainty about a return to the power sharing agreement, which is further complicated by arrangements made with one of the political parties in Northern Ireland lending its support to the UK governing party. 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.

Risks and Uncertainties

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

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

Current Global Financial and Economic Conditions

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

Additional Funding Requirements

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

Uncertainty of Mineral Resource and Mineral Reserve Estimates

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

Uncertainty of Inferred Mineral Resources

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

Exploration, Development and Operations Risks

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

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

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

Mineral Processing

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

Environmental

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

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

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

Permitting

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

Regulations and Permits

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

Risks Relating to Government Regulation

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

Title

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

Political

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

Insurance and Uninsurable Risks

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

Revenue

Up to December 2018, the Company has contracted sale of its concentrate to a smelter. Deliveries made after December 2018 are contracted to Ocean Partners UK Ltd. While the payment terms are specific, there is risk that unit income may fall short of forecast. This could be due to a number of factors including failure of the concentrate to be within the specification contracted as regards both value elements and penalty elements and failure to produce concentrate of consistent quantity.

Currency Fluctuations

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

Gold Price

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

Construction and Development

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

Dependence on Key Employees and Skilled Personnel

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

Share Price Fluctuations

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

Dividends

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

Potential Dilution

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

Qualified Person Statement

The financial components of this disclosure has 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 28th July 2014 and prepared by the Galantas Geological and Mining Team under Mr. Phelps' supervision.