



GALANTAS GOLD CORPORATION

Management's Discussion and Analysis

Year Ended

December 31, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Introduction

The Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Galantas Gold Corporation ("Galantas" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2016 and 2015, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as April 24, 2017 unless otherwise indicated.

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

Cautionary Note Regarding Forward-Looking Information

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

Forward-looking information	Assumptions	Risk factors
<p>Potential of the Company's properties to contain economic deposits of base metals and other metals.</p>	<p>Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration activities will be favourable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.</p>	<p>Metal price volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for future exploration and development of the Company's properties; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.</p>
<p>The Company's ability to obtain planning consent from the Planning Services, Northern Ireland to allow it develop the underground mine at its Omagh property.</p>	<p>The Company has received planning consent, subject to a judicial review hearing completed in February 2017 with judgement awaited, which is currently considered acceptable to the Company to 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</p>	<p>Delays in receiving operating permits (following construction) for the development of the underground mine; onerous planning conditions (currently not recognised) that will negatively impact on the development of the underground mine; availability of financing; metal price, interest rate, exchange rate volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties; the possibility that</p>

	<p>be able to attract skilled staff; all requisite regulatory and governmental approvals for the underground project will be received on a timely basis upon terms acceptable to the Company; applicable political and economic conditions will be favourable to the Company; the price of applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.</p>	<p>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 potential for a third party to have planning consent quashed by judicial review.</p>
<p>The Company's ability to meet its working capital needs at the current level for the year ending December 31, 2017.</p>	<p>The operating and exploration activities of the Company for the year ending December 31, 2017 and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company.</p>	<p>Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.</p>
<p>Management's outlook regarding future trends.</p>	<p>Financing will be available for the Company's exploration, development and operating activities; the price of applicable metals, interest rates and exchange rates will be favourable to the Company.</p>	<p>Metal price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>

Asset values for fiscal year 2016.	Management's belief that no write-down is required for its property and equipment resulting from continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programs on the Company's projects.	If the Company does not obtain equity or debt financing on terms favorable to the Company or at all, a decline in asset values that could be deemed to be other than temporary, may result in impairment losses.
Sensitivity analysis of financial instruments.	The Company has no significant interest rate risk due to low interest rates on its cash balances.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.
Prices and price volatility for metals.	The price of metals will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of metals will be favourable.	Changes in debt and equity markets and the spot prices of metals; interest rate and exchange rate fluctuations; changes in economic and political conditions.

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

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

Date of MD&A

This MD&A was prepared on April 24, 2017.

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 a life of mine 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 resources and increase gold production in stages;
- Explore the Company's prospecting licences which aggregate 766.5 square kilometres, 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 bank 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. Since 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.

The granting of planning consent during the second quarter of 2015 for an underground operation at the Omagh site will permit the continuation and expansion of gold mining. This planning consent was subject to a judicial review hearing which commenced in September 2016 and was then adjourned to and completed in February 2017 with Galantas presently awaiting judgement. 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 as soon as finance is available and look for further expansion of gold resources on the property, which has many undrilled targets.

Galantas announced in December 2016 that subject to suitable financing, it intends to commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. Subsequent to December 31, 2016 and following the closure of a part-brokered private placement for aggregate gross proceeds of \$ 2,446,299 (approximately UK£ 1,482,875) the Company announced that underground development has commenced on the Omagh gold property. The initial works are complete and include the formation of a portal (initial tunnel entry area) in the western side wall at the base of the Kearney open pit. Galantas subsequently reported that underground development at the Omagh mine has been put on hold following the receipt of notification that the Police Service of Northern Ireland (PSNI) will not provide its required anti-terrorism cover in regard to blasting operations required for mine development at the Omagh Gold Mine (see press release dated April 24, 2017).

Underground Mine Plan

In June 2015 the Minister of Environment, Northern Ireland granted planning consent for the underground gold mine at the Omagh site. This planning consent will permit the continuation and expansion of gold mining. The positive decision is 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 are required to be satisfied and the Company is carrying those out. During the first quarter of 2016 Galantas confirmed that a third party had obtained leave from Belfast High Court to bring a judicial review challenging the actions of the Department of Environment Northern Ireland (DOENI) in granting planning permission for underground mining beneath the existing open pit. The judicial review hearing commenced in late September when the Company was notified of an extension for the time required for the hearing beyond the September listing dates. Galantas was subsequently advised that the continuation of the review hearing has been listed for the 13th- 15th of February 2017. The adjourned judicial review hearing was completed in February and Galantas is presently awaiting judgement for which no date has been advised.

Gold Jewellery Business

During 2014 Galantas restructured its jewellery operations. This 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 Galantas Omagh Mine. The agreement, with TJH Ltd has resulted in Irish gold from the Galantas Omagh Mine, being sold to TJH Ltd. who are an established jewellery marketer and manufacturer, having developed other brands, including Irish oriented brands, previously. The Irish gold is sold at a premium and with a reserved percentage of wholesale sales. The Irish gold supplied is drawn from available stock.

Management and Staff

Overall management is exercised by one Executive Director along with a Mine Manager in charge of operations in Omagh where the mine, plant, exploration and administration employed 10 personnel as of December 31, 2016.

Key Performance Driver

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

Overview of 2016

There was minimal production at, or shipments from, the Omagh mine during the year ended December 31, 2016 following the suspension of the processing of low grade ore during in late 2013. Galantas incurred a net loss of \$ 1,613,298 for the year ended December 31, 2016, compared with a net loss of \$ 1,793,077 for the year ended December 31, 2015.

The Company had cash balances at December 31, 2016 of \$ 557,005 compared to \$ 1,518,332 at December 31, 2015. The working capital deficit at December 31, 2016 amounted to \$ 3,095,124 which compared with a working capital deficit of \$ 3,606,059 at December 31, 2015.

During the second quarter of 2016 the Company announced the closing of an over-subscribed private placement. Placing priority was given to existing shareholders, with 18,619,841 common shares issued, at a price of \$ 0.07875 per common share for a total of \$1,466,312. In addition to the private placement, Roland Phelps, President & CEO, Galantas Gold Corporation, entered into a shares for debt exchange on the same terms as the placement, including the four month hold period, which expired October 11, 2016. Mr. Phelps exchanged debt accruing to him, as of March 31, 2016, of \$ 935,852 for 11,883,835 common shares. Shareholder consent was received for the debt exchange by means of a written resolution, with a majority of disinterested shareholder votes consenting.

Subsequent to December 31, 2016 Galantas also completed a part brokered private placement in two parts for aggregate gross proceeds of \$ 2,446,299 (approximately UK£1,482,875) during the first quarter of 2017. The placement comprised of the issue of 33,093,258 common shares. United Kingdom placeses subscribed for a total of 27,087,778 shares at a price of UK£0.045 per share. Canadian placeses subscribed for a total of 6,005,480 shares at a price of \$0.0725 per shares.

During 2016 Galantas reported that a third party had obtained leave from Belfast High Court to bring a judicial review challenging the actions of the DOENI in granting planning permission for underground mining beneath the existing open pit. The judicial review hearing commenced in late September when the Company was notified of an extension for the time required for the hearing beyond the September 27th- 29th listing dates. Galantas was subsequently advised that the continuation of the review hearing had been listed for early December. However the Company was later informed that the dates previously

allocated in December was no longer available with the hearing scheduled for 13th -15th February 2017. The adjourned judicial review hearing was subsequently completed in February and Galantas is presently awaiting judgement for which no date has been advised.

Galantas announced In December that it intends, subject to suitable financing, to commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. On the basis of legal advice received, the Board of Directors have decided to press ahead with immediate implementation of underground mining. It is anticipated that a phased start-up of that plan will deliver early positive cash flow for a relatively modest capital expenditure. The phased arrangement, in terms of mine access dimensions, will allow for rapid expansion of production as additional capital becomes available. A budget of £ 2,000,000 for the first phase of underground mining has been estimated. Subsequent to December 31, 2016 and following the closure of the part-brokered private placement for aggregate gross proceeds of \$ 2,446,299 (approximately UK£ 1,482,875) the Company announced that underground development on the Omagh gold property had commenced. Galantas subsequently reported that underground development at the Omagh mine has been put on hold following the receipt of notification that the Police Service of Northern Ireland (PSNI) will not provide its required anti-terrorism cover in regard to blasting operations required for mine development at the Omagh Gold Mine (see press release dated April 24, 2017).

Review of Financial Results

Year Ended December 31, 2016

The net loss for the year ended December 31, 2016 amounted to \$ 1,613,298 compared to a net loss of \$ 1,793,077 for the year ended December 31, 2015 as summarized below.

	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenues	\$ 74,068	\$ 80,989
Production costs	(332,304)	(278,676)
Inventory movement	(12,753)	(78,160)
Cost of sales	(345,057)	(356,836)
(Loss) before the undernoted	(270,989)	(275,847)
Depreciation	(168,736)	(207,911)
General administrative expenses	(1,199,023)	(1,462,359)
Sundry income	-	18,689
Gain on disposal of property, plant and equipment	5,479	-
Unrealized gain on fair value of derivative financial liability	108,000	268,000
Foreign exchange loss	(88,029)	(133,649)
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Net (Loss) for the year	\$ (1,163,298)	\$ (1,793,077)

Sales revenues for the year ended December 31, 2016 consisting of jewellery sales, amounted to \$ 74,068 which compared to sales revenues of \$ 80,989 for year ended December 31, 2015. Following the suspension of production during the fourth quarter of 2013 there were no concentrate sales from the mine during 2016 and 2015.

Cost of sales include production costs at the mine and inventory movements and totalled \$ 345,057 for the year ended December 31, 2016 compared to \$ 356,836 for 2015. A summary of cost of sales is set out on Note 17 of the December 31, 2016 consolidated financial statements.

Production costs for the year ended December 31, 2016 amounted to \$ 332,304 compared to \$ 278,676 for the year ended December 31, 2015. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, environmental monitoring and royalties. Production costs during 2016 were incurred mainly in connection with ongoing care, maintenance and restoration costs at the mine site. These higher production costs in 2016 were due mainly to an increase in production wages of \$ 63,337 to \$ 134,953 reflecting the increased level of production related activities during 2016.

The inventory movement of \$ 12,753 for the year ended December 31, 2016 compared to an inventory movement of \$ 78,160 for 2015 which movement reflected the decrease in inventory levels at December 31, 2016 and December 31, 2015 when compared to January 1, 2016 and January 1, 2015 reflecting the jewelry sales during both years.

This has resulted in a net operating loss of \$ 270,989 before depreciation, general administrative expenses, gain on disposal of property, plant and equipment, sundry income, unrealized gain on fair value of derivative financial liability and foreign exchange loss for year ended December 31, 2016 compared to a net operating loss of \$ 275,847 for 2015.

Depreciation of property, plant and equipment excluding mine development costs totalled \$ 168,736 during the year ended December 31, 2016 which compared with \$ 207,911 for 2015. This decrease is mainly due to the depreciation charge being calculated on the reducing balance basis. Following the suspension of production there has been no depreciation of mine development costs during 2016 and 2015.

General administrative expenses for the year ended December 31, 2016 amounted to \$ 1,199,023 compared to \$ 1,462,359 for 2015. General administrative expenses are reviewed in more detail in Other MD&A Requirements on pages 29 and 30 of the MD&A.

Sundry income totalled \$ Nil for the year ended December 31, 2016 compared to \$ 18,689 for 2015. The gain on disposal of property, plant and equipment during the year ended December 31, 2016 amounted to \$ 5,479 compared to \$ Nil for 2015.

The unrealized gain on fair value of derivative financial liability, which amounted to \$ 108,000 compared to \$ 268,000 for 2015, 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(c) of the December 31, 2016 consolidated financial statements.

The foreign exchange loss for 2016 of \$ 88,029 compared with a foreign exchange loss of \$ 133,649 for 2015.

This has resulted in a net loss of \$ 1,613,298 for the year ended December 31, 2016 compared to a net loss of \$ 1,793,077 for 2015 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 \$ 1,341,273 for the year ended December 31, 2016 compared to a cash loss from operating activities of \$ 1,527,331 for the year ended December 31, 2015 as per the Consolidated Statements of Cash Flows. The cash loss from operating activities after changes in non-cash working capital items amounted to \$ 1,134,019 for 2016 compared to a cash loss of \$ 744,577 for 2015.

Foreign currency translation loss, which is included in Consolidated Statements of Other Comprehensive Loss amounted to \$ 1,452,889 for the year ended December 31, 2016 which compared to a foreign currency translation gain of \$ 770,616 for 2015. This resulted in a Total comprehensive loss of \$ 3,066,187 for the year ended December 31, 2016 compared to a Total comprehensive loss of \$ 1,022,461 for the year ended December 31, 2015. The foreign currency translation loss during 2016 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 strengthened against UK£ at December 31, 2016 when compared to December 31, 2015 which has resulted in an decrease in the Canadian dollar value of these net assets at December 31, 2016 when compared to December 31, 2015 resulting in the foreign currency translation loss. Conversely, during 2015, the Canadian dollar exchange rate weakened against UK£ at December 31, 2015 when compared to December 31, 2014 which resulted in an increase in the Canadian dollar value of these net assets at December 31, 2015 resulting in the foreign currency translation gain.

Total assets at December 31, 2016 amounted to \$ 10,928,754 compared to \$ 13,482,306 at December 31, 2015. Cash at December 31, 2016 was \$ 557,005 compared to \$ 1,518,332 at December 31, 2015. Accounts receivable consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to \$ 106,732 at December 31, 2016 compared to \$ 249,659 at December 31, 2015. The decrease in accounts receivable and advances is mainly due to a decrease in reclaimable taxes. Inventories at December 31, 2016 amounted to \$ 23,852 compared with an inventory of \$ 43,875 at December 31, 2015. Inventory mainly consists of jewellery products and unworked gold belonging to the jewellery business.

Property, plant and equipment totalled \$ 7,449,991 compared to \$ 8,686,902 at December 31, 2015. Exploration and evaluation assets, consisting of development expenditures for the underground mine, totalled \$ 2,294,254 at December 31, 2016 compared to \$ 2,371,328 at the end of 2015. Long term deposit at December 31, 2015, representing funds held in trust in connection with the Company's asset retirement obligations, amounted to \$ 496,920 compared to \$ 612,210 at December 31, 2015. Property, plant and equipment, exploration and evaluation assets and long term deposit, all of which are denominated in UK£, are translated to Canadian dollars at year end exchange rates. The Canadian dollar exchange rate strengthened against UK£ at December 31, 2016 when compared to December 31, 2015 and this has resulted in a decrease in the Canadian dollar value of these assets at December 31, 2016 when compared to December 31, 2015.

Current liabilities at December 31, 2016 amounted to \$ 3,782,713 compared to \$ 5,417,925 at the end of 2015. The working capital deficit at December 31, 2016 amounted to \$ 3,095,124 compared to a working capital deficit of \$ 3,606,059 at December 31, 2015. Accounts payable and other liabilities totalled \$ 893,570 compared to \$ 1,388,762 at December 31, 2015. The current portion of a financing facility totaled \$ 4,956 at December 31, 2016 compared to \$ 6,947 at December 31, 2015. Amounts due to related parties at December 31, 2016 amounted to \$ 2,884,187 compared to \$ 4,022,216 at the end of 2015 as detailed on pages 20 and 21 of the MD&A.

The non-current portion of the financing facility totaled \$ 25,265 at December 31, 2016 compared to \$ 31,122 at December 31, 2015. The decommissioning liability at December 31, 2016 amounted to \$ 528,305 compared to \$ 637,988 at December 31, 2015. The derivative financial liability at December 31, 2016 amounted to \$ 24,000 compared to \$ 132,000 at the end of 2015. The derivative financial liability 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. See Note 15(c) of the December 31, 2016 consolidated financial statements.

Selected Annual Information

	Year Ended December 31 2016 IFRS	Year Ended December 31 2015 IFRS	Year Ended December 31 2014 IFRS	Year Ended December 31 2013 IFRS	Year Ended December 31 2012 IFRS
Revenue (including interest income)	\$ 74,068	\$ 80,989	\$ 8,332	\$ 1,531,473	\$ 4,659,330
Net income (loss)	\$ (1,613,298)	\$ (1,793,077)	\$ (5,264,727)	\$ (1,944,355)	\$ (593,866)
Net income (loss) per share basic	\$ (0.01)	\$ (0.02)	\$ (0.08)	\$ (0.04)	\$ (0.02)
Net income (loss) per share diluted	\$ (0.01)	\$ (0.02)	\$ (0.08)	\$ (0.04)	\$ (0.00)
Cash	\$ 557,005	\$ 1,518,332	\$ 20,259	\$ 166,617	\$ 1,164,868
Working Capital (Deficit)	\$ (3,095,124)	\$ (3,606,059)	\$ (3,731,396)	\$ (3,904,304)	\$ (2,309,307)
Total Assets	\$ 10,928,754	\$ 13,482,306	\$ 9,933,996	\$ 13,353,812	\$ 14,019,011
Non-current Liabilities	\$ 577,570	\$ 801,110	\$ 921,544	\$ 528,810	\$ 404,450
Shareholders' Equity	\$ 6,568,471	\$ 7,263,271	\$ 5,047,117	\$ 8,010,092	\$ 9,141,183

The Net Loss for Year Ended December 31, 2016 is discussed in Review of 2016 Financial Results on pages 8 to 10 of this MD&A. The Company does not have any extraordinary items and has not declared a dividend for the years presented above.

Prior to the suspension of production in late 2013 revenue primarily consisted of sales of concentrates from the Omagh mine. Revenue in 2016 and 2015 consist of jewelry sales and is discussed in Review of 2016 Financial Results on pages 8 to 10 of this MD&A.

The higher cash levels at December 31, 2016 and 2015 reflect the private placements completed during 2016 and 2015. Cash levels at December 31, 2014 and 2013 were below those of earlier years reflecting a reduction in funding together with the cash loss from operations, expenditures on the Company's exploration programme and underground development costs during both years. The higher levels of cash at December 31, 2012 reflect the convertible debenture funding completed during 2011 together with cash generated from operations in 2012.

The working capital deficit of \$ 3,095,124 at December 31, 2016 was lower than earlier years and reflects the private placements and shares for debt exchange completed during 2016. The higher working capital deficits in earlier years reflect the ongoing cash loss from operations, expenditures on the Company's exploration programme and underground development costs during those years which were partially funded by private placements in 2014 and 2015.

Total assets at December 31, 2016, which are denominated mainly in UK£ and translated to Canadian dollars at year end exchange rates amounted to \$10,928,754 compared to \$13,482,306 at December 31, 2015. The decrease in total assets at the end of 2016 was mainly as a result of both the Company's reduced cash balances and the strengthening of the Canadian dollars against the UK£ at December 31, 2016 when compared to at December 31, 2015 which has resulted in a decrease in the Canadian dollar value of these assets at December 31, 2016 when compared to December 31, 2015. Conversely the increase in total assets to at December 31, 2015 from \$ 9,933,996 at December 31, 2014 was partly due to the weakening of the Canadian dollars against the UK£ at December 31, 2015 when compared to at December 31, 2014 together with the higher cash balances following the private placements completed during 2015. The decrease in total assets at the end of 2014 to \$ 9,933,996 was mainly as a result of the 2014 impairment charge on property plant and equipment. The decrease in total assets at the end of 2013 to \$ 13,353,812 from \$ 14,019,011 at the end of 2012 was mainly as a result of the Company's reduced cash balances.

Non-current liabilities at December 31, 2016 and 2015 consist of financing facility, decommissioning liability and derivative financial liability. Non-current liabilities at end 2014 consist of the decommissioning liability and derivative financial liability and in earlier years consist of the decommissioning liability only.

The 2016 decrease in shareholders equity to \$ 6,568,471 was mainly due to the 2016 net loss and other comprehensive loss totalling \$ 3,066,187 incurred during 2016 offset by the increased share capital arising from both the private placement and the shares for debt exchange during 2016. The 2015 increase in shareholders equity to \$ 7,263,271 from \$ 5,047,117 at the end of 2014 was mainly due to the private placements and the shares for debt exchange during 2015 partially offset by the net loss and other comprehensive loss incurred during 2015. The decrease to \$ 5,047,117 at the end of 2014 was mainly due the net loss and other comprehensive loss incurred during 2014 which included the impairment charge partially offset by the private placement and the shares for debt exchange during 2014. The 2013 decrease in shareholders equity was mainly due to the net loss and other comprehensive loss incurred during 2013.

REVIEW OF OPERATIONS

2016 Financing Activities

During the second quarter of 2016 the Company announced the closing of an over-subscribed private placement. Placing priority was given to existing shareholders, with 18,619,841 common shares issued, at a price of \$ 0.07875 per common share for a total of \$ 1,466,312. A four month hold period expired on October 10, 2016. The shares issued pursuant to the placing will rank pari passu with the existing common shares in issue of the Company. The majority of the placement was taken up by Mr. Ross Beaty, who acquired 12,825,397 common shares. As a consequence of the placing, Mr. Beaty had an interest in 28,825,397 common shares or 20.9% of the Company's common shares in issue at that time.

In addition to the private placement, Roland Phelps, President & CEO, Galantas Gold Corporation, entered into a shares for debt exchange on the same terms as the placement, including the four month hold period, which expired October 11, 2016. Mr. Phelps exchanged debt accruing to him, as of March 31, 2016, of \$ 935,852 for 11,883,835 common shares. Shareholder consent was received for the debt exchange by means of a written resolution, with a majority of disinterested shareholder votes consenting. Following the debt exchange, Mr. Phelps held 33,356,750 common shares, representing 24.2% of the enlarged number of common shares in issue at that time.

Subsequent to December 31, 2016 Galantas also completed a part brokered private placement in two parts for aggregate gross proceeds of \$ 2,446,299 (approximately UK£1,482,875) during the first quarter of 2017. The placement comprised of the issue of 33,093,258 common shares. United Kingdom placeses subscribed for a total of 27,087,778 shares at a price of UK£ 0.045 per share. Canadian placeses

subscribed for a total of 6,005,480 shares at a price of \$ 0.0725 per shares. A four month hold period will apply to the shares. The shares will rank pari passu with the existing shares in issue of the Company. The net proceeds raised by the placing are intended to be used for working capital purposes and to commence development of the underground mine on the Omagh property. Melquart Ltd, a UK based investment institution, subscribed for 22,222,222 Common Shares, which has resulted in a holding of 13% of the Company's issued 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 now has an interest in 32,151,567 common shares or 18.8% of the Company's issued common shares.

Production

Production at the Omagh mine remains suspended since the fourth quarter of 2013. The main production focus during 2013 had been on the processing of ore from the low grade stockpile as mining from the Kearney pit had become totally restricted as a result of the surplus rock stockpile on the site having reached capacity levels arising from the quashing of the planning consent for the removal of surplus rock. This ongoing limitation resulted in production being from low grade sources up until the suspension of production later in 2013 which resulted in further cost reduction measures being implemented at the Omagh mine including the laying off of the majority of its operatives. However the granting of planning consent during the second quarter of 2015 for an underground operation at the Omagh site, now subject to a judicial review hearing which commenced in September 2016 and was adjourned to February 2017, will permit the continuation and expansion of gold mining. 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 as soon as finance is available and look for further expansion of gold resources on the property, which has many undrilled targets.

Galantas announced In December that subject to suitable financing, it intends to commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. The Company, under the planning consent which it can implement, has been carrying out pre-conditions attaching to the planning consent and is ready for the next phase of implementation. On the basis of legal advice received, the Board of Directors have decided to press ahead with immediate implementation of underground mining, to a plan as outlined in a NI 43-101 economic study (reported 4th September 2014). It is anticipated that a phased start-up of that plan will deliver early positive cash flow for a relatively modest capital expenditure. The phased arrangement, in terms of mine access dimensions, will allow for rapid expansion of production as additional capital becomes available. The mill has now been re-commissioned in anticipation of a restarting of concentrate shipments in the first half of 2017, subject to suitable financing. A budget of £ 2,000,000 (excluding lease finance) for the first phase of underground mining has been estimated. The Company is at an advanced stage of negotiation with a provider of lease finance, which will provide funding for additional mine equipment (see press release dated December 6, 2016). Subsequent to December 31, 2016 and following the closure of a part-brokered private placement for aggregate gross proceeds of \$ 2,446,299 (approximately UK£ 1,482,875) the Company announced that underground development has commenced on the Omagh gold property. The initial works are for the formation of a portal (initial tunnel entry area) in the western side wall at the base of the Kearney open pit. The portal works were completed in mid-April 2017, the underground development will continue in order to access ore beneath a crown pillar retained in the base of the open pit when arrangements have been put in place with the Police Service of Northern Ireland. Galantas subsequently reported that the underground development at the Omagh mine has been put on hold following the receipt of notification that the Police Service of Northern Ireland (PSNI) will not provide its required anti-terrorism cover in regard to blasting operations required for mine development. The Company has been told that, due to PSNI resource constraints and competing priorities, PSNI is currently only prepared to provide anti-terrorism cover for a maximum of a 2 hour period, 2 days per week which is insufficient to sustain the development or operation of the mine. The PSNI will also require a cost recovery agreement. The Company disagreed with the principle of costs recovery for anti-terrorism policing but advised the PSNI that the Company was prepared to enter into a costs recovery agreement, without prejudice to its legal

remedies in that respect, for a 2 hour period, 5 days per week. Although PSNI provided the costs analysis for the 5 day and 2 hour period anti-terrorism cover, which was agreed without prejudice, the PSNI has refused to provide the cover, citing competing priorities. The Company has been given no alternative other than pursuing its legal options, which may include substantial compensation for the cost of delays (see press release dated April 24, 2017).

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 will permit the continuation and expansion of gold mining and is expected to create hundreds of jobs locally. The positive decision is 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 are required to be satisfied and the Company is carrying those out.

During the first quarter of 2016 Galantas reported that a third party had obtained leave from Belfast High Court to bring a judicial review challenging the actions of the DOENI in granting planning permission for underground mining beneath the existing open pit. The judicial review hearing commenced in late September when the Company was notified of an extension for the time required for the hearing beyond the September listing dates. Galantas was subsequently advised that the continuation of the review hearing has been listed for the 6th, 7th and 8th of December. However the Company was later informed that the dates previously allocated in December were no longer available and the hearing was subsequently listed for February 13 – 15th 2017. Most of the Applicant's evidence was heard during the September listing dates. The judicial review hearing was subsequently completed in February and Galantas is presently awaiting judgement for which no date has been advised.

Reserves and Resources

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

	RESOURCE ESTIMATE : GALANTAS 2014			Increase over GAL 2013 report
	CUT-OFF 2 g/t Au			
RESOURCE CATEGORY	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. The increase 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 and Measured and Indicated resources on Joshua vein have increased to 67,739 ounces of gold. 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. The UK£ 750 per ounce gold price quoted above has been exceeded for most of 2016 with the price averaging \$ 911 during 2016.

Exploration

An exploration programme carried out between 2011 and 2013 included the drilling of 17,348 metres of core and channel sampling on the Joshua, Kearney and Kerr vein systems. Assay results from both the drilling and channel sampling programmes were encouraging with significant gold intersections encountered. A new programme commenced in September 2015 to target the Joshua vein at depth. In total, 3,602 metres were drilled by March 2016. In early 2016 Galantas reported the assay results for three holes completed in 2015 (see press release dated January 26, 2016). Most notable was hole OML-DD-15-155 which intersected a wide zone (13 m true width) of the Joshua vein at a vertical depth of 117 m grading 9.9 g/t Au. This drilling programme also identified a new vein, Kestrel, running 70 m west of Joshua. An initial shallow (42.4 m) intersect returned 35.8 g/t Au over 0.7 m true width. A further drill hole targeted the Kestrel vein ~80 metres north and hit mineralisation at a vertical depth of 73 m (3.2 g/t Au over 1.2 m true width).

Vertical longitudinal sections were constructed in Micromine for the Joshua and Kearney veins. Each intersect was categorised according to its width and grade. This enabled an evaluation of the spatial variability of mineralisation across the site and has identified key areas that should be investigated during the next drill programme. A series of new targets has been drawn up in preparation for future drilling.

A re-mapping exercise was completed during the second quarter, focussing on a 2 km stretch of the Creeven Burn running directly south of the main veins. This section of the burn incorporates several known vein outcrops, the most recent exploration phase uncovered two new mineralised outcrops which were identified close to the 'Discovery' veins. Good evidence for both ductile and brittle deformation was recorded, particularly around Sharkey. Field observations and existing geophysical evidence confirm a dextral offset and support the theory that Sharkey and McCrossan veins are sheared extensions of the main Joshua vein. Structural measurements fed into the construction of a conceptual model, later tested through comparison with lithological and textural changes in logged drill core. The geological model is one of an imbricated thrust stack, the upward extension of which may have formed weak zones which were later re-activated by the Creevan Burn Shear. Results for final samples collected during the Creevan mapping project were received during Q3 (see press release dated August 9, 2016). Of particular note are grab samples on strike extensions to two of the 'Discovery' vein outcrops which register 38.3 g/t and 25.9 g/t gold; 90.9 g/t and 13.5 g/t silver, respectively.

Mapping of the existing open pit walls was completed during the second quarter. Lithological and structural information were recorded for areas which previously could not be accessed. A change in strike of the visible units is coincident with vein location, an important observation for future exploration.

The geology team completed Advanced Micromine training at the beginning of July; the Joshua vein has since been re-strung, encompassing the results of the latest drilling programme (completed in March

2016). Arsenic levels have also been modelled for Joshua for the purpose of ore processing planning. A similar re-modelling of the Kearney vein is currently in progress.

Following approval of exploration plans by Department for the Economy (Northern Ireland), two soil grids were completed in a central area of licence OM4 during September. A total of 102 soil samples were collected. This extends the original (2013) grid 1.2 km to the west and 400 m to the east, incorporating two major NE-SW trending faults within Southern Highland and Argyll group lithologies. Outcrop within this central region is poor, with exposures generally limited to small quartzite crags on hill sides. However, an outcropping quartz vein with visible sulphides was identified within a small portion of the western grid and samples were collected for analysis. The vein is trending NE-SW coinciding with regional scale faulting. Further fieldwork included stream sediment and heavy mineral concentrate sampling within both central and south-east areas of OM4. Geochemical results for all of the OM4 2016 samples were recently released. These show minor Ag anomalies (0.2, 0.3 and 0.8 g/t) in clustered soils within 200 m of the Derg Fault, the central soil also contains raised Pb (2210 g/t), Zn (192 g/t) and trace Au (0.03 g/t). The outcropping vein referred to above returned Ag 0.7 g/t, Cu 218 g/t, and a first order panned stream sediment collected ~600 m north contained 0.3 g/t Au. Raised Zinc is common throughout the gridded area with seven samples yielding >150 g/t and peaks of 637 g/t and 1030 g/t recorded for sites <100 m apart.

Part of licence area PL3039 in the Republic of Ireland was revisited during Q2. The results of earlier fieldwork had shown bedrock gold anomalies of 2.1 and 1.8 g/t, associated with significant silver. A recently excavated road cutting now reveals narrow mineralised quartz veins along 5 m strike. Samples of these were taken for analysis and the results were received in September. All nine outcrop samples contain detectable gold ranging from 0.1 g/t to 1.8 g/t; and silver: 0.1 g/t to 8.7 g/t. During the last quarter geologists examined an area of PL 3135 associated with strong magnetic and conductivity signals. Earlier work in the vicinity showed high Cr and Ni values associated with a possible ultramafic intrusion (see press release 5th November, 2015). New results for sediments and heavy mineral concentrates extracted from nearby streams indicate low level Mo (0.2-3.1 g/t) and As (<238 g/t) with an important gold component (0.01 – 2.13 g/t). Gold in stream sediments was previously reported for samples in close proximity to a similar, but larger, ultramafic intrusion in bordering licence 4034. Follow up work planned for 2017 will focus on this area and the aforementioned site in PL3039.

Towards the end of the year near mine site targets were revisited and prioritised. West and east stretches of the Aghadulla Burn were examined due to structural setting similarities with the Kearney deposit. Outcrop samples contained only trace Ag, with veinlets yielding unusually raised levels of Li (117 g/t) and Sb (3.5 g/t). In addition, a thorough review of historic data associated with the Elkins target was completed and a plan for future diamond drill locations constructed.

The renewal of Republic exploration licences 1469, 3162 (Leitrim), and 2315, 3039, 3040 3235 in Co. Donegal were confirmed in November. New two year phases of the licences will continue until March 2018. Exploration reports covering activities within the first ten months of renewed options OM1 and OM4 were sent to the Crown Estate Commissioners in December and have been approved. Exploration options for OM1 and OM4 are in place until July 2021 and December 2020, respectively.

Summary of Quarterly Results

Revenues and financial results in Canadian dollars for the fourth quarter of 2016 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, 2016	IFRS	\$ 45,353	\$ (336,910)	\$ (0.00)
September 30, 2016	IFRS	\$ (1,006)	\$ (257,214)	\$ (0.00)
June 30, 2016	IFRS	\$ 1,648	\$ (645,829)	\$ (0.01)
March 31, 2016	IFRS	\$ 28,073	\$ (373,345)	\$ (0.00)
December 31, 2015	IFRS	\$ 28,830	\$ (260,341)	\$ (0.00)
September 30, 2015	IFRS	\$ 37,262	\$ (409,880)	\$ (0.00)
June 30, 2015	IFRS	\$ 13,774	\$ (708,757)	\$ (0.01)
March 31, 2015	IFRS	\$ 1,123	\$ (414,099)	\$ (0.01)

The results for the Quarter ended December 31, 2016 are discussed under Review of Financial Results on pages 21 to 23 of the MD&A. Revenues were primarily from the sales of concentrates up to 2013. Revenues during 2014, 2015 and 2016 are primarily from the sale of jewellery. The net loss for the quarter ended December 31, 2016 totaling \$ 336,910 consisted of sales revenues \$ 45,353, cost of sales \$ 89,174, depreciation \$ 40,521, general administrative expenses \$ 268,590, gain on disposal of property, plant and equipment \$ Nil, unrealized gain on fair value of derivative financial liability \$ 27,000 and foreign exchange loss \$ 10,978.

For the quarter ended September 30, 2016 the net loss of \$ 257,214 consisted of sales revenues credit \$ (1,006), cost of sales \$ 45,780, depreciation \$ 37,932, general administrative expenses \$ 174,816, gain on disposal of property, plant and equipment \$ Nil, unrealized gain on fair value of derivative financial liability \$ 1,000 and foreign exchange gain \$ 1,320.

For the quarter ended June 30, 2016 the net loss of \$ 645,829 consisted of sales revenues \$ 1,648, cost of sales \$ 88,572, depreciation \$ 42,732, general administrative expenses \$ 419,506, gain on disposal of property, plant and equipment \$ 5,479, unrealized gain on fair value of derivative financial liability \$ 1,000 and foreign exchange loss \$ 103,146.

For the quarter ended March 31, 2016 the net loss of \$ 373,345 consisted of sales revenues \$ 28,073, cost of sales \$ 121,531, depreciation \$ 47,551, general administrative expenses \$ 336,111, unrealized gain on fair value of derivative financial liability \$ 79,000 and foreign exchange gain \$ 24,775.

For the quarter ended December 31, 2015 the net loss of \$ 260,341 consisted of sales revenues \$ 28,830, cost of sales \$ 70,312, depreciation \$ 51,571, general administrative expenses \$ 284,450, unrealized gain on fair value of derivative financial liability \$ 95,000, foreign exchange gain \$ 3,473 and sundry income \$ 18,689.

For the quarter ended September 30, 2015 the net loss of \$ 409,880 consisted of sales revenues \$ 37,262, cost of sales \$ 101,871, depreciation \$ 54,166, general administrative expenses \$ 291,525, unrealized gain on fair value of derivative financial liability \$ 70,000 and foreign exchange loss \$ 69,580.

For the quarter ended June, 2015 the net loss of \$ 708,757 consisted of sales revenues \$ 13,774, cost of sales \$ 114,656, depreciation \$ 49,881, general administrative expenses \$ 624,852 which included a stock-based compensation charge of \$ 338,000 in connection with stock options granted during the quarter which vested immediately, unrealized gain on fair value of derivative financial liability \$ 95,000 and foreign exchange loss \$ 28,142.

For the quarter ended March 31, 2015 the net loss of \$ 414,099 consisted of sales revenues \$ 1,123, cost of sales \$ 69,997, depreciation \$ 52,293, general administrative expenses \$ 261,532, unrealized gain on fair value of derivative financial liability \$ 8,000 and foreign exchange loss \$ 39,400.

Liquidity and Financial Position

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

Galantas reported a working capital deficit of \$ 3,095,124 at December 31, 2016 which compared with a working capital deficit of \$ 3,606,059 at December 31, 2015. The Company had cash balances of \$ 557,005 compared with cash balances of \$ 1,518,332 at December 31, 2015. Accounts receivable and advances consisting mainly of trade debtors, reclaimable taxes and prepayments amounted to \$ 106,732 at December 31, 2016 compared to \$ 249,659 at December 31, 2015. Inventory at December 31, 2016 amounted to \$ 23,852 compared with an inventory of \$ 43,875 at December 31, 2015.

Accounts payable and other liabilities amounted to \$ 893,570 at December 31, 2016 compared with \$ 1,388,762 at December 31, 2015. The current portion of a financing facility totaled \$ 4,956 at December 31, 2016 compared to \$ 6,947 at December 31, 2015. Amounts due to related parties at December 31, 2016 amounted to \$ 2,884,187 compared to \$ 4,022,216 at the end of 2015. In addition Galantas has a contingent liability arising from a payment demand from Her Majesty's Revenue and Customs in the amount of \$ 504,026 (UK£ 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit and had appealed the assessment. The appeal hearing was recently scheduled for March 2017 and adjourned. A further two day hearing is to be scheduled but dates have not yet been determined. No provision has been made for the claim in the consolidated financial statements

The Company is reliant on obtaining additional funding to allow it to continue the expanded exploration programme and the further development of its underground mine and is actively seeking additional funding.

During the second quarter of 2016 the Company announced the closing of a private placement with 18,619,841 common shares being issued, at a price of \$ 0.07875 per common share for a total of \$ 1,466,312. A four month hold period applied, which expired in October 2016.

In addition to the private placement, Roland Phelps, President & CEO, Galantas Gold Corporation, entered into a shares for debt exchange on the same terms as the placement, including the four month hold period which expired in October 2016. Mr. Phelps exchanged debt accruing to him of \$ 935,852 as of March 31, 2016, for 11,883,835 common shares.

Subsequent to December 31, 2016 Galantas also completed a part brokered private placement in two parts for aggregate gross proceeds of \$ 2,446,299 (approximately UK£1,482,875) during the first quarter of 2017. The placement comprised of the issue of 33,093,258 common shares. United Kingdom placeses subscribed for a total of 27,087,778 shares at a price of UK £0.045 per share. Canadian placeses subscribed for a total of 6,005,480 shares at a price of \$ 0.0725 per shares. The net proceeds raised by the placing are intended to be used for working capital purposes and to commence development of the underground mine on the Omagh property.

Arising from its current commitments, the Company will continue in its efforts to raise capital in amounts sufficient to fund both exploration and the development of the underground mine, its ongoing operating expenses commitments in addition to its working capital requirements. There is however,

no assurance that the Company will be successful in its efforts, in which case, the Company may not be able to meet its obligations.

The audited consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the December 31, 2016 consolidated financial statements. The Company's ongoing viability has 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.

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 2016:

Director fees of \$ 26,500 were accrued for the year ended December 31, 2016 (\$ 28,750 for the year ended December 31, 2015). Stock-based compensation for these directors totalled \$ Nil for the year ended December 31, 2016 (\$ 45,634 for the year ended December 31, 2015).

Remuneration accrued for the President/CEO totalled \$ 359,240 (UK£ 200,000) for the year ended December 31, 2016 (\$ 390,800 (UK£ 200,000) for the year ended December 31, 2015). Stock-based compensation for the President/CEO totalled \$ Nil for year ended December 31, 2016 (\$ 45,633 for the year ended December 31, 2015).

Remuneration of the CFO totalled \$ 72,380 for the year ended December 31, 2016 (\$ 72,393 for the year ended December 31, 2015). Stock based compensation for the CFO totalled \$ Nil for the year ended December 31, 2016 (\$ 18,254 for the year ended December 31, 2015).

At December 31, 2016 G&F Phelps Limited, a company controlled by a director of the Company, had amalgamated loans to Galantas of \$ 2,183,722 (UK£1,318,354) (December 31, 2015 \$ 2,690,365 (UK£ 1,318,354)) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. The interest charged on the loan for the year ended December 31, 2016 amounted to \$ 63,539 (UK£ 35,374) (year ended December 31, 2016 - \$ 70,612 (UK£ 36,137)). Interest accrued on related party loans is included under due to related parties. As at December 31, 2016, the interest accrued amounted to \$ 318,375 (UK£ 192,209) (December 31, 2015 - \$320,053 (UK£ 156,835)).

As at December 31, 2016 due to directors for fees totalled \$ 110,250 (December 31, 2015 \$ 83,750) and due to key management, primarily for salaries and benefits accrued at December 31, 2016, amounted to \$ 271,840 (UK£ 164,115) (December 31, 2015 - \$ 928,048 (UK£ 454,769)) and are included under due to related parties.

During 2015 Galantas completed a non-brokered private placement for aggregate gross proceeds of \$ 2,400,000 (approximately UK£ 1,189,000). The majority of the placement was taken up by Mr. Ross Beaty who acquired 16,000,000 common shares resulting in an interest of 14.91% of Galantas issued and outstanding shares in 2015.

During 2016 Galantas completed a non-brokered private placement for aggregate gross proceeds of \$1,466,312. The majority of the placement was taken up by Mr. Ross Beaty, who acquired 12,825,397 common shares. As a consequence of the placing, Mr. Beaty had an interest in 28,825,397 common shares or 20.9% of the Company's issued common shares at December 31, 2016.

Subsequent to December 31, 2016 Galantas also completed a part brokered 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. Mr. Ross Beaty has subscribed for an additional 3,326,170 common shares in the placing. As a consequence of the placing, Mr. Beaty now has an interest in 32,151,567 common shares or 18.8% of the Company's issued common shares. In addition Melquart Ltd, a UK based investment institution, subscribed for 22,222,222 Common Shares, which has resulted in a holding of 13% of the Company's issued common shares.

In addition during 2016, Roland Phelps, President & CEO and Galantas Gold Corporation, entered into a shares for debt exchange on the same terms as the placement, including the four month hold period which expired in October 2016. Mr. Phelps exchanged debt accruing to him, as of March 31, 2016, of \$ 935,852 for 11,883,835 common shares. Shareholder consent was received for the debt exchange by means of a written resolution, with a majority of disinterested shareholder votes consenting. Following the debt exchange, Mr. Phelps holds 33,356,750 common shares, representing 19.5% of the enlarged number of common shares in issue following the March 2017 private placement referred to above.

Excluding the Roland Phelps, Ross Beaty and Melquart Ltd shareholdings discussed above, the remaining shares are widely held, which include various small holdings which are owned by 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.

Fourth Quarter 2016 Financial Review

Quarter Ended December 31, 2016

The net loss for the quarter ended December 31, 2016 amounted to \$ 336,910 compared to a net loss of \$ 260,341 for the quarter ended December 31, 2015 as summarized below:

	Quarter Ended December 31, 2016	Quarter Ended December 31, 2015
Revenues	\$ 45,353	\$ 28,830
Production costs	(89,494)	(70,312)
Inventory movement	320	-
Cost of sales	(89,174)	(70,312)
(Loss) before the undernoted	(43,821)	(41,482)
Depreciation	(40,521)	(51,571)
General administrative expenses	(268,590)	(284,450)
Sundry income	0	18,689
Unrealized gain / (loss) on fair value of derivative financial liability	27,000	95,000
Foreign exchange (loss) gain	(10,978)	3,473
	-----	-----
Net Loss for the Quarter	\$ (336,910)	\$ (260,341)

Sales revenues for the quarter ended December 31, 2016 which consisted of jewellery sales amounted to \$ 45,353 compared to revenues of \$ 28,830 for the corresponding period of 2015. Following the suspension of production during the fourth quarter of 2013 there were no concentrate sales from the mine during the fourth quarter of 2016 and 2015.

Cost of sales include production costs at the mine and inventory movements and totalled \$ 89,174 for the quarter ended December 31, 2016 compared to \$ 70,312 for the fourth quarter of 2015.

Production costs for the quarter ended December 31, 2015 amounted to \$ 89,494 compared to \$ 70,312 for the fourth quarter of 2015. Production costs at the mine, the majority of which are incurred in UK£, include production wages, oil and fuel, equipment hire, repairs and servicing, environmental monitoring and royalties. There was no production during both periods and this is reflected in the lower costs incurred, which were mainly in connection with ongoing care, maintenance and restoration costs at the mine site.

The inventory movement of \$ (320) credit for the fourth quarter of 2016 compared to \$ Nil for the fourth quarter of 2015.

This has resulted in a net operating loss of \$ 43,821 before depreciation, general administrative expenses, sundry income, unrealized gain on fair value of derivative financial liability and foreign exchange loss/gain for three months ended December 31, 2016 compared to a net operating loss of \$ 41,482 for the three months ended December 31, 2015.

Depreciation of property, plant and equipment excluding mine development costs during the fourth quarter totalled \$ 40,521 which compared with \$ 51,571 for the fourth quarter of 2015. Following the suspension of production there was no depreciation of mine development costs during 2016 and 2015.

General administrative expenses for the quarter ended December 31, 2016 amounted to \$ 268,590 compared to \$ 284,450 for the fourth quarter of 2015. General administrative expenses for the fourth quarter are reviewed in more detail in Other MD&A Requirements on pages 30 and 31 of the MD&A.

Sundry income totalled \$ Nil for the three months ended December 31, 2016 compared to \$ 18,689 for the corresponding period of 2015.

The unrealized gain on fair value of derivative financial liability for the fourth quarter of 2016 amounted to \$ 27,000 which compared to an unrealized loss of \$ 95,000 for the fourth quarter of 2015 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 loss of \$ 10,978 for the fourth quarter of 2016 which compared with a foreign exchange gain of \$ 3,473 for the fourth quarter of 2015.

This has resulted in a net loss of \$ 336,910 for the quarter ended December 31, 2016 compared to a net loss of \$ 260,341 for the fourth quarter of 2015.

Foreign currency translation loss, which is included in Condensed Interim Consolidated Statements of Comprehensive Loss amounted to \$ 224,450 for the three months ended December 31, 2016 and compared to a foreign currency translation gain of \$ 56,664 for 2015. This resulted in a Total comprehensive loss of \$ 561,360 for the three months ended December 31, 2016 compared to a Total comprehensive loss of \$ 203,677 for the three months ended December 31, 2015.

Proposed Transactions

Other than as set out in the Events after Reporting Period on pages 31 and 32 of the MD&A there are no proposed transactions of a material nature that have been finalized by the Company.

Critical Accounting Estimates

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

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

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of exploration and evaluation assets incurred on the Omagh underground mine is dependent upon the ability to obtain planning permission and secure sufficient funding for the development of the underground mine. 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, 2016. 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 and management is exploring opportunities to secure financing in anticipation of approval of planning permission;

- the estimated life of the ore body based on the estimated recoverable ounces or pounds mined from proven and probable reserves of the mine development costs which impacts the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss;
- 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;
- 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.

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 consolidated financial statements are set out in detail on Note 4 of the December 31, 2016 consolidated financial statements.

Changes in Accounting Policies

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. At January 1, 2016, the Company adopted this pronouncement and there was no material impact on the Company's audited consolidated financial statements.

Recent Accounting Pronouncements

(i) IFRS 9 – Financial instruments was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses an incurred loss approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the expected loss approach in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In July 2014, the IASB issued the final version of IFRS 9. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 will be effective for accounting periods beginning January 1, 2018. The Company is currently assessing the impact of this pronouncement.

(ii) In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”) to replace IAS 18 - Revenue and IAS 11 - Construction Contracts and the related interpretations on revenue recognition. The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The five steps are identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price and recognize revenue when the performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and improves the comparability of revenue from contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) IFRS 16 - Leases (“IFRS 16”) was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases.

The IASB issued its standard as part of a joint project with the Financial Accounting Standards Board (FASB). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied or is applied at the same time as IFRS 16.

Financial Instruments and Related Risks

Property risk

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

Financial risk

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

(i) Credit risk and sales concentration

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, accounts receivable and long-term deposit. Cash and long-term deposit are held with financial institutions and the United Kingdom Crown respectively, from which management believes the risk of loss to be minimal. All the revenues from sales are from one customer and the accounts receivable consist mainly of a trade account receivable from one customer, value added tax receivable and sales tax receivable. The Company is exposed to concentration of credit and sales risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. Value 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, 2016 the Company had a working capital deficit of \$ 3,095,124 (December 31, 2015 - \$ 3,606,059). All of the Company's financial liabilities have contractual maturities of less than 30 days other than certain related party loans which are due on demand. The Company is seeking additional capital to meet its current and ongoing commitments. As at December 31, 2016, the Company was cash flow negative. The Company's ongoing viability has been dependent on obtaining planning consent for the development of an underground mine at Omagh and securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity 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 and significant interest-bearing debt due to related parties. The Company is exposed to interest rate risk on certain related party loans which bear interest at variable rates.

(b) Foreign currency risk

Certain of the Company's expenses are incurred in UK£ which is the currency of Northern Ireland and the United Kingdom while the Company's 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.

(c) Commodity price risk

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

Sensitivity analysis

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

(i) Certain related party loans are subject to interest rate risk. As at December 31, 2016, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the year ended December 31, 2016 would have been approximately \$ 25,000 lower, /higher respectively, as a result of lower/higher interest rates from certain related party loans. Similarly, as at December 31, 2016 shareholders' equity would have been approximately \$ 25,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, long-term deposit, accounts payable and other liabilities, financing liability and due to related parties that are denominated in UK£. As at December 31, 2016, 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, 2016 would have been approximately \$ 133,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2016, shareholders' equity would have been approximately \$ 133,000 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, 2016.

Capital Management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit which at December 31, 2016 totalled \$ 6,568,471(December 31, 2015 - \$ 7,263,271). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on its exploration activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2016. 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 Year Ended December 31, 2016 and December 31, 2015 are detailed below:

Expense Account	Year Ended December 31, 2016	Year Ended December 31, 2015
Management & administrative wages	\$ 645,071	\$ 581,002
Other operating expenses	86,315	80,907
Accounting and corporate	66,434	66,077
Legal & audit	80,850	95,953
Stock-based compensation	0	338,000
Shareholder communication and investor relations	192,486	164,617
Transfer agent	12,324	13,705
Directors fees	26,500	28,750
General office	7,756	6,981
Accretion expenses	11,345	12,341
Loan interest and bank charges	69,942	74,026
	-----	-----
Total	\$ 1,199,023	\$ 1,462,359

General administrative expenses for the year ended December 31, 2016 totalled \$ 1,199,023 compared to \$ 1,462,359 for the year ended December 31, 2015.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and at the Omagh mine which totalled \$ 645,071 for the year ended December 31, 2016 compared to \$ 581,002 for the corresponding period of 2015. The increase in 2016 costs reflect the appointment of the mine manager during the second half of 2015. Other operating expenses, the majority of which are also incurred in UK£ and include amongst others professional fees, insurance costs and travel amounted to \$ 86,315 for the year ended December 31, 2016 compared to \$ 80,907 for 2015. Accounting and corporate costs for the year ended December 31, 2016 amounted to \$ 66,434 compared to \$ 66,077 for 2015. Legal and audit costs totalled \$ 80,850 for the year ended December 31, 2016 compared to \$ 95,953 for 2015. Legal costs amounted to \$ 13,063 which compared with \$ 26,259 for 2015. The higher level of legal fees in 2015 was due to higher legal costs both at the Galantas Gold Corporation level in connection with the share consolidation and the holding of the special shareholders meeting together with increased legal costs at the Omagh mine in connection with its corporate affairs. Audit fees for 2016 amounted to \$ 67,787 compared to \$ 69,694 for 2015. Stock-based compensation costs for the year ended December 31, 2016 amounted to \$ Nil compared to \$ 338,000 for 2015. Stock based compensation costs in 2015 were in connection with stock options granted during the second quarter of 2015 which vested immediately.

Shareholder communication and investor relations costs amounted to \$ 192,486 for the year ended December 31, 2016 compared to \$ 164,617 for 2015. 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. Shareholder communication costs in 2016 were higher than in the previous year due to increased investor relations costs together with filing and listing fees in connection with the 2016 private placement and shares for debt exchange. Transfer agents fees amounted to \$ 12,324 compared to \$ 13,705 for 2015. Transfer agent's costs for both periods include certain costs in connection with the holding of the Company's AGM. Directors' fees totalled \$ 26,500 compared to \$ 28,750 for 2015. General office expenses for 2016 amounted to \$ 7,756 compared to \$ 6,981 for 2015.

Accretion expenses for the year ended December 31, 2016 amounted to \$ 11,345 which compared to \$ 12,341 for 2015. The accretion charge is in connection with the Company's decommissioning liability. Loan interest and bank charges for 2016 amounted to \$ 69,942 compared to \$ 74,026 for 2015.

General Administrative Expenses for the Quarters ended December 31, 2016 and December 31, 2015 are detailed below:

Expense Account	Quarter Ended December 31, 2016	Quarter Ended December 31, 2015
Management & administrative wages	\$ 148,400	\$ 169,119
Other operating expenses	22,101	12,072
Accounting & corporate	20,574	20,275
Legal & audit	15,688	27,291
Shareholder communication and investor relations	33,926	25,168
Transfer agent	1,493	1,398
Directors fees	6,750	6,500
General office	1,927	839
Accretion expenses	2,623	3,197
Loan interest and bank charges	15,108	18,591
	-----	-----
Total	\$ 268,590	\$ 284,450

General administrative expenses for the quarter ended December 31, 2016 totalled \$ 268,590 compared to \$ 284,450 for the quarter ended December 31, 2015.

Management and administrative wages, the majority of which are incurred in UK£, include payroll costs of both Galantas corporate and the Omagh mine which totalled \$ 148,400 for the quarter ended December 31, 2016 compared to \$ 169,119 for the fourth quarter of 2015. Other operating expenses, the majority of which are also incurred in UK£ and include amongst others professional fees, insurance costs and travel amounted to \$ 22,101 for the quarter ended December 31, 2016 compared to \$ 12,072 for the fourth quarter of 2015. Accounting and corporate costs for the quarter amounted to \$ 20,574 compared to \$ 20,275 for the corresponding quarter of 2015. Legal and audit costs totalled \$ 15,688 for the quarter compared to \$ 27,291 for the fourth quarter of 2015. Legal costs for the fourth quarter amounted to \$ 3,604 which compared with \$ 10,511 for the fourth quarter of 2015. The higher level of legal fees in the fourth quarter of 2015 was due to legal costs incurred at the Omagh mine in connection with its corporate affairs. Audit fees for the fourth quarter amounted to \$ 12,084 compared to \$ 16,780 for the fourth quarter of 2015.

Shareholder communication and investor relations costs amounted to \$ 33,926 for the fourth quarter of 2016 compared to \$ 25,168 for the corresponding quarter of 2015. Shareholder communication costs include shareholders information, investor relations, filing fees and listing fees. Transfer agents fees for the fourth quarter of 2016 amounted to \$ 1,493 compared to \$ 1,398 incurred in the corresponding period of 2015. Directors' fees for the fourth quarter of 2016 totalled \$ 6,750 compared to \$ 6,500 for the fourth quarter of 2015. General office expenses for the fourth quarter of 2016 amounted to \$ 1,927 compared to \$ 839 for 2015. Accretion expenses for the fourth quarter of 2016 amounted to \$ 2,623 which compared to \$ 3,197 for the fourth quarter of 2015. The accretion charge is in connection with the Company's decommissioning liability. Loan interest and bank charges for the fourth quarter of 2016 amounted to \$ 15,108 compared to \$ 18,591 for the quarter ended December 31, 2015.

Disclosure of Outstanding Share Data

At April 24, 2017 there were a total of 170,894,087 shares issued, warrants to purchase 636,000 common shares with an expiry date of February 2018 and 8,600,000 stock options with expiry dates from June 2020 to March 2022.

Events after the Reporting Period

(i) On February 27, 2017, the Company completed the first part of a private placement. It consisted of 27,371,035 common shares of no par value. United Kingdom placees have subscribed at a price of GBP 0.045 per common share. Canadian placees have subscribed at a price of \$ 0.0725 per common share. Receipts attached to the first part of the placement total \$ 2,021,501. The hold period will expire for the first closing of the placing on June 25, 2017.

On March 2, 2017, the Company completed the second part of a private placement. It consisted of 5,722,222 common shares of no par value for receipt of \$ 424,798. United Kingdom placees have subscribed at a price of GBP 0.045 per common share. The hold period will expire for the second closing of the Placing on July 3, 2017. Melquart Ltd, a UK based investment institution, subscribed for a total of 22,222,222 common shares which has resulted in Melquart holding 13% of the Company's issued common shares. Ross Beaty subscribed for 3,326,170 common shares and after closing of the private placement Ross Beaty owns 32,151,567 common shares of the Company or approximately 18.8% of the outstanding common shares. The net proceeds to be raised by the private placement are intended to be used for working capital purposes and to commence development of an underground mine on the Omagh property.

(ii) On March 13, 2017, the Company announced that underground development had commenced on the Omagh mine and that the Company awaits judgement on the judicial review of the planning permission, for which no date has yet been advised to the Company.

(iii) On March 25, 2017, 4,900,000 stock options were granted to directors, officers, consultants and key employees of the Company to purchase common shares at a price of \$ 0.135 per share until March 25, 2022. The options will vest as to one third on March 25 2017 and one third on each of the following two anniversaries.

(iv) On April 24, 2017, the Company announced that the underground development at the Omagh gold mine has been put on hold following the receipt of notification that the Police Service of Northern Ireland ("PSNI") will not provide its required anti-terrorism cover in regard to blasting operations required for mine development. The Company has been told that, due to PSNI resource constraints and competing priorities, PSNI is currently only prepared to provide antiterrorism cover for a maximum of 2 hours period, 2 days per week, which is insufficient to sustain the development or operation of the mine. PSNI will also require a cost recovery agreement. The Company has sought to discuss the issue at the highest levels of command in PSNI and the Northern Ireland Office, but the engagement has been denied. The Company

has been given no alternative other than pursuing its legal options, which may include substantial compensation for the costs of delays.

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 table was composed from data published by the Bank of England (BOE) of average monthly gold price in US\$ and UK £ (Sterling) per troy ounce.

During the first nine months of 2016 there was a strengthening trend in average monthly gold price particularly in mid-year following the result of the British referendum to leave the European Union (Brexit). The role of gold as a safe haven particularly in a low/negative interest rate environment has been explained as the principal trend driver. The post Brexit gold price, when expressed in UK£ (Sterling), was driven up even further by the sharp fall in the value of Sterling against the US Dollar. However the fourth quarter of 2016 showed a US\$ gold price trend which weakened in the last two months of the year, a trend which reversed early in 2017. The UK£ average quarterly gold price, which had been earlier buoyed by sterling weakness, also weakened in the closing months of 2016. Similarly to the US\$ gold price, the weakening UK£ gold price trend reversed in the first two months of 2017. The average gold price for the year 2016 averaged US\$ 1,248 and UK£ 911 compared to US\$ 1,160 and UK£ 759 for 2015.

MONTH	Gold Price US \$ per oz.	Gold Price UK£ per oz.	Quarterly Average US\$	Quarterly Average UK£
JANUARY 2016	1097.38	762.54		
FEBRUARY 2016	1199.91	840.04		
MARCH 2016	1246.34	875.76	1181.21	825.11
APRIL 2016	1242.26	867.94		
MAY 2016	1259.40	867.07		
JUNE 2016	1276.40	898.68	1259.35	877.89
JULY 2016	1337.33	1017.31		
AUGUST 2016	1341.09	1024.05		
SEPT 2016	1326.03	1008.66	1334.81	1016.68
OCTOBER 2016	1266.57	1027.38		
NOVEMBER 2016	1235.98	994.66		
DECEMBER 2016	1150.13	920.54	1217.56	925.39

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

The US Dollar / UK£ Sterling Currency Exchange Rate

The following table is drawn from Bank of England data that gives the monthly average spot exchange rate of US \$ to UK£ Sterling. Sales revenues at the Omagh mine (when active) 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.

Sterling weakened against the US\$ at the beginning of 2016 and remained at these lower levels during the first half of the year. Concerns regarding the strength of the UK economy and potential for exit for UK from the European Union in the upcoming referendum were attributed by economic commentators as cause for this decline. Following the result of the British referendum in mid-year sterling weakened further and remained at the weaker levels during the third quarter of 2016. The weakening trend in Sterling versus the US dollar continued into the fourth quarter. The dramatic post Brexit weakening of UK£ Sterling against the US\$ has been explained by economic commentators as due to concerns regarding the strength of the UK economy, the effect of Brexit and a weakening UK interest rate trend.

During 2016 with the US Dollar averaged US\$ 1.35 to the UK£ for the year compared to \$ 1.53 for 2015.

MONTH	Average US \$:£	Quarterly Average US\$:£	Average Can\$:£	Quarterly Average Can\$:£
JANUARY 2016	1.44		2.05	
FEBRUARY 2016	1.43		1.97	
MARCH 2016	1.43	1.43	1.89	1.97
APRIL 2016	1.43		1.84	
MAY 2016	1.45		1.88	
JUNE 2016	1.42	1.43	1.83	1.85
JULY 2016	1.31		1.71	
AUGUST 2016	1.31		1.70	
SEPT 2016	1.31	1.31	1.72	1.71
OCTOBER 2016	1.23		1.63	
NOVEMBER 2016	1.24		1.67	
DECEMBER 2016	1.25	1.24	1.66	1.66

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

The Canadian Dollar / UK£ Sterling Currency Exchange Rate.

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

The Canadian Dollar has been on a strengthening trend which commenced in February 2016. That trend was increased further in July following the results of Brexit. The Canadian dollar appears to have strengthened further into the fourth quarter and the early months of 2017. The Canadian dollar averaged \$1.797 in 2016 compared to an average rate \$ 1.95 to the UK£ for 2015.

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

strengthened. Whilst the remaining malaise in this market sector has restricted financing opportunities, there is some evidence that funding difficulties are easing.

In Northern Ireland, the widely acknowledged political agreement consolidated the positive financial effects of peace and stability in the province, but there continues a low level of activity by those not allied to the peace process. Recent political events have prompted a general election in the Stormont Assembly and there is currently some uncertainty about a return to the power sharing agreement.

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

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

Currency Fluctuations

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

Gold Price

The price of gold may affect the Company's future operations. The price of gold is beyond the Company's control, can fluctuate drastically and could adversely affect the Company. Gold prices have fluctuated significantly in recent years. Market prices for gold are volatile and are affected by numerous factors beyond the Company's control, including expectations regarding inflation, global and regional demand, speculative activities, political and economic conditions and production costs in major gold-producing regions. The aggregate effect of these factors on gold prices, both in the current financial environment and generally, is impossible for the Company to predict. While Galantas would benefit from

an increase in the value of gold, the Company could be adversely affected by a decrease in the value of gold. The Company's policy is to not sell forward its bullion.

Construction and Development

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

Dependence on Key Employees and Skilled Personnel

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

Share Price Fluctuations

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

Dividends

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

Potential Dilution

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

