



GALANTAS GOLD CORPORATION

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

Years Ended December 31, 2017 and 2016



PROFESSIONAL CORPORATION
chartered professional accountants

Independent Auditor's Report

To the Shareholders of Galantas Gold Corporation

We have audited the accompanying consolidated financial statements of Galantas Gold Corporation which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of comprehensive loss, other comprehensive income, cash flows and changes in equity for each of the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Galantas Gold Corporation, as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that the Company's current liabilities exceeded its current assets by \$3,492,608, the Company has accumulated deficit of \$38,867,302 and expects to incur further losses. These conditions, along with other matters set out in note 1, indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Toronto, Canada
April 18, 2018

"I&A Professional Corporation"

I&A Professional Corporation
Chartered Professional Accountants
Authorized to practise public
accounting by the Chartered
Professional Accountants of Ontario

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

As at December 31,	2017	2016
ASSETS		
Current assets		
Cash	\$ 779,758	\$ 557,005
Accounts receivable and prepaid expenses (note 8)	316,410	106,732
Inventories (note 9)	15,095	23,852
Total current assets	1,111,263	687,589
Non-current assets		
Property, plant and equipment (note 10)	8,166,752	7,449,991
Long-term deposit (note 12)	508,830	496,920
Exploration and evaluation assets (note 11)	3,948,452	2,294,254
Total non-current assets	12,624,034	10,241,165
Total assets	\$ 13,735,297	\$ 10,928,754
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 13)	\$ 1,216,332	\$ 893,570
Current portion of financing facility (note 14)	6,182	4,956
Due to related parties (note 19)	3,381,357	2,884,187
Total current liabilities	4,603,871	3,782,713
Non-current liabilities		
Non-current portion of financing facility (note 14)	19,689	25,265
Decommissioning liability (note 12)	551,680	528,305
Derivative financial liability (note 15(c))	10,000	24,000
Total non-current liabilities	581,369	577,570
Total liabilities	5,185,240	4,360,283
Capital and reserves		
Share capital (note 15(a)(b))	39,759,172	36,331,577
Reserves	7,658,187	7,026,057
Deficit	(38,867,302)	(36,789,163)
Total equity	8,550,057	6,568,471
Total equity and liabilities	\$ 13,735,297	\$ 10,928,754

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

Going concern (note 1)
Contingency (note 21)
Events after the reporting period (note 23)

Approved on behalf of the Board:

"Roland Phelps", Director

"Lionel J. Gunter", Director



Galantas Gold Corporation

Consolidated Statements of Loss

(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2017	2016
Revenues		
Gold sales	\$ 35,308	\$ 74,068
Cost and expenses of operations		
Cost of sales (note 17)	225,451	345,057
Depreciation (note 10)	203,431	168,736
	428,882	513,793
Loss before general administrative and other (incomes) expenses	(393,574)	(439,725)
General administrative expenses		
Management and administration wages (note 19)	611,107	645,071
Other operating expenses	204,294	86,315
Accounting and corporate	64,875	66,434
Legal and audit	80,647	80,850
Stock-based compensation (note 15(d)(i))	463,869	-
Shareholder communication and investor relations	172,930	192,486
Transfer agent	9,159	12,324
Director fees (note 19)	26,500	26,500
General office	7,797	7,756
Accretion expenses (note 12)	10,560	11,345
Loan interest and bank charges (note 19)	62,526	69,942
	1,714,264	1,199,023
Other (incomes) expenses		
Gain on disposal of property, plant and equipment	-	(5,479)
Unrealized gain on fair value of derivative financial liability (note 15(c))	(14,000)	(108,000)
Foreign exchange (gain) loss	(15,699)	88,029
	(29,699)	(25,450)
Net loss for the year	\$ (2,078,139)	\$ (1,613,298)
Basic and diluted net loss per share (note 16)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		
- basic and diluted	164,077,122	124,385,093

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

Galantas Gold Corporation

Consolidated Statements of Other Comprehensive Income (Loss) (Expressed in Canadian Dollars)

	Year Ended December 31,	
	2017	2016
Net loss for the year	\$ (2,078,139)	\$ (1,613,298)
Other comprehensive income (loss)		
Items that will be reclassified subsequently to profit or loss		
Foreign currency translation differences	168,261	(1,452,889)
Total comprehensive loss	\$ (1,909,878)	\$ (3,066,187)

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

Galantas Gold Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2017	2016
Operating activities		
Net loss for the year	\$ (2,078,139)	\$ (1,613,298)
Adjustment for:		
Depreciation (note 10)	203,431	168,736
Stock-based compensation (note 15(d)(i))	463,869	-
Interest expense	42,495	63,539
Foreign exchange loss	14,563	141,884
Gain on disposal of property, plant and equipment	-	(5,479)
Accretion expenses (note 12)	10,560	11,345
Unrealized gain on fair value of derivative financial liability (note 15(c))	(14,000)	(108,000)
Non-cash working capital items:		
Accounts receivable and prepaid expenses	(202,797)	120,050
Inventories	9,110	14,489
Accounts payable and other liabilities	295,966	(242,078)
Due to related parties	393,353	314,793
Net cash used in operating activities	(861,589)	(1,134,019)
Investing activities		
Purchase of property, plant and equipment	(744,557)	(824,477)
Proceeds from sale of property, plant and equipment	-	39,554
Exploration and evaluation assets	(1,600,652)	(367,893)
Net cash used in investing activities	(2,345,209)	(1,152,816)
Financing activities		
Proceeds of private placement	3,612,156	1,466,312
Share issue costs	(184,561)	(30,777)
Repayment of financing facility	(4,350)	(4,007)
Net cash provided by financing activities	3,423,245	1,431,528
Net change in cash	216,447	(855,307)
Effect of exchange rate changes on cash held in foreign currencies	6,306	(106,020)
Cash, beginning of year	557,005	1,518,332
Cash, end of year	\$ 779,758	\$ 557,005

Supplement schedule of non-cash transactions (note 22).

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

Galantas Gold Corporation

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share capital	Reserves			Deficit	Total
		Equity settled share-based payments reserve	Warrant reserve	Foreign currency translation reserve		
Balance, December 31, 2015	\$ 33,960,190	\$ 5,809,109	\$ 766,000	\$ 1,903,837	\$(35,175,865)	\$ 7,263,271
Shares issued in private placement (note 15(b)(i))	1,466,312	-	-	-	-	1,466,312
Share issue costs	(30,777)	-	-	-	-	(30,777)
Common shares issued for debt (note 15(b)(ii))	935,852	-	-	-	-	935,852
Expiry of warrants	-	766,000	(766,000)	-	-	-
Net loss and other comprehensive loss for the year	-	-	-	(1,452,889)	(1,613,298)	(3,066,187)
Balance, December 31, 2016	36,331,577	6,575,109	-	450,948	(36,789,163)	6,568,471
Shares issued in private placements (note 15(b)(iii)(iv))	3,612,156	-	-	-	-	3,612,156
Share issue costs	(184,561)	-	-	-	-	(184,561)
Stock-based compensation (note 15(d)(i))	-	463,869	-	-	-	463,869
Net loss and other comprehensive income for the year	-	-	-	168,261	(2,078,139)	(1,909,878)
Balance, December 31, 2017	\$ 39,759,172	\$ 7,038,978	\$ -	\$ 619,209	\$(38,867,302)	\$ 8,550,057

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

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

1. Going Concern

These consolidated financial statements have been prepared on a going concern basis which contemplates that Galantas Gold Corporation (the "Company") will be able to realize assets and discharge liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Company's future viability depends on the consolidated results of the Company's wholly-owned subsidiary Cavanacaw Corporation ("Cavanacaw"). Cavanacaw has a 100% shareholding in both Omagh Minerals Limited ("Omagh") and Flintridge Resources Limited ("Flintridge") who are engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland. The Omagh mine has an open pit mine, which was in production and is reported as property, plant and equipment and an underground mine which is in the development stage and reported as exploration and evaluation assets. The production at the open pit mine was suspended in 2013.

The going concern assumption is dependent upon the ability of the Company to obtain the following:

- a. Securing sufficient financing to fund ongoing operational activity and the development of the underground mine.
- b. Obtaining consent for an underground mine which is currently subject to a judicial review process.

Should the Company be unsuccessful in securing the above, there would be significant uncertainty over the Company's ability to continue as a going concern. The Company is currently in discussions with a number of potential financiers.

As at December 31, 2017, the Company had a deficit of \$38,867,302 (December 31, 2016 - \$36,789,163). Management is confident that it will be able to secure the required financing to enable the Company to continue as a going concern. However, this is subject to a number of factors including market conditions. Refer to note 15(b)(iii)(iv) for private placements completed during the year ended December 31, 2017.

These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities, the reported expenses and financial position classifications used that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. Incorporation and Nature of Operations

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

The Company entered into an agreement on April 17, 2000, approved by shareholders on June 26, 2000, whereby Cavanacaw, a private Ontario corporation, acquired Omagh. Cavanacaw has established an open pit mine to extract the Company's gold deposit near Omagh. Cavanacaw also has developed a premium jewellery business founded on the gold produced under the name Galántas Irish Gold Limited ("Galántas"). As at July 1, 2007, the Company's Omagh mine began production and in 2013 production was suspended. On April 1, 2014, Galántas amalgamated its jewelry business with Omagh.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. Incorporation and Nature of Operations (Continued)

On April 8, 2014, Cavanacaw acquired Flintridge. Following a strategic review of its business by the Company during 2014 certain assets owned by Omagh were acquired by Flintridge.

The Company's operations include the consolidated results of Cavanacaw, and its wholly-owned subsidiaries Omagh, Galántas and Flintridge.

The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and London Stock Exchange AIM under the symbol GAL. The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

3. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The Board of Directors approved the consolidated financial statements on April 18, 2018.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the year. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 3(e).

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. An investor controls an investee if the investor has the power over the investee, has the exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The following wholly owned companies have been consolidated within the consolidated financial statements:

Company	Registered	Principal activity
Galantas Gold Corporation	Ontario, Canada	Parent company
Cavanacaw Corporation ⁽¹⁾	Ontario, Canada	Holding company
Omagh Minerals Limited ⁽²⁾⁽³⁾	Northern Ireland	Operating company
Galántas Irish Gold Limited ⁽²⁾⁽⁴⁾	Northern Ireland	Dormant company
Flintridge Resources Limited ⁽²⁾⁽⁵⁾	United Kingdom	Operating company

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. Basis of Preparation (Continued)

(c) Basis of consolidation (continued)

- (1) 100% owned by Galantas Gold Corporation;
- (2) 100% owned by Cavanacaw Corporation;
- (3) Referred to as Omagh (as defined herein);
- (4) Referred to as Galántas (as defined herein); and
- (5) Referred to as Flintridge (as defined herein).

(d) Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars ("CAD"), which is the parent Company's presentation and functional currency.

Items included in the financial statements of each of the Company's operating subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the operating subsidiaries is the U.K. Pound Sterling ("GBP"). The functional currency of the subsidiary Cavanacaw, the holding company, is the CAD.

Assets and liabilities of entities with functional currencies other than CAD are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the results of their operations are translated at the rate prevailing on the dates of the transactions. The resulting translation adjustments are recognized as a separate component of equity.

	Year Ended December 31,	
	2017	2016
Closing rate (GBP to CAD)	1.6961	1.6564
Average for the year	1.6720	1.7962

(e) Use of estimates and judgments

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

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. Basis of Preparation (Continued)

(e) *Use of estimates and judgments (continued)*

Critical accounting estimates

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

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of 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 further tested for impairment at year end. 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 and constructive obligations. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual decommissioning costs will ultimately depend on actual future settlement amount for the decommissioning costs which will reflect the market condition at the time the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning provisions may be higher or lower than currently provided for.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

3. Basis of Preparation (Continued)

(e) *Use of estimates and judgments (continued)*

Critical accounting judgments

- functional currency – the functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined primary economic environment;
- exploration and evaluation assets - the determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors;
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements; 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.

4. Significant Accounting Policies

(a) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the operations at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognized in the consolidated statements of loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income (loss). Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

(b) *Financial instruments*

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	Fair value through profit or loss
Accounts receivable	Loans and receivables
Long-term deposit	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities
Financing facility	Other financial liabilities
Due to related parties	Other financial liabilities
Derivative financial liability	Fair value through profit or loss

Galantas Gold Corporation
Notes to Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

Fair value through profit or loss ("FVTPL"):

Financial assets or financial liabilities are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets and financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of loss.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for objective evidence of impairment on an incurred loss basis at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statements of loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Cash was measured as a level 1;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). Derivative financial liabilities was measured as a level 3.

(c) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less disposal cost or its value in use. In addition, non-current assets that are not amortized are subject to an annual impairment assessment.

(d) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property, plant and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Buildings	20%	Declining balance
Plant and machinery	20%	Declining balance
Motor vehicles	25%	Declining balance
Office equipment	15%	Declining balance
Mine development costs		Unit-of-production

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(e) *Exploration and evaluation assets*

These assets relate to the exploration and evaluation expenditures incurred in respect to resource projects that are in the exploration and evaluation stage.

Exploration and evaluation expenditures include costs which are directly attributable to acquisition and evaluation activities, assessing technical feasibility and commercial viability. These expenditures are capitalized using the full cost method until the technical feasibility and commercial viability of extracting the mineral resource of a project are demonstrable. During the exploration period, exploration and evaluation assets are not amortized.

Exploration and evaluation assets are allocated to CGU for the purpose of assessing such assets for impairment. At the end of each reporting period, the asset is reviewed for impairment indicators as per IFRS 6.20:

- (i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- (iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If such indicators exist, the asset is tested for impairment and the recoverable amount of the asset is estimated. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statements of loss.

Once the technical feasibility and commercial viability of extracting a mineral resource of a project are demonstrable, the relevant exploration and evaluation asset is assessed for impairment, and any impairment loss recognized, prior to the balance being reclassified as a development asset in property, plant and equipment.

The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors. In general, technical feasibility may be demonstrable once a positive feasibility study is completed. When determining the commercial viability of a project, in addition to the receipt of a feasibility study, the Company also considers factors such as the availability of project financing, the existence of markets and/or long term contracts for the product, and the ability of obtaining the relevant operating permits.

All subsequent expenditures to ready the property for production are capitalized within development assets, other than those costs related to the construction of property, plant and equipment.

Once production has commenced, all costs included in development assets are reclassified to mine development costs.

Exploration and evaluation expenditures incurred prior to the Company obtaining mineral rights related to the property being explored are recorded as expense in the period in which they are incurred.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(f) Stripping costs

Till stripping costs involving the removal of overburden are capitalized where the underlying ore will be extracted in future periods. The Company defers these till stripping costs and amortizes them on a unit-of-production basis as the underlying ore is extracted.

(g) Inventories

Inventories are comprised of finished goods, concentrate inventory and work-in-process amounts.

All inventories are recorded at the lower of production costs on a first-in, first-out basis, and net realizable value. Production costs include costs related to mining, crushing, mill processing, as well as depreciation on production assets and certain allocations of mine-site overhead expenses attributable to the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Revenue recognition

Revenue from sales of finished goods is recognized at the time of shipment when significant risks and rewards of ownership are considered to be transferred, the terms are fixed or determinable, collection is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

Revenue from sales of gold concentrate is recognized at the time of shipment when title passes and significant risks and benefits of ownership are considered to be transferred and the amount of revenue to be receivable by the Company is known or could be accurately estimated. The final revenue figure at the end of any given period is subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes.

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. The Company early adopted IFRS 15 with a date of initial application of January 1, 2017, resulting in no impact on its consolidated financial statements.

(i) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(j) *Share-based compensation transactions*

Share-based compensation transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based compensation transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, such as share-based payments to employees, they are measured at fair value of the share-based payment.

Share-based payments to employees of the subsidiaries are recognized as cash settled share-based compensation transactions.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in "equity settled share-based payments reserve".

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options (if any) is reflected as additional dilution in the computation of loss per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

(k) *Warrants with an exercise price denominated in a foreign currency*

Warrants with an exercise price denominated in a foreign currency are recorded at fair value and classified as a derivative financial liability. The liability is initially measured at fair value using the Black-Scholes option pricing model with subsequent changes in fair value recorded as a gain or loss in the consolidated statements of loss. As the warrants are exercised, the value of the recorded liability will be included in share capital along with the proceeds from the exercise. If these warrants expire, the related liability is reversed through the consolidated statements of loss.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

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4. Significant Accounting Policies (Continued)

(l) *Income taxes*

Income tax on the consolidated statements of loss for the years presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) *Decommissioning liability*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, when there is a present obligation, as a result of a past event, it is probable to be settled by a future outflow of resources and a reliable estimate can be made of the obligation. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against the consolidated statements of loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits and/or inventories as extraction progresses.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(n) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years. Options and warrants are anti-dilutive and, therefore, have not been taken into account in the per share calculation.

(o) Recent accounting pronouncements

(i) IFRS 9 – Financial Instruments (“IFRS 9”) 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. Management does not anticipate the impact to be significant.

(ii) 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 January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. Management does not anticipate the impact to be significant.

Galantas Gold Corporation
Notes to Consolidated Financial Statements
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5. Capital Risk Management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, comprising share capital, reserves and deficit which at December 31, 2017 totaled \$8,550,057 (December 31, 2016 - \$6,568,471). 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 regularly 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, 2017. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

6. Financial and Property Risk Management

Property risk

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

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk and sales concentration, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity 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 revenue from sales are from two customers and the accounts receivable consist mainly of a trade account receivable from two customers, value added tax receivable and sales tax receivable. The Company is exposed to concentration of credit and sales risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. Valued added tax receivable is collectable from the Government of Northern Ireland. Sales tax receivable is collectable from government authorities in Canada.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

6. Financial and Property Risk Management (Continued)

Financial risk (continued)

(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, 2017, the Company had working capital deficit of \$3,492,608 (December 31, 2016 - \$3,095,124). 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. The Company's ongoing viability is dependent on obtaining planning consent for the development of an underground mine at Omagh and securing sufficient financing to fund ongoing operational activity and the development of the underground mine. Refer to note 23.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rate risk, foreign exchange rate risk and commodity price risk.

(a) Interest rate risk

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

(b) Foreign currency risk

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

(c) Commodity price risk

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

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

6. Financial and Property Risk Management (Continued)

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, 2017, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the year ended December 31, 2017, would have been approximately \$26,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans. Similarly, as at December 31, 2017, shareholders' equity would have been approximately \$26,000 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 GBP. As at December 31, 2017, had the GBP 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, 2017 would have been approximately \$178,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2017, shareholders' equity would have been approximately \$178,000 higher/lower had the GBP 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. Management believes that the impact would be immaterial for the year ended December 31, 2017.

7. Categories of Financial Instruments

As at December 31,	2017	2016
Financial assets:		
FVTPL		
Cash	\$ 779,758	\$ 557,005
Loans and receivables		
Accounts receivable	281,743	91,222
Long-term deposit	508,830	496,920
Financial liabilities:		
FVTPL		
Derivative financing liability	10,000	24,000
Other financial liabilities		
Accounts payable and other liabilities	1,216,332	893,570
Financing facility	25,871	30,221
Due to related parties	3,381,357	2,884,187

As of December 31, 2017 and 2016, the fair value of all the Company's financial instruments approximates the carrying value.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

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8. Accounts Receivable and Prepaid Expenses

As at December 31,	2017	2016
Sales tax receivable - Canada	\$ 3,600	\$ 1,480
Valued added tax receivable - Northern Ireland	274,963	76,536
Accounts receivable	3,180	13,206
Prepaid expenses	34,667	15,510
	\$ 316,410	\$ 106,732

Prepaid expenses includes advances for consumables and for construction of the passing bays in the Omagh mine.

The following is an aged analysis of receivables:

As at December 31,	2017	2016
Less than 3 months	\$ 279,302	\$ 88,838
More than 12 months	2,441	2,384
Total accounts receivable	\$ 281,743	\$ 91,222

9. Inventories

As at December 31,	2017	2016
Concentrate inventories	\$ 11,025	\$ 10,767
Finished goods	4,070	13,085
	\$ 15,095	\$ 23,852

Refer to note 17 for inventory movement.

Galantas Gold Corporation

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

10. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2015	\$ 2,755,995	\$ 5,833,381	\$ 136,644	\$ 125,679	\$ 17,730,606	\$ 26,582,305
Additions	46,407	111,298	32,762	-	634,010	824,477
Disposals	-	-	(34,075)	-	-	(34,075)
Foreign exchange adjustment	(519,002)	(1,093,260)	(25,733)	(23,668)	(3,580,988)	(5,242,651)
Balance, December 31, 2016	2,283,400	4,851,419	109,598	102,011	14,783,628	22,130,056
Additions	2,092	510,561	29,139	-	202,765	744,557
Foreign exchange adjustment	54,729	115,606	2,627	2,445	354,329	529,736
Balance, December 31, 2017	\$ 2,340,221	\$ 5,477,586	\$ 141,364	\$ 104,456	\$ 15,340,722	\$ 23,404,349

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2015	\$ 2,259,312	\$ 5,033,767	\$ 92,354	\$ 100,394	\$ 10,409,576	\$ 17,895,403
Depreciation	18,046	137,341	10,195	3,154	-	168,736
Disposals	-	-	(5,866)	-	-	(5,866)
Foreign exchange adjustment	(426,872)	(953,435)	(18,441)	(19,151)	(1,960,309)	(3,378,208)
Balance, December 31, 2016	1,850,486	4,217,673	78,242	84,397	8,449,267	14,680,065
Depreciation	13,684	176,311	10,915	2,521	-	203,431
Foreign exchange adjustment	44,550	102,951	2,032	2,059	202,509	354,101
Balance, December 31, 2017	\$ 1,908,720	\$ 4,496,935	\$ 91,189	\$ 88,977	\$ 8,651,776	\$ 15,237,597

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Total
Balance, December 31, 2016	\$ 432,914	\$ 633,746	\$ 31,356	\$ 17,614	\$ 6,334,361	\$ 7,449,991
Balance, December 31, 2017	\$ 431,501	\$ 980,651	\$ 50,175	\$ 15,479	\$ 6,688,946	\$ 8,166,752

Galantas Gold Corporation

Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

11. Exploration and Evaluation Assets

Exploration and evaluation assets are expenditures for the underground mining operations in Omagh. The proposed underground mine is dependent on the ability of the Company to obtain the necessary planning permission. On June 11, 2015, the Company announced that it had obtained planning consent (the "Consent") for an underground gold mine at the Omagh site. In February 2017, the planning permission was subject to a Judicial Review. The Consent includes operating and environmental conditions. On March 13, 2017, the Company announced that underground development had commenced on the Omagh mine. On April 24, 2017, the Company announced that the underground development has been put on hold and on May 15, 2017, the Company announced that the underground development would continue. On September 29, 2017, the Company announced that it received the judgement for the Judicial Review. The third party's request for a quashing of the Consent was denied. Underground development is underway and the Company has a detailed plan to accelerate progress, in line with the confirmed Consent. Refer to note 23(i)(ii)(iii).

Cost	Exploration and evaluation assets
Balance, December 31, 2015	\$ 2,371,328
Additions	367,893
Foreign exchange adjustment	(444,967)
Balance, December 31, 2016	2,294,254
Additions	1,600,652
Foreign exchange adjustment	53,546
Balance, December 31, 2017	\$ 3,948,452

Carrying value	Exploration and evaluation assets
Balance, December 31, 2016	\$ 2,294,254
Balance, December 31, 2017	\$ 3,948,452

12. Decommissioning Liability

The Company's decommissioning liability is a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at December 31, 2017 based on a risk-free discount rate of 1% (December 31, 2016 - 1%) and an inflation rate of 1.50% (December 31, 2016 - 1.50%). The expected undiscounted future obligations allowing for inflation are GBP 330,000 and based on management's best estimate the decommissioning is expected to occur over the next 5 to 10 years. On December 31, 2017, the estimated fair value of the liability is \$551,680 (December 31, 2016 - \$528,305). Changes in the provision during the year ended December 31, 2017 are as follows:

Galantas Gold Corporation

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Years Ended December 31, 2017 and 2016
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12. Decommissioning Liability (Continued)

As at December 31,	2017	2016
Decommissioning liability, beginning of year	\$ 528,305	\$ 637,988
Accretion	10,560	11,345
Foreign exchange	12,815	(121,028)
Decommissioning liability, end of year	\$ 551,680	\$ 528,305

As required by the Crown in Northern Ireland, the Company is required to provide a bond for reclamation related to the Omagh mine in the amount of GBP 300,000 (December 31, 2016 - GBP 300,000), of which GBP 300,000 was funded as of December 31, 2017 (GBP 300,000 was funded as of December 31, 2016) and reported as long-term deposit of \$508,830 (December 31, 2016 - \$496,920).

13. Accounts Payable and Other Liabilities

Accounts payable and other liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities and professional fees activities.

As at December 31,	2017	2016
Accounts payable	\$ 641,608	\$ 336,121
Accrued liabilities	574,724	557,449
Total accounts payable and other liabilities	\$ 1,216,332	\$ 893,570

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

As at December 31,	2017	2016
Less than 3 months	\$ 568,981	\$ 365,448
3 to 12 months	288,435	154,456
12 to 24 months	49,877	54,992
More than 24 months	309,039	318,674
Total accounts payable and other liabilities	\$ 1,216,332	\$ 893,570

14. Financing Facility

Amounts payable on the long-term debt are as follow:

As at December 31,	2017	2016
Financing facility, beginning of period	\$ 25,265	\$ 38,069
Less current portion	(6,182)	(4,956)
Repayment of financing facility	(4,350)	(4,007)
Foreign exchange adjustment	4,956	(3,841)
Financing facility - long term portion	\$ 19,689	\$ 25,265

In June 2015, the Company obtained financing in the amount of GBP 19,900 for the purchase of a vehicle. The financing is for three years at interest of 6.79% per annum with monthly principal and interest payments of GBP 377 together with a final payment in August 2019 of GBP 9,540. The financing was secured on the vehicle.

Galantas Gold Corporation

Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

15. Share Capital and Reserves

a) Authorized share capital

At December 31, 2017, the authorized share capital consisted of an unlimited number of common and preference shares issuable in Series.

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

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

b) Common shares issued

At December 31, 2017, the issued share capital amounted to \$39,759,172. The change in issued share capital for the years presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2015	107,297,154	\$ 33,960,190
Shares issued in private placement (i)	18,619,841	1,466,312
Share issue costs	-	(30,777)
Common shares issued for debt (ii)	11,883,835	935,852
Balance, December 31, 2016	137,800,830	36,331,577
Shares issued in private placements (iii)(iv)	49,748,356	3,612,156
Share issue costs	-	(184,561)
Balance, December 31, 2017	187,549,186	\$ 39,759,172

(i) On June 9, 2016, the Company closed a private placement of 18,619,841 common shares at \$0.07875 per common share for 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.

(ii) On June 10, 2016, the Company issued 11,883,835 common shares as settlement of due to related parties of \$935,852. Due to related parties consisted of an amount owing to Roland Phelps (President and Chief Executive Officer ("CEO")).

(iii) 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.

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.

Galantas Gold Corporation

Notes to Consolidated Financial Statements
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15. Share Capital and Reserves (Continued)

b) Common shares issued (continued)

(iii) (continued) Melquart Ltd, ("Melquart") a UK based investment institution, subscribed for a total of 22,222,222 common shares and Melquart's stake increased to 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.

(iv) On November 30, 2017, the Company closed a private placement of 16,655,099 common shares for gross proceeds of \$1,165,857. United Kingdom placees have subscribed at a price of GBP 0.041 per common share. Canadian placees have subscribed at a price of \$0.07 per common share. The hold period will expire for the second closing of the placing on March 31, 2018.

Melquart subscribed for a total of 6,097,561 common shares and Melquart's stake increased to 15.1% of the Company's issued common shares.

Ross Beaty subscribed for 2,914,959 common shares, which, in addition to the shares he already holds, give rise to an 18.7% holding.

Roland Phelps (President and CEO) subscribed for 1,219,512 common shares, which, in addition to the shares he already holds, give rise to an 18.4% holding.

c) Warrant reserve

The following table shows the continuity of warrants for the years presented:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2015	30,966,000	\$ 0.17
Expired	(30,330,000)	0.16
Balance, December 31, 2016 and December 31, 2017	636,000	\$ 0.07

The following table reflects the actual warrants issued and outstanding as of December 31, 2017:

Expiry date	Number of warrants	Grant date fair value (\$)	Exercise price	Fair value December 31, 2017 (\$)
February 16, 2018	636,000	32,000	0.045 ⁽¹⁾	10,000

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15. Share Capital and Reserves (Continued)

c) Warrant reserve (continued)

⁽¹⁾ Exercise price is in GBP. As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are 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.

On December 31, 2017, the fair value of the warrants, denominated in a currency other than the functional currency, was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 148%; risk free interest rate of 1.66%; and an expected life of 0.13 years. As a result, the fair value of the warrants was calculated to be \$10,000 and the Company recorded an unrealized gain on fair value of derivative financial liability for the year ended December 31, 2017 of \$14,000 (year ended December 31, 2016 - unrealized gain of \$108,000).

d) Stock options

The Company has a stock option plan (the "Plan"), the purpose of which is to attract, retain and compensate qualified persons as directors, senior officers and employees of, and consultants to the Company and its affiliates and subsidiaries by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Company. The number of shares reserved for issuance under the Plan cannot be more than a maximum of 10% of the issued and outstanding shares at the time of any grant of options. The period for exercising an option shall not extend beyond a period of five years following the date the option is granted.

Insiders of the Company are restricted on an individual basis from holding options which when exercised would entitle them to receive more than 5% of the total issued and outstanding shares at the time the option is granted. The exercise price of options granted in accordance with the Plan must not be lower than the closing price of the shares on the TSXV immediately preceding the date on which the option is granted and in no circumstances may it be less than the permissible discounting in accordance with the Corporate Finance Policies of the TSXV.

The Company records a charge to the consolidated statements of loss using the Black-Scholes option pricing model. The valuation is dependent on a number of inputs and estimates, including the strike price, exercise price, risk-free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to the historic traded daily closing share price at the date of issue.

Option pricing models require the inputs including the expected price volatility. Changes in the inputs can materially affect the fair value estimate.

The following table shows the continuity of stock options for the years presented:

	Number of options	Weighted average exercise price
Balance, December 31, 2015	4,440,000	\$ 0.17
Expired	(740,000)	0.50
Balance, December 31, 2016	3,700,000	0.11
Granted (i)	4,900,000	0.14
Balance, December 31, 2017	8,600,000	\$ 0.12

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15. Share Capital and Reserves (Continued)

d) Stock options (continued)

(i) 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. The fair value attributed to these options was \$645,820 and was expensed in the consolidated statements of loss and credited to equity settled share-based payments reserve. During the year ended December 31, 2017, included in stock-based compensation is \$463,869 (year ended December 31, 2016 - \$nil) related to the vested portion of these options.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 201%; risk-free interest rate - 1.12% and an expected life of 5 years.

The following table reflects the actual stock options issued and outstanding as of December 31, 2017:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
June 1, 2020	0.105	2.42	3,550,000	3,550,000	-
June 12, 2020	0.105	2.45	150,000	150,000	-
March 25, 2022	0.135	4.23	4,900,000	1,633,333	3,266,667
	0.122	3.45	8,600,000	5,333,333	3,266,667

16. Net Loss per Common Share

The calculation of basic and diluted loss per share for the year ended December 31, 2017 was based on the loss attributable to common shareholders of \$2,078,139 (year ended December 31, 2016 - \$1,613,298) and the weighted average number of common shares outstanding of 164,077,122 (year ended December 31, 2016 - 124,385,093) for basic and diluted loss per share. Diluted loss did not include the effect of 636,000 warrants (year ended December 31, 2016 - 636,000) and 8,600,000 options (year ended December 31, 2016 - 3,700,000) for the year ended December 31, 2017, as they are anti-dilutive.

17. Cost of Sales

	Year Ended December 31,	
	2017	2016
Wages	\$ 44,318	\$ 134,953
Oil and fuel	45,299	52,539
Repairs and servicing	51,284	64,905
Equipment hire	21,124	5,489
Environment monitoring	28,464	25,364
Royalties	16,720	17,962
Other costs	8,294	31,092
Costs	215,503	332,304
Inventory movement	9,948	12,753
Cost of sales	\$ 225,451	\$ 345,057



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18. Taxation

(a) Provision for income taxes

A reconciliation of the expected tax recovery to actual is provided as follows:

Year Ended December 31,	2017	2016
Loss before income taxes	\$ (2,078,139)	\$ (1,613,298)
Expected tax recovery at statutory rate of 26.5% (2016 - 26.5%)	(550,707)	(427,524)
Difference resulting from:		
Foreign tax rate differential	68,928	54,984
Stock-based compensation	122,925	-
Re-evaluation of warrants	-	(28,620)
Non-capital losses not recognized	358,854	401,160
	\$ -	\$ -

(b) Deferred tax balances

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities that have not been recognized for financial statement purposes are as follows:

	2017	2016
Deferred income tax assets (liabilities)		
Non-capital losses	\$ 6,149,294	\$ 5,464,152
Share issue costs	53,169	20,875
Property, plant and equipment and deferred development costs	(1,217,375)	(958,425)
Valuation allowance (impairment)	(4,985,088)	(4,526,602)
	\$ -	\$ -

(c) Losses carried forward

As at December 31, 2017, the Company had non-capital losses carried forward of \$31,354,136 (2016 - \$27,747,149) for income tax purposes as follows:

Expires	2026	\$ 1,064,484
	2027	598,595
	2029	373,962
	2030	440,512
	2031	993,770
	2032	600,689
	2033	1,100,268
	2034	906,488
	2035	884,524
	2036	901,061
	2037	757,407
Indefinite		<u>22,732,376</u>
		<u>\$ 31,354,136</u>

The loss carry-forward amounts have not been recognized for accounting purposes because it is not probable that future profit will be available against which the Company can utilize the benefits therefrom.

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19. Related Party Disclosures

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 and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

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

	Note	Year Ended December 31,	
		2017	2016
Interest on related party loans	(i)	\$ 56,952	\$ 63,539

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of \$2,236,060 (GBP 1,318,354) (December 31, 2016 - \$2,183,722 - GBP 1,318,354) included with due to related parties bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. Interest accrued on related party loans is included with due to related parties. As at December 31, 2017, the amount of interest accrued is \$383,778 (GBP 226,271) (December 31, 2016 - \$318,375 - GBP 192,209). Refer to note 23(v).

(ii) See note 15(b)(i)(ii)(iii)(iv).

(b) Remuneration of key management of the Company was as follows:

	Year Ended December 31,	
	2017	2016
Salaries and benefits ⁽¹⁾	\$ 435,700	\$ 458,120
Stock-based compensation	113,601	-
	\$ 549,301	\$ 458,120

⁽¹⁾ Salaries and benefits include director fees. As at December 31, 2017, due to directors for fees amounted to \$136,750 (December 31, 2016 - \$110,250) and due to key management, mainly for salaries and benefits accrued amounted to \$624,769 (GBP 368,356) (December 31, 2016 - \$271,840 - GBP 164,115), and is included with due to related parties.

(c) As of December 31, 2017, Ross Beaty owns 35,066,526 common shares of the Company or approximately 18.70% of the outstanding common shares. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 34,576,262 common shares of the Company or approximately 18.44% of the outstanding common shares of the Company. Melquart owns, directly and indirectly, 28,319,783 common shares of the Company or approximately 15.10% of the outstanding common shares of the Company. The remaining 47.76% of the shares are widely held, which includes various small holdings which are owned by directors of the Company. These holdings can change at anytime at the discretion of the owner.

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

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20. Segment Disclosure

The Company has determined that it has one reportable segment. The Company's operations are substantially all related to its investment in Cavanacaw and its subsidiaries, Omagh and Flintridge. Substantially all of the Company's revenues, costs and assets of the business that support these operations are derived or located in Northern Ireland. Segmented information on a geographic basis is as follows:

December 31, 2017	United Kingdom	Canada	Total
Current assets	\$ 410,064	\$ 701,199	\$ 1,111,263
Non-current assets	12,558,310	65,724	12,624,034
Revenues	\$ 35,308	\$ -	\$ 35,308

December 31, 2016	United Kingdom	Canada	Total
Current assets	\$ 283,773	\$ 403,816	\$ 687,589
Non-current assets	10,180,747	60,418	10,241,165
Revenues	\$ 74,068	\$ -	\$ 74,068

21. Contingency

During the year ended December 31, 2010, the Company's subsidiary Omagh received a payment demand from Her Majesty's Revenue and Customs in the amount of \$516,106 (GBP 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company's subsidiary Omagh intends to vigorously defend itself against this claim. The hearing started at the beginning of March 2017 but a further two days hearing was scheduled in January 2018. The January 2018 hearing was adjourned to the week commencing August 13, 2018. No provision has been made for the claim in the consolidated financial statements.

22. Supplement Schedule of Non-Cash Transactions

	Year Ended December 31,	
	2017	2016
Shares issued to settle due to related parties (note 15(b)(ii))	\$ -	\$ 935,852

23. Events After the Reporting Period

(i) On January 18, 2018, the Company announced that a date has been set up by the Court of Appeal for a hearing into a third party appeal against a positive Judicial Review of the Company's planning consent. The hearing is anticipated for February 6, 2018.

(ii) On February 6, 2018, the Company announced a date change for the third party appeal against a positive Judicial Review of its planning consent.

Due to the illness of the third party, who is a litigant in person, the date of the hearing of the appeal has been postponed until February 15, 2018. The hearing may continue on February 16, 2018, if the Court so determines.

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23. Events After the Reporting Period (Continued)

(iii) On February 16, 2018, the Company announced that it was advised that an appeal brought by a third party against its planning consent has completed the hearing stage. The Court of Appeal at the Royal Courts of Justice in Belfast, Northern Ireland heard the appeal against a judicial review decision that upheld the Department for Environment Northern Ireland (now Department of Infrastructure) grant of planning consent for an underground mine on the former open-pit gold-mine site. The Court will deliver its judgement at a later date, currently unknown.

(iv) On February 16, 2018, 636,000 warrants with exercise price of GBP 0.045 expired unexercised.

(v) On April 12, 2018, the Company announced that its operating company, Flintridge has signed a concentrate pre-payment agreement and loan facility for USD\$ 1.6 million with a United Kingdom based company, with a maturity date of December 31, 2020, and an increased on-demand loan facility with G&F Phelps. As consideration for the loan facility, the United Kingdom based company will receive 15,000,000 bonus warrants of Galantas. Each bonus warrant will be exercisable into one common share of Galantas and will be subject to an initial four months plus one day hold period from the date of issuance of the bonus warrants. No bonus warrants are to be issued in respect of the G&F Phelps loan facility. The bonus warrants are subject to TSXV and regulatory approval.