



GALANTAS GOLD CORPORATION

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

**(Unaudited)
Three and Nine Months Ended September 30, 2019**

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Galantas Gold Corporation (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Galantas Gold Corporation

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at September 30, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,356,147	\$ 6,188,554
Accounts receivable and prepaid expenses (note 4)	464,561	287,273
Inventories (note 5)	-	11,335
Total current assets	1,820,708	6,487,162
Non-current assets		
Property, plant and equipment (note 6)	19,886,574	16,487,501
Long-term deposit (note 8)	488,700	523,170
Exploration and evaluation assets (note 7)	736,507	760,023
Total non-current assets	21,111,781	17,770,694
Total assets	\$ 22,932,489	\$ 24,257,856
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 9)	\$ 2,263,359	\$ 2,257,329
Current portion of financing facilities (note 10)	374,670	382,974
Due to related parties (note 14)	4,290,860	4,119,642
Total current liabilities	6,928,889	6,759,945
Non-current liabilities		
Non-current portion of financing facilities (note 10)	1,083,499	1,081,190
Decommissioning liability (note 8)	547,860	578,242
Total non-current liabilities	1,631,359	1,659,432
Total liabilities	8,560,248	8,419,377
Capital and reserves		
Share capital (note 11(a)(b))	50,134,215	48,628,055
Reserves	8,380,191	8,963,163
Deficit	(44,142,165)	(41,752,739)
Total equity	14,372,241	15,838,479
Total equity and liabilities	\$ 22,932,489	\$ 24,257,856

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

Going concern (note 1)

Contingency (note 16)

Event after the reporting period (note 17)

Galantas Gold Corporation

Condensed Interim Consolidated Statements of Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues				
Jewellery sales (note 13)	\$ 5,788	\$ 14,203	\$ 5,788	\$ 71,243
Cost and expenses of operations				
Cost of sales	37,098	42,365	192,606	100,581
Depreciation (note 6)	93,865	77,394	280,355	219,623
	130,963	119,759	472,961	320,204
Loss before general administrative and other (income) expenses	(125,175)	(105,556)	(467,173)	(248,961)
General administrative expenses				
Management and administration wages (note 14)	228,339	222,724	675,645	596,141
Other operating expenses	79,617	47,742	161,897	151,919
Accounting and corporate	13,034	16,370	41,647	46,730
Legal and audit	18,018	12,747	59,464	76,950
Stock-based compensation	57,631	39,657	269,694	185,512
Shareholder communication and investor relations	47,917	43,210	158,886	148,840
Transfer agent	1,415	1,939	9,068	8,066
Director fees (note 14)	8,500	6,000	26,000	19,250
General office	2,653	2,077	8,915	6,499
Accretion expenses (notes 8 and 10)	67,288	105,044	186,317	185,441
Loan interest and bank charges less deposit interest (note 14)	82,123	78,746	257,812	175,951
	606,535	576,256	1,855,345	1,601,299
Other (income) expenses				
Unrealized gain on fair value of derivative financial liability	-	-	-	(10,000)
Foreign exchange (gain) loss	(13,664)	24,905	66,908	91,465
	(13,664)	24,905	66,908	81,465
Net loss for the period	\$ (718,046)	\$ (706,717)	\$ (2,389,426)	\$ (1,931,725)
Basic and diluted net loss per share (note 12)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	310,115,353	188,775,647	303,131,184	187,954,266

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

Galantas Gold Corporation

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss for the period	\$ (718,046)	\$ (706,717)	\$ (2,389,426)	\$ (1,931,725)
Other comprehensive loss				
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(257,290)	(242,921)	(852,666)	(39,967)
Total comprehensive loss	\$ (975,336)	\$ (949,638)	\$ (3,242,092)	\$ (1,971,692)

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

Galantas Gold Corporation

Condensed Interim Consolidated Statements of Cash Flows (Expressed in Canadian Dollars) (Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Operating activities		
Net loss for the period	\$ (2,389,426)	\$ (1,931,725)
Adjustment for:		
Depreciation (note 6)	280,355	219,623
Stock-based compensation	269,694	185,512
Interest expense (note 14)	264,726	166,227
Foreign exchange gain	(190,279)	(6,811)
Accretion expenses (notes 8 and 10)	186,317	185,441
Unrealized gain on fair value of derivative financial liability	-	(10,000)
Non-cash working capital items:		
Accounts receivable and prepaid expenses	(202,034)	72,191
Inventories	11,335	4,070
Accounts payable and other liabilities	157,997	615,208
Due to related parties	177,501	280,676
Net cash and cash equivalents used in operating activities	(1,433,814)	(219,588)
Investing activities		
Purchase of property, plant and equipment	(4,766,426)	(759,264)
Proceeds from sale of property, plant and equipment	14,215	-
Exploration and evaluation assets	(24,197)	(2,865,336)
Net cash and cash equivalents used in investing activities	(4,776,408)	(3,624,600)
Financing activities		
Proceeds of private placement (note 11(b))	1,600,000	1,571,771
Share issue costs (note 11(b))	(93,840)	(72,740)
Advances from related parties	-	854,567
Proceeds from financing facilities (note 10)	-	2,021,280
Financing charges related to financing liabilities (note 10)	-	(41,674)
Repayment of financing facilities (note 10)	(34,287)	(4,511)
Net cash and cash equivalents (used in) provided by financing activities	1,471,873	4,328,693
Net change in cash and cash equivalents	(4,738,349)	484,505
Effect of exchange rate changes on cash held in foreign currencies	(94,058)	(4,621)
Cash and cash equivalents, beginning of period	6,188,554	779,758
Cash and cash equivalents, end of period	\$ 1,356,147	\$ 1,259,642
Cash	\$ 1,356,147	\$ 1,259,642
Cash equivalents	-	-
Cash and cash equivalents	\$ 1,356,147	\$ 1,259,642

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

Galantas Gold Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital	Warrants reserve	Reserves		Deficit	Total
			Equity settled share-based payments reserve	Foreign currency translation reserve		
Balance, December 31, 2017	\$ 39,759,172	\$ -	\$ 7,038,978	\$ 619,209	\$ (38,867,302)	\$ 8,550,057
Shares issued in private placement (note 11(b)(ii))	1,571,771	-	-	-	-	1,571,771
Share issue costs	(72,740)	-	-	-	-	(72,740)
Warrants issued (note 10(ii))	-	786,000	-	-	-	786,000
Stock-based compensation	-	-	185,512	-	-	185,512
Exchange differences on translating foreign operations	-	-	-	(39,967)	-	(39,967)
Net loss for the period	-	-	-	-	(1,931,725)	(1,931,725)
Balance, September 30, 2018	\$ 41,258,203	\$ 786,000	\$ 7,224,490	\$ 579,242	\$ (40,799,027)	\$ 9,048,908
Balance, December 31, 2018	\$ 48,628,055	\$ 786,000	\$ 7,264,147	\$ 913,016	\$ (41,752,739)	\$ 15,838,479
Shares issued in private placement (note 11(b)(ii))	1,600,000	-	-	-	-	1,600,000
Share issue costs	(93,840)	-	-	-	-	(93,840)
Stock-based compensation	-	-	269,694	-	-	269,694
Exchange differences on translating foreign operations	-	-	-	(852,666)	-	(852,666)
Net loss for the period	-	-	-	-	(2,389,426)	(2,389,426)
Balance, September 30, 2019	\$ 50,134,215	\$ 786,000	\$ 7,533,841	\$ 60,350	\$ (44,142,165)	\$ 14,372,241

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

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

1. Going Concern

These unaudited condensed interim 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 uncertainties related to events or conditions that may cast 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 Flintridge Resources Limited ("Flintridge") who are engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland and Omagh Minerals Limited ("Omagh") who are engaged in the exploration of gold properties, mainly in the Republic of Ireland. The Omagh mine has an open pit mine, which was in production until 2013 when production was suspended and is reported as property, plant and equipment and as an underground mine which having established technical feasibility and commercial viability in December 2018 has resulted in associated exploration and evaluation assets being reclassified as an intangible development asset and reported as property, plant and equipment.

The going concern assumption is dependent upon forecast cash flows at the Omagh mine being met together with the continued support of both Cavanacaw Corporation and Galantas Gold Corporation. The directors assumptions in relation to future levels of production, gold prices and mine operating costs are crucial to forecast cash flows being achieved. Should production be significantly delayed, revenues fall short of expectations or operating costs and capital costs increase significantly, there may be insufficient cash flows to sustain day to day operations without seeking further finance. Refer to Note 17 - Event After the Reporting Period.

As at September 30, 2019, the Company had a deficit of \$44,142,165 (December 31, 2018 - \$41,752,739). Comprehensive loss for the nine months ended September 30, 2019 was \$3,242,092 (nine months ended September 30, 2018 - comprehensive loss of \$1,971,692). These losses raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern. Management is confident that it will continue as a going concern. However, this is subject to a number of factors including market conditions.

These unaudited condensed interim 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, Northern Ireland. 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 Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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

Statement of compliance

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"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of November 20, 2019 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

New accounting standards adopted

(i) On June 7, 2017, the IASB issued IFRIC 23 - Uncertainty Over Income Tax Treatments. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

(ii) On January 13, 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 - Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company adopted IFRS 16 in its unaudited condensed interim consolidated financial statements for the period beginning on January 1, 2019. As the Company has no material lease contracts that fall under IFRS 16, the adoption of this standard has not resulted in any material changes in the unaudited condensed interim consolidated financial statements.

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Notes to Condensed Interim Consolidated Financial Statements

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4. Accounts Receivable and Prepaid Expenses

	As at September 30, 2019	As at December 31, 2018
Sales tax receivable - Canada	\$ 2,689	\$ 7,629
Valued added tax receivable - Northern Ireland	194,020	153,948
Accounts receivable	135,536	109,927
Prepaid expenses	132,316	15,769
	\$ 464,561	\$ 287,273

The following is an aged analysis of receivables:

	As at September 30, 2019	As at December 31, 2018
Less than 3 months	\$ 329,901	\$ 268,995
More than 12 months	2,344	2,509
Total accounts receivable	\$ 332,245	\$ 271,504

5. Inventories

	As at September 30, 2019	As at December 31, 2018
Concentrate inventories	\$ -	\$ 11,335

Galantas Gold Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

6. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Development assets	Total
Balance, December 31, 2017	\$ 2,340,221	\$ 5,477,586	\$ 141,364	\$ 104,456	\$ 15,340,722	\$ -	\$ 23,404,349
Additions	-	557,607	21,014	46,996	-	4,266,806	4,892,423
Transfer ⁽¹⁾	-	-	-	-	(15,340,722)	10,468,410	(4,872,312)
Foreign exchange adjustment	65,953	153,418	3,984	2,944	-	(38,803)	187,496
Balance, December 31, 2018	2,406,174	6,188,611	166,362	154,396	-	14,696,413	23,611,956
Additions	-	717,961	28,576	13,447	-	4,006,442	4,766,426
Disposals	-	-	(32,220)	-	-	-	(32,220)
Foreign exchange adjustment	(158,535)	(405,524)	(10,961)	(10,173)	-	(961,616)	(1,546,809)
Balance, September 30, 2019	\$ 2,247,639	\$ 6,501,048	\$ 151,757	\$ 157,670	\$ -	\$ 17,741,239	\$ 26,799,353

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Development assets	Total
Balance, December 31, 2017	\$ 1,908,720	\$ 4,496,935	\$ 91,189	\$ 88,977	\$ 8,651,776	\$ -	\$ 15,237,597
Depreciation	12,433	311,201	18,005	9,360	-	-	350,999
Transfer ⁽¹⁾	-	-	-	-	(8,651,776)	-	(8,651,776)
Foreign exchange adjustment	53,892	128,444	2,716	2,583	-	-	187,635
Balance, December 31, 2018	1,975,045	4,936,580	111,910	100,920	-	-	7,124,455
Depreciation	6,939	255,062	11,322	7,032	-	-	280,355
Disposal	-	-	(13,750)	-	-	-	(13,750)
Foreign exchange adjustment	(130,392)	(333,173)	(7,801)	(6,915)	-	-	(478,281)
Balance, September 30, 2019	\$ 1,851,592	\$ 4,858,469	\$ 101,681	\$ 101,037	\$ -	\$ -	\$ 6,912,779

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Mine development costs	Development assets	Total
Balance, December 31, 2018	\$ 431,129	\$ 1,252,031	\$ 54,452	\$ 53,476	\$ -	\$ 14,696,413	\$ 16,487,501
Balance, September 30, 2019	\$ 396,047	\$ 1,642,579	\$ 50,076	\$ 56,633	\$ -	\$ 17,741,239	\$ 19,886,574

⁽¹⁾ During the year ended December 31, 2018, the Company transferred the cost of its Exploration and evaluation assets (note 7) to Development assets.

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Notes to Condensed Interim Consolidated Financial Statements
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7. Exploration and Evaluation Assets

Exploration and evaluation assets are expenditures for the underground mining operations in Omagh. The Company had announced in December 2016 that it would commence the first phase of underground development and re-start concentrate shipments at its Omagh mine. Underground development of a decline tunnel, located at the base of the existing open pit, commenced in the first quarter 2017.

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

Cost	Exploration and evaluation assets
Balance, December 31, 2017	\$ 3,948,452
Additions	254,140
Transfer (i)	(3,624,624)
Foreign exchange adjustment	182,055
Balance, December 31, 2018	760,023
Additions	24,197
Foreign exchange adjustment	(47,713)
Balance, September 30, 2019	\$ 736,507

Carrying value	Exploration and evaluation assets
Balance, December 31, 2018	\$ 760,023
Balance, September 30, 2019	\$ 736,507

(i) During the year ended December 31, 2018, the Company transferred the cost of its Exploration and evaluation assets (note 6) to Development assets.

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Notes to Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian Dollars)
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8. 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 September 30, 2019 based on a risk-free discount rate of 1% (December 31, 2018 - 1%) and an inflation rate of 1.50% (December 31, 2018 - 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 September 30, 2019, the estimated fair value of the liability is \$547,860 (December 31, 2018 - \$578,242). Changes in the provision during the nine months ended September 30, 2019 are as follows:

	As at September 30, 2019	As at December 31, 2018
Decommissioning liability, beginning of period	\$ 578,242	\$ 551,680
Accretion	8,019	10,925
Foreign exchange	(38,401)	15,637
Decommissioning liability, end of period	\$ 547,860	\$ 578,242

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, 2018 - GBP 300,000), of which GBP 300,000 was funded as of September 30, 2019 (GBP 300,000 was funded as of December 31, 2018) and reported as long-term deposit of \$488,700 (December 31, 2018 - \$523,170).

9. 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 September 30, 2019	As at December 31, 2018
Accounts payable	\$ 1,410,227	\$ 1,017,939
Accrued liabilities	853,132	1,239,390
Total accounts payable and other liabilities	\$ 2,263,359	\$ 2,257,329

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

	As at September 30, 2019	As at December 31, 2018
Less than 3 months	\$ 1,473,604	\$ 1,066,881
3 to 12 months	446,022	775,693
12 to 24 months	37,592	71,394
More than 24 months	306,141	343,361
Total accounts payable and other liabilities	\$ 2,263,359	\$ 2,257,329

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10. Financing Facilities

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

	As at September 30, 2019	As at December 31, 2018
Financing facilities, beginning of period	\$ 1,081,190	\$ 19,689
Financing facility received (ii)	-	2,021,280
Less bonus warrants issued (ii)	-	(786,000)
Less financing costs (ii)	-	(41,674)
Less current portion	(374,670)	(382,974)
Repayment of financing facilities	(34,287)	(6,357)
Accretion	178,298	240,621
Foreign exchange adjustment	232,968	16,605
Financing facilities - long term portion	\$ 1,083,499	\$ 1,081,190

(i) 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.

(ii) In April 2018, the Company signed a concentrate pre-payment agreement and loan facility for US\$1.6 million with a United Kingdom based company (the "Lender"), with a maturity date of December 31, 2020. The interest is set at US\$ 12 month LIBOR + 8.75% and payable monthly. No interest shall be charged for 6 months and repayments shall commence against deliveries in 2019. There was a US\$25,000 arrangement fee.

In respect of the loan facility, a fixed and floating security, subordinated to an existing security to G&F Phelps Ltd. ("G&F Phelps"), is being put in place over Flintridge assets. G&F Phelps has a first charge on Flintridge assets in respect of its loan facility and the Lender required an intercreditor agreement between G&F Phelps and the Lender.

As consideration for the loan facility, the United Kingdom based company received 15,000,000 bonus warrants of the Company. Each bonus warrant is exercisable into one common share of the Company and is subject to an initial four months plus one day hold period from the date of issuance of the bonus warrants. The bonus warrants have a maximum life of two years (the "Expiry Time"). On April 19, 2018, the 15,000,000 bonus warrants were granted. In the event that the weighted average closing price per common share of the Company is more than \$0.20 per share for more than five consecutive trading days, the Company shall be entitled to accelerate the Expiry Time to a date that is 30 days from the date on which the Company announces the accelerated Expiry Time by press release.

The fair value of the 15,000,000 bonus warrants was estimated at \$786,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 113.55%, risk-free interest rate - 1.91% and an expected average life of 2 years.

During the three and nine months ended September 30, 2019, the Company recorded accretion expense of \$64,718 and \$178,298, respectively in the unaudited condensed interim consolidated statements of loss in regards with this loan facility (year ended December 31, 2018 - \$240,621).

During the three and nine months ended September 30, 2019, the Company recorded a repayment of \$34,287 (GBP 21,048) in regards with this loan facility (year ended December 31, 2018 - \$nil).

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Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

11. Share Capital and Reserves

a) Authorized share capital

At September 30, 2019, 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 September 30, 2019, the issued share capital amounted to \$50,134,215. The change in issued share capital for the periods presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2017	187,549,186	\$ 39,759,172
Shares issued in private placement (i)	22,137,619	1,571,771
Share issue costs	-	(72,740)
Balance, September 30, 2018	209,686,805	\$ 41,258,203
Balance, December 31, 2018	299,686,805	\$ 48,628,055
Shares issued in private placement (ii)	23,529,412	1,600,000
Share issue costs	-	(93,840)
Balance, September 30, 2019	323,216,217	\$ 50,134,215

(i) On September 25, 2018, the Company closed a private placement of 22,137,619 common shares for gross proceeds of \$1,571,771. United Kingdom placees have subscribed at a price of GBP 0.042 per common share. Canadian placees have subscribed at a price of \$0.071 per common share.

Melquart Ltd, ("Melquart") subscribed for a total of 11,904,762 common shares and Melquart's stake increased to 19.2% of the Company's issued common shares.

Ross Beaty subscribed for 2,380,952 common shares, which, in addition to the shares he already holds, give rise to an 17.9% holding.

Roland Phelps (President and Chief Executive Officer) subscribed for 4,761,905 common shares, which, in addition to the shares he already holds, give rise to an 18.7% holding.

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11. Share Capital and Reserves (Continued)

b) Common shares issued (continued)

(ii) On August 21, 2019, the Company closed a private placement of 23,529,412 common shares for gross proceeds of GBP 1,000,000 (\$1,600,000) at an issue price of GBP 0.0425 (CAD\$0.068) per share. The hold period will expire on December 22, 2019.

Miton Asset Management Limited ("Miton") subscribed for a total of 3,764,706 common shares and Miton's stake increased to 16.63% of the Company's issued common shares.

Melquart subscribed for a total of 15,341,174 common shares and Melquart's stake increased to 24.00% of the Company's issued common shares.

c) Warrant reserve

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017	636,000	\$ 0.07
Issued (note 10(ii))	15,000,000	0.16
Expired	(636,000)	0.07
Balance, September 30, 2018	15,000,000	\$ 0.16
Balance, December 31, 2018 and September 30, 2019	15,000,000	\$ 0.16

The following table reflects the actual warrants issued and outstanding as of September 30, 2019:

Expiry date	Number of warrants	Grant date fair value (\$)	Exercise price (\$)
April 19, 2020	15,000,000	786,000	0.1575

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11. Share Capital and Reserves (Continued)

d) Stock options

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

	Number of options	Weighted average exercise price
Balance, December 31, 2017	8,600,000	\$ 0.12
Granted (i)	1,000,000	0.11
Expired	(750,000)	0.14
Balance, September 30, 2018	8,850,000	\$ 0.12
Balance, December 31, 2018	8,850,000	\$ 0.12
Granted (ii)(iii)	5,700,000	0.09
Expired	(600,000)	0.11
Balance, September 30, 2019	13,950,000	\$ 0.10

(i) On April 19, 2018, 1,000,000 stock options were granted to key employees and consultants of the Company to purchase common shares at a price of \$0.11 per share until April 19, 2023. The options will vest as to one third on April 19, 2018 and one third on each of the following two anniversaries. The fair value attributed to these options was \$99,400 and was expensed in the unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and nine months ended September 30, 2019, included in stock-based compensation is \$4,176 and \$22,286, respectively (three and nine months ended September 30, 2018 - \$12,527 and \$55,464, respectively) 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 - 172%; risk-free interest rate - 2.16% and an expected life of 5 years.

(ii) On February 13, 2019, 3,200,000 stock options were granted to directors, officers, consultants and employees of the Company to purchase common shares at a price of \$0.09 per share until February 13, 2024. The options will vest as to one third on February 13, 2019 and one third on each of the following two anniversaries. The fair value attributed to these options was \$247,360 and was expensed in the unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and nine months ended September 30, 2019, included in stock-based compensation is \$29,226 and \$155,200, respectively 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 - 129%; risk-free interest rate - 1.84% and an expected life of 5 years.

(iii) On June 27, 2019, 2,500,000 stock options were granted to directors and employees of the Company to purchase common shares at a price of \$0.09 per share until June 27, 2024. The options will vest as to one third on June 27, 2019 and one third on each of the following two anniversaries. The fair value attributed to these options was \$145,500 and was expensed in the unaudited condensed interim consolidated statements of loss and credited to equity settled share-based payments reserve. During the three and nine months ended September 30, 2019, included in stock-based compensation is \$24,229 and \$67,435, respectively 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 - 128%; risk-free interest rate - 1.37% and an expected life of 5 years.



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11. Share Capital and Reserves (Continued)

d) Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of September 30, 2019:

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	0.67	3,350,000	3,350,000	-
June 12, 2020	0.105	0.70	150,000	150,000	-
March 25, 2022	0.135	2.48	3,950,000	3,950,000	-
April 19, 2023	0.110	3.55	1,000,000	1,000,000	-
February 13, 2024	0.090	4.38	3,000,000	1,000,000	2,000,000
June 27, 2024	0.090	4.75	2,500,000	833,333	1,666,667
	0.095	2.07	13,950,000	10,283,333	3,666,667

12. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2019 was based on the loss attributable to common shareholders of \$718,046 and \$2,389,426, respectively (three and nine months ended September 30, 2018 - \$706,717 and \$1,931,725, respectively) and the weighted average number of common shares outstanding of 310,115,353 and 303,131,184, respectively (three and nine months ended September 30, 2018 - 188,775,647 and 187,954,266, respectively) for basic and diluted loss per share. Diluted loss did not include the effect of 15,000,000 warrants (three and nine months ended September 30, 2018 - 15,000,000) and 13,950,000 options (three and nine months ended September 30, 2018 - 8,850,000) for the three and nine months ended September 30, 2019, as they are anti-dilutive.

13. Revenues

Shipments of concentrate under the off-take arrangements commenced during the second quarter of 2019. Concentrate sales provisional revenues during the three and nine months ended September 30, 2019 totalled approximately US\$519,000 and US\$978,000 respectively. However, until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

14. 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	Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Interest on related party loans	(i)	\$ 84,009	\$ 77,140	\$ 264,726	\$ 171,409

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14. Related Party Disclosures (Continued)

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

(i) G&F Phelps, a company controlled by a director of the Company, had amalgamated loans to the Company of \$2,972,541 (GBP 1,824,764) (December 31, 2018 - \$3,182,205 - GBP 1,824,764) 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. In April 2018, the interest increased to 6.75% + US\$ 12 month LIBOR. Interest accrued on related party loans is included with due to related parties. As at September 30, 2019, the amount of interest accrued is \$869,695 (GBP 533,883) (December 31, 2018 - \$658,338 - GBP 377,509).

(b) Remuneration of officer and directors of the Company was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Salaries and benefits ⁽¹⁾	\$ 110,909	\$ 109,833	\$ 338,784	\$ 337,939
Stock-based compensation	8,292	6,644	65,675	31,849
	\$ 119,201	\$ 116,477	\$ 404,459	\$ 369,788

⁽¹⁾ Salaries and benefits include director fees. As at September 30, 2019, due to directors for fees amounted to \$109,000 (December 31, 2018 - \$166,000) and due to officers, mainly for salaries and benefits accrued amounted to \$339,624 (GBP 208,486) (December 31, 2018 - \$113,099 - GBP 64,854), and is included with due to related parties.

(c) As of September 30, 2019, Ross Beaty owns 37,447,478 common shares of the Company or approximately 11.59% of the outstanding common shares. Roland Phelps, CEO and director, owns, directly and indirectly, 49,338,167 common shares of the Company or approximately 15.26% of the outstanding common shares of the Company. Miton owns 53,764,706 common shares of the Company or approximately 16.63%. Melquart owns, directly and indirectly, 77,565,719 common shares of the Company or approximately 24.00% of the outstanding common shares of the Company. The remaining 32.52% 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.

15. 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:

September 30, 2019	United Kingdom	Canada	Total
Current assets	\$ 847,353	\$ 973,355	\$ 1,820,708
Non-current assets	21,058,072	53,709	21,111,781
December 31, 2018	United Kingdom	Canada	Total
Current assets	\$ 794,772	\$ 5,692,390	\$ 6,487,162
Non-current assets	17,706,643	64,051	17,770,694



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16. Contingency

During the year ended December 31, 2010, the Company's subsidiary Omagh Minerals Limited received a payment demand from Her Majesty's Revenue and Customs ("HMRC") in the amount of \$495,688 (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. Omagh Minerals believed this claim to be without merit. An appeal was lodged with the Tax Tribunals Service and the hearing started at the beginning of March 2017 and following a number of adjournments was completed in August 2018. During the nine months ended September 30, 2019, the Tax Tribunals Service issued their judgement dismissing the appeal by Omagh in respect of the assessments. A provision has now been included in the unaudited condensed interim consolidated financial statements in respect of the aggregates levy plus interest and penalty.

There is a contingent liability in respect of potential additional interest which may be applied in respect of the aggregates levy dispute. Omagh Minerals Limited is unable to make a reliable estimate of the amount of the potential additional interest that may be applied by HMRC.

17. Event After the Reporting Period

On October 29, 2019, the Company announced a temporary suspension of blasting operations as its Omagh gold mine, Northern Ireland. Blasting operations are currently limited, since all blasting must be supervised by the Police Service of Northern Ireland (the "Arrangements"). Presently the Arrangements are not sufficient for the desired level of operations. The Company has been working with the authorities to increase blasting availability to normal levels for an underground mine. Progress has been made and substantive investment made in accordance with recommendations, however, the Company is still awaiting final approvals from the authorities in order to be able to implement its increased blasting protocols. The Company has been waiting for some time for these approvals and although the Company expects to receive the approvals based on previous discussions with the relevant authorities, a date for receipt of the required approvals and therefore the date on which implementation of the increased blasting schedule is not yet known.

The current Arrangements are not sufficient to allow for the expansion of mine operations as envisaged by the Company's existing mine plan and until changes are agreed, the present inefficiencies caused by those Arrangements form an increasing financial burden, which has proved a significant drain on the financial resources of the Company.

Accordingly, in order to reduce costs, while some mine operations will continue at the Omagh gold mine, consultation with the workforce is underway regarding a reduction in the numbers employed.

In light of the economic impingement on the Company's operations, the Company is beginning to seek strategic alternatives including reviewing its licenses and operations; and considering the possibility of engaging in a joint venture or other options with third parties and alternative financing structures.

The Company expects it will have to raise funds within the next 6 months and will update the market in due course.