

**GALWAY METALS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2015**

## **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Galway Metals Inc. ("Galway", "Galway Metals" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2015. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2014 as well as the unaudited interim consolidated financial statements for the three months ended March 31, 2015, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. Information contained herein is presented as at June 1, 2015 unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors of the Company (the "Board of Directors" or "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Galway common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. Mr. Mike Sutton, P.Geo., an independent Director to the Company and a "Qualified Person" under National Instrument 43-101, has reviewed the technical information in this management discussion and analysis.

## **Description of Business**

Galway's goal is to deliver superior returns to shareholders by concentrating on the acquisition of properties that have the potential to contain economically recoverable precious and/or base metals reserves.

Galway Metals Inc. was incorporated pursuant to the Business Corporations Act (New Brunswick) on May 9, 2012. Galway Metals' head office is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5. Galway Metals was incorporated for the sole purpose of participating in the Plan of Arrangement (the "Arrangement") which closed December 20, 2012 involving Galway Metals, Galway Gold Inc., Galway Resources Ltd., AUX Acquisition 2 S.à.r.l. ("AUX") and AUX Canada Acquisition 2 Inc., formerly 2346407 Ontario Inc. ("AUX Canada"), a wholly owned subsidiary of AUX. Prior to the close of the Arrangement Agreement, Galway Metals did not carry on any active business.

Under the Arrangement, AUX Canada acquired all of the common shares of Galway Resources not already owned by AUX Canada and its affiliates and pursuant to the Arrangement, Galway Resources shareholders received for each Galway common share: cash consideration of Cdn\$2.05 per share, one common share of Galway Metals, and one common share in a new exploration and development company, Galway Gold Inc. Under the Arrangement, Galway Resources transferred to Galway Metals and Galway Metals holds indirectly as assets a 100% interest in Galway Resources' Victorio project, being a molybdenum-tungsten exploration project located in New Mexico (the "Victorio Project") and approximately US\$10.8 million in net working capital (US \$12 million when the transaction closed). Upon completion of the Arrangement, Galway's existing security holders own 100% of the Galway Metals shares outstanding, proportionate to their ownership of Galway Resources at the time the Arrangement was completed.

The Arrangement was completed by way of statutory Plan of Arrangement under the Business Corporations Act (Ontario). The Arrangement was approved by Galway Resources' shareholders and warrant holders at a special meeting held on December 17, 2012. On January 4, 2013, the Company's common shares commenced trading on the TSX Venture Exchange under the symbol "GWM".

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On April 16, 2014, the Company announced that it had completed a non-brokered private placement financing (the "Financing"). The Financing consisted of the sale of 6,600,000 units (each, a "Unit") at a price of \$0.10 per Unit, with each Unit consisting of one common share of the Company (each, a "Share") and one-half of one Share purchase warrant (each whole such warrant, a "Warrant"), each Warrant entitling the holder to acquire one additional Share until April 16, 2017 at a price of \$0.15 per Share. 4,150,000 of the 6,600,000 Units were acquired by the CEO of the Company and 250,000 units were acquired by a director of the Company. The financing was approved by all of the non-interested directors of the Company and was exempt from the valuation and minority approval requirements in Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions on the basis of certain exemptions available thereunder. The Financing was also approved by the TSX Venture Exchange. All securities issued pursuant to the Financing were subject to a statutory hold period of four months.

On May 20, 2014, the Company announced that it had been notified that a shareholder of the Company submitted a request for a hearing review by the British Columbia Securities Commission (the "BCSC") of the decision (the "Decision") of the TSX Venture Exchange to approve the Financing. The shareholder requested that the BCSC issue an order (i) setting aside the Decision and (ii) issuing a cease trade order in respect of the Units (and underlying securities) issued in the Financing until the Financing has effectively been unwound. All subscribers to the Financing were informed of the appeal. On August 21, 2014 the BCSC concluded its hearing and review of the matters noted above, and the shareholder's Application to reverse the Exchange's Decision approving the Financing was dismissed.

On November 5, 2014, the Company announced that Larry Strauss and Michael Sutton agreed to join its Board of Directors. Messrs. Strauss and Sutton have extensive expertise in the gold industry and have been acting as technical advisors to the Company, assisting in identifying and assessing precious metal opportunities, primarily in the Americas.

The Company also announced that Mr. Robert Schafer resigned as a member of the Board of Directors. Mr. Schafer will, however, continue to act as an advisor to the Company.

On May 6, 2015, Galway received written notice from Victor (Vic) Alboini on behalf of Jaguar Financial Corporation ("Jaguar") in which Jaguar, in its capacity as a Shareholder, proposed the nomination of Mr. Vic Alboini and Mr. Donald Rogers (together, the "Dissident Nominees") for election to Galway's Board of Directors.

As a result, Galway has filed and mailed an amended and revised management information circular, notice and proxy with the addition of the Dissident Nominees to all shareholders entitled to vote at Galway's upcoming annual and special meeting occurring on June 10, 2015 (the "Meeting"). It is very important that all shareholders review this material carefully, and use the yellow proxy form included with these revised materials to vote your shares. Shareholders who have already cast their votes will need to vote again using the yellow proxy form in order for their votes to be counted at the Meeting.

The Board to be elected at the Meeting will consist of 6 directors. Since the number of nominees for election as directors exceeds the number fixed for such election, the 6 nominees with the most "FOR" votes will be elected. Shareholders are reminded to not vote "FOR" more than 6 nominees; if you do so, your vote in respect of the resolution electing the directors of Galway at the Meeting will not be tabulated.

Galway is obligated to present the Dissident Nominees to shareholders for consideration as nominees to the Board, however, the Board of Directors of your Corporation has concerns about these proposed nominees. Our concerns are summarized below:

### **Why the Board is Not Recommending that You Vote for the Dissident Nominees**

The Board is unanimous in its view that Shareholders should withhold their votes in respect of the election of the Dissident Nominees as directors of Galway. The concerns of the Board regarding the Dissident Nominees can be categorized into the following five areas:

- Concerns about the character and integrity of Vic Alboini
- Concerns about the motivation of Jaguar in seeking representation on the Board
- Concerns about a lack of a plan by Jaguar and opportunistic behaviour
- Concerns about Vic Alboini's ability to generate shareholder value
- Concerns about the adequacy of relevant experience of the Dissident Nominees

#### *Concerns about Vic Alboini's Character and Integrity*

Vic Alboini has been the subject of investigation and sanction by various regulators, including the Investment Industry Regulatory Organization of Canada ("IIROC"), and the Ontario Securities Commission ("OSC"). While Galway is not in a position to take a view on regulatory proceedings involving Mr. Alboini, the Board is gravely concerned that Mr. Alboini's past activity gives cause for alarm and casts doubt on his ability to function as an effective actor in the capital markets arena.

Mr. Alboini has been the subject of a significant investigation by IIROC and the OSC since 2008. Following is a brief timeline and summary of the proceedings, allegations and sanctions:

- In November 2012 Mr. Alboini was suspended for two years by IIROC, which regulates brokerage firms, permanently banned as an "ultimate designated person" at an investment dealer and fined \$625,000.
- The IIROC panel looked beyond allegations stemming from 2008 trading, and concluded that between 2006 and 2010, Mr. Alboini repeatedly failed to ensure that Northern Securities Inc. corrected deficiencies found in three business conduct compliance reviews and one trading conduct review.
- On March 19, 2013, after admitting that from late 2012 into early 2013 Northern Securities Inc. carried on its operations without sufficient capital and without a chief financial officer to ensure regulatory compliance, Northern entered into a settlement agreement with IIROC, pursuant to which, among other things, Northern was suspended as an investment dealer.
- In September 2014, Mr. Alboini was ordered by the OSC to pay nearly \$560,000 in penalties and costs, and stripped of acting in various investment capacities for up to two years.
- The 2014 sanctions included payment of a \$250,000 fine and an order to disgorge \$244,985 in commissions that he received for his work at Northern Securities Inc. and to pay \$62,500 for costs incurred by IIROC.
- In its original ruling in 2012, IIROC found Mr. Alboini had risked the capital of Northern Securities Inc. by improperly obtaining credit for Jaguar, which had accounts at Northern Securities. Mr. Alboini was chief executive officer of both Northern Securities and Jaguar at that time.

Given the gravity of the allegations and sanctions imposed on Mr. Alboini, the Board believes that there are serious questions as to the character of Mr. Alboini and his suitability to be a member of the Board of Directors of Galway.

*Concerns About Jaguar's Motivations for Seeking Representation on the Board*

The Board questions Jaguar's motivations for proposing the Dissident Nominees for election to the Board. Jaguar appears to have a history of escalating matters after an unsuccessful challenge or disagreement with management of companies in which it invests. The Board notes from publicly available information on Canadian Royalties Inc. ("CNR") that in 2009, after Vic Alboini unsuccessfully pitched his services to CNR in conjunction with a transaction, Jaguar attempted to block the take-over of CNR by Jien Canada Mining Inc.. The Board is reminded that Jaguar disagreed with a private placement undertaken by Galway in April, 2014 in which insiders participated, and which was duly approved by the TSX Venture Exchange ("TSX-V").

Despite Galway having received TSX-V approval, in April, 2014, Jaguar submitted a request for a hearing and review by the British Columbia Securities Commission (the "BCSC") of the decision (the "Decision") of the TSX-V to approve Galway's private placement units. In August 2014, the BCSC dismissed the application of Jaguar. Despite its objections to the placement, following the placement and the court decision upholding the placement, Jaguar purchased an additional 1,861,499 Common Shares. Taken separately, the attempted block of the CNR transaction and the objection to Galway's placement might be merely seen as an investor raising legitimate objections to management decisions. Taken together, and having regard for the similar pattern, one wonders why Jaguar seems to focus investments in companies in which it disagrees with the transactions that management and the board undertake.

Management surmises that Jaguar may wish to deploy Galway's cash balances in self-interested and otherwise improvident transactions. Based on filings available through the public disclosure record on www.sedar.com, Jaguar has limited cash balances and a market capitalization of approximately \$2,000,000 as at the date hereof. Jaguar has also engaged in a number of inter-corporate transactions with Added Capital Inc. and based on current filings made on www.sedar.com, Added Capital Inc. has negative working capital in excess of \$3,000,000 and a market capitalization of approximately \$250,000.

*Concerns About a Lack of a Plan and Opportunistic Behavior*

Management of Galway and its advisors have engaged in discussions with Jaguar about its proposed strategy for Galway. This dialogue was fruitless. Management was not presented with any credible proposals that, in the view of management, would create shareholder value. Furthermore, Jaguar proposed certain fees and other compensation for general advisory assignments that did not appear to be realistic or otherwise in the best interests of Galway.

*Concerns About Vic Alboini's Ability to Create Shareholder Value*

Mr. Alboini was formerly a director of Blue Note Mining Inc. ("Blue Note"), a base metals development company, until his resignation from the Blue Note board of directors on February 19, 2009. On February 20, 2009, one day after Mr. Alboini's resignation from the board of directors of Blue Note, Blue Note Caribou Mines Inc., a wholly-owned subsidiary of Blue Note obtained an order from the New Brunswick Court of Queen's Bench for creditor protection pursuant to the provisions of Companies' Creditors Arrangement Act.

Moreover, Mr. Alboini was Chairman, President and Chief Executive Officer of Jaguar Nickel when it changed its business from a nickel exploration and development company to a merchant bank. Since such time, Jaguar's share price has declined by more than 90%.

The two mine exploration and development companies Mr. Alboini has been involved as a director have either filed for bankruptcy protection (Blue Note) or altered its strategy and subsequently lost in excess of 90% of its per share value (Jaguar).

*Concerns About the Adequacy and Relevant Experience of the Dissident Nominees*

While Messrs. Alboini and Rogers have experience in capital markets, legal and restructuring matters, neither has previously acted as a director or officer of Galway and, based on the information provided by them in connection with their nominations through Jaguar, both appear to have limited successful management experience in the mining industry.

In addition, from the information provided by Jaguar, Mr. Rogers does not appear to have any experience in being a director of public companies.

**Management Nominees – Experience and Track Record**

The Board of Galway Metals has endeavored to assemble a team of directors that operates effectively and works with management in a productive way with the goal of increasing Shareholder value and directing the business and affairs of the Corporation in a manner consistent with its strategies and objectives. The relative skills that each member of the Board contributes must be carefully considered and balanced, when deciding on the make-up of the Board as a whole.

Both Messrs. Hinchcliffe and Doub, who sit on the Audit Committee, have extensive experience in capital market and corporate matters. Mr. Hinchcliffe founded Galway Resources in 2005, which went on to raise over \$100 million and successfully negotiate the sale to AUX for \$340 million and establish two new, well capitalized, spinout companies. Prior to that, he worked as Chief Financial Officer of Kirkland Lake Gold, wherein the company raised over \$50 million in funds to re-commission the Kirkland Lake Gold Mine and for exploration purposes. Mr. Doub has over 16 years of investing in high growth international emerging businesses. He is currently a general partner of New Markets Venture Partners, and sits on the boards of several different companies. Both Messrs. Hinchcliffe and Doub have MBAs from Georgetown University. Joseph Cartafalsa has over 20 years' of experience as a lawyer with one of New York's oldest law firms. Alfonso Gomez has over 30 years working in the resource sector, holding various positions with prominent international mining companies including Vice President of Operations for Prodeco and Vice President of Public Affairs of Carbones del Cerrejon, one of the world's largest coal producers and owner of one of the largest coal mines in the world, producing approximately 35 million tons per year.

The composition of the Board was changed significantly in 2014 with the appointments of two new directors, Larry Strauss and Michael Sutton, who brought decades of project valuation, mining, investment banking and capital markets experience and expertise to the Corporation. As such, the Board does not believe that the addition of Messrs. Alboini and Rogers to the Board is warranted, appropriate or will provide the Board with any new material expertise.

The Board believes that the re-election of the Management Nominees, who have each been a director since at least November 6, 2014, continues to satisfy the goals of the Company and that each of the Management Nominees brings a strong and unique background, with a proven track record and a relevant set of skills to the Board. Moreover, with the exception of Joseph Cartafalsa, all of the Management Nominees were also directors of Galway Resources, which successfully sold its business for approximately \$340 million in December 2012. Click here for full bios of the Directors Nominated by Management.

For more details, refer to the revised meeting materials, which Shareholders will be receiving shortly. In addition, the materials have been posted under Galway's profile at [www.sedar.com](http://www.sedar.com). Galway management and directors encourage all Shareholders to review this material thoroughly and vote their yellow proxies in order to have a say on the election of the Board at Galway's Meeting.

Further information about the Company and its operations can be obtained from [www.galwaymetalsinc.com](http://www.galwaymetalsinc.com) and [www.sedar.com](http://www.sedar.com).

**Discussion of Operations**

The Victorio Project is an advanced-stage exploration property secured through an option agreement that, when executed, gives Galway Metals 100% ownership. The property has excellent infrastructure such as access by paved road to within a few miles of the site, a nearby railway and a gas pipeline. Victorio is located approximately 20 miles west of Deming, New Mexico. The Company has done three National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101) resource estimates, the latest of which can be seen below. After the second resource estimate was released, a positive scoping study was carried out by SRK Consulting. The depressed nature of the junior mining capital markets, combined with sustained low molybdenum pricing, has prompted management to continue to look for a joint venture partner to advance the project while also investigating acquisitions of other promising mineral properties. In the meantime, the Company is conserving capital until general market conditions improve and the carrying value of the Victorio Project has been written down to \$Nil. See below under "Mineral Property Interests."

In 2008, Galway Resources Ltd completed a 12-hole, 25,000 foot, phase 2 infill drilling program. The purpose of the infill drilling program was to upgrade the resources with the next step being a pre-feasibility study. The first phase of drilling included 6 holes totaling 13,000 feet. This project was acquired in June 2006, and was worked on extensively by Gulf Minerals in the early eighties as they drilled 165,000 feet.

The current Technical Report on Victorio's Resources by Dr. H. Peter Knudsen and Peter H. Hahn dated November 15, 2012, was derived from 217,000 feet of drilling using an \$8.00 Tungsten and \$15.00 per pound molybdenum long term price.

Category	\$Cutoff value/ton	Total Tons (million)	Average grade Mo%	Average grade WO <sub>3</sub> %
Measured	\$25	37.7	0.10	0.08
Indicated	\$25	39.5	0.08	0.09
Inferred	\$25	77.2	0.07	0.09
Measured	\$35	20.3	0.12	0.11
Indicated	\$35	19.1	0.10	0.12
Inferred	\$35	34.7	0.10	0.11

*Cutoff is based on US dollar rock value calculated from contained Mo% valued at \$15.00/lb combined with WO<sub>3</sub> valued at \$8.00/lb.*

- (1) *Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.*
- (2) *The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured mineral resource category.*
- (3) *The mineral resources in this press release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.*

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- (4) *Inverse Distance to the third power was used for this resource, and was corroborated by a separate run using Ordinary Kriging*
- (5) *bulk density is based on rock type and varies from 0.7989 to 0.092758 tons/cubic foot*
- (6) *Resource Categories - areas where the drilling is on 200 grid, the geology is well known and the mineralization has good continuity, the resources are classified as measured. On a block by block basis the 95% error bound must be less than .75. For areas where the drilling is wider spaced but the geology is still well known and the mineralization has good continuity the resources are classified as indicated. The error bound for the indicated blocks is greater than .75 to 1.0. This corresponds to approximately a 400' grid. Inferred resources are in areas where the geological continuity is good and the mineralization appears to be continuous, but drilling is wider spaced than 400'. This corresponds to error bounds greater than 1 and less than 1.5.*

As part of the Arrangement, Galway's 100% interest in the Victorio Project was transferred to Galway Metals and Galway Metals has assumed two Galway agreements with regard to the Victorio Mountain Molybdenum - Tungsten Project in New Mexico. In April 2014, the Company renegotiated the timing of its required cash and share payments to Donegan Resources Inc. for its Victorio property. Under the revised terms, the Company is obligated to make payments as follows:

- payment of \$100,000 (paid) on June 1, 2013 and 50,000 Galway Metals common shares (issued, and ascribed a fair value of \$1,948);
- payment of \$75,000 (paid) on June 1, 2014 and 50,000 Galway Metals common shares (issued on May 21, 2014, and ascribed a fair value of \$7,330);
- payment of \$75,000 (paid) on June 1, 2015;
- payment of \$75,000 on June 1, 2016;
- payment of \$75,000 on June 1, 2017; and
- payment of \$900,000 on June 1, 2018.

The property is subject to a net smelter royalty of 2%. In addition, Donegan Resources Inc. is entitled to receive a 1% net smelter royalty ("NSR") on any additional properties acquired within the vicinity of the Victorio Project. This NSR will be reduced to 0.5% royalty on any properties that are subject to an existing royalty in excess of 0.5%.

On June 1, 2006, Galway entered into an option agreement with Hallelujah Resources LLC, South Branch Resources LLC and MRP Geo Company LLC, collectively the "sellers" to acquire an undivided 100% right, title and interest in and to 51 additional mining claims of the Victorio Project. For purposes of the agreement, nine of the acquired claims were deemed to be primary claims, and forty two were deemed to be secondary claims.

Pursuant to the agreement, the Company is committed to make the following payments:

- issuing 200,000 shares upon the commencement of commercial production.

On completion of these payments, Galway Metals will own an undivided 100% right, interest and title in these Victorio Project claims, subject to a NSR of 1% on all primary mining claims excluding the primary mining claim VIC 41 (the "Primary Royalty"). The Company is entitled to purchase 100% of the Primary Royalty for \$500,000, payable as to 50% on completion of a bankable feasibility study and 50% no later than the end of the first full year of commercial production from the primary mining claims.

In addition, there is an NSR of 3% on all secondary mining claims including primary mining claim VIC 41 (the "Secondary Royalty"). Galway Metals is entitled to buy the Secondary Royalty down to 2% for \$1,500,000, payable as to 50% on completion of a bankable feasibility study and 50% no later than the end of the first full year of commercial production from the secondary mining claims.



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Management has assessed the carrying value of the Victorio Project and determined there were indicators of impairment. Accordingly, effective as of the fourth quarter of 2013, an impairment charge of \$1,629,599 was recorded. The Company has estimated the recoverable amount based on a number of factors, including with reference to the Company's market capitalization and management's models and plans with respect to the Victorio Project. The aggregate impairment charge was recorded as impairment of non-current assets on the consolidated statement of comprehensive loss on the Company's audited consolidated financial statements for the year ended December 31, 2013.

In light of the current volatility of capital markets, the Company is evaluating the timing and extent of its exploration plans with respect to its resource properties, with an emphasis on the conservation of its liquid assets and the identification of opportunities to acquire other promising mineral properties.

**Selected Quarterly Information**

A summary of selected information for each of the quarters presented below is as follows:

For the Period Ended	Revenue (\$)	Net Earnings (Loss)		Total assets (\$)
		Total (\$)	Basic and diluted earnings per share (\$)	
2015 – March 31	Nil	751,090	0.01	11,125,863
2014 – December 31	Nil	297,566	0.00	11,279,569
2014 – September 30	Nil	294,774	0.00	11,426,654
2014 – June 30	Nil	(668,053)	(0.01)	11,638,910
2014 – March 31	Nil	261,927	0.01	11,269,694
2013 – December 31	Nil	(1,872,522)	(0.04)	11,333,730
2013 – September 30	Nil	(512,637)	(0.01)	13,098,967
2013 – June 30	Nil	348,579	0.01	13,296,034
2013 – March 31	Nil	37,944	0.00	13,459,895

### **Three Months Ended March 31, 2015 vs Three Months Ended March 31, 2014**

The Company reported net income of \$751,090 (three months ended March 31, 2014 – \$261,927). The variance over the comparative period is primarily driven by fluctuations in foreign exchange.

#### Administrative Expenses

The three months ended March 31, 2015 saw administrative expenses of \$182,105 (three months ended March 31, 2014 - \$142,143), consisting primarily of:

- salaries and benefits of \$72,781 (three months ended March 31, 2014 – \$65,334), comprised of senior management and administration remuneration.
- general office and consumable expenses of \$22,737, (three months ended March 31, 2014 – \$17,721).
- executive travel expenses of \$23,086 (three months ended March 31, 2014 – \$4,106).
- professional fees of \$42,316 (three months ended March 31, 2014 – \$21,927) consisting of general legal expenses and, in 2015, costs associated with responding to enquires from a shareholder.
- public company costs of \$13,890 (three months ended March 31, 2014 – \$27,724) consisting of filing fees, transfer agent fees, investor relations costs, and shareholder information expenses.

#### (Loss) Gain on Foreign Exchange

Gain on foreign exchange of \$930,291 (three months ended March 31, 2014 – \$414,948) resulting from US dollar cash held in the Company's Canadian entity, which maintains a functional currency of the Canadian dollar. This is substantially offset by a corresponding translation adjustment in other comprehensive loss upon translation and consolidation into the Company's US dollar consolidated financial statements. Movement in the relative US/CAD exchange rates over the comparative three months ended March 31, 2014 is the primary driver for the period over period variance.

#### Write-down of Resource Property Costs

During the three months ended March 31, 2015, the Company incurred and wrote-off \$503 of general costs associated with its Victorio Project (three months ended March 31, 2014 – \$503)

### **Liquidity and Capital Resources**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when 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 as a result of conditions specific to the Company. As at March 31, 2015, the Company had a cash balance of \$10,961,990 (December 31, 2014 - \$11,112,093) to settle current liabilities of \$207,041 (December 31, 2014 - \$182,035). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate revenue, managing liquidity risk is dependent upon the ability to secure additional financing.

On April 16, 2014, the Company closed a non-brokered private placement financing (the "Financing"). The Financing consisted of the sale of 6,600,000 units (each, a "Unit") at a price of \$0.10 per Unit, with each Unit consisting of one common share of the Company (each, a "Share") and one-half of one Share purchase warrant (each whole such warrant, a "Warrant"), each Warrant entitling the holder to acquire one additional Share until April 16, 2017 at a price of \$0.15 per Share. 4,150,000 of the 6,600,000 Units were acquired by the CEO of the Company and 250,000 units were acquired by a director of the Company. The Financing was approved by all of the non-interested directors of the Company and was exempt from the valuation and minority approval requirements in

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Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions on the basis of certain exemptions available thereunder. The Financing was also approved by the TSX Venture Exchange. All securities issued pursuant to the Financing were subject to a statutory hold period of four months.

The 3,300,000 warrants issued in conjunction with the Financing were issued with an exercise price of \$0.15, expiring in three years and vesting immediately upon grant. A fair value of \$298,909 was estimated using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 124.06%, a risk free interest rate of 1.18%, and an expected maturity of 3 years.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Given the state of financial markets, the Company is re-evaluating its exploration programs, with a near term emphasis on conservation of the Company's liquidity and, where possible on terms favourable to the Company, acquisitions of other promising mineral properties. In keeping with this, scheduled property payments have been renegotiated on more favourable terms and now take place over a longer period.

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

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

#### **Proposed Transactions**

As of the date of this document, there are no reportable proposed transactions.

#### **Related Party Transactions**

During the three months ended March 31, 2015, the Company received \$nil (three months ended March 31, 2014 – \$150,000) from Galway Gold Inc., a company sharing common officers and directors, for the purposes of funding certain administrative and operational activities paid by the Company on Galway Gold Inc.'s behalf. As at March 31, 2014, a receivable of \$106,210 remained (December 31, 2014 - \$106,210, representing the difference between expenses incurred on Galway Gold Inc.'s behalf in excess of reimbursements received.

Remuneration of directors and officers included in administrative expenses are as follows:

	<b>Three months Ended March 31, 2015 \$</b>	<b>Three months Ended March 31, 2014 \$</b>
Remuneration paid for CEO services	50,000	50,000
Remuneration paid for CFO services	3,626	4,077
Stock-based compensation – directors and officers	nil	nil

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During the three months ended March 31, 2015, the Company expensed \$11,536 (three months ended March 31, 2014 – \$13,510) to Marrelli Support Services Inc. (“Marrelli Support”) and DSA Corporate Services Inc. (“DSA”), together known as the “Marrelli Group” for:

- Robert D.B. Suttie, vice president of Marrelli Support, to act as Chief Financial Officer (“CFO”) of the Company;
- Bookkeeping and office support services;
- Regulatory filing services; and
- Corporate secretarial services.

The Marrelli Group is also reimbursed for out of pocket expenses.

As of March 31, 2015, the Marrelli Group was owed \$12,120 (December 31, 2014 - \$3,225). These amounts are included in accounts payable and accrued liabilities.

### **Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

(a) **Property Risk**

The Company's significant mineral property is the Victorio Mountain (the "Project"). Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon the Project. If no additional mineral properties are acquired by the Company, any adverse development affecting the Project would have a material adverse effect on the Company's financial condition and results of operations. Management has assessed the carrying value of the Project and it was determined there were indicators of impairment. Accordingly, an impairment charge of \$1,629,599 was recorded effective as of the fourth quarter of 2013, and a further \$89,044 in fiscal 2014. The Company estimated the recoverable amount based on a number of factors, including with reference to the Company's market capitalization and management's models and plans with respect to the project. During the three months ended March 31, 2015, the company incurred and wrote-off \$503 (three months ended March 31, 2014 – \$503) in project costs.

(b) **Financial Risk**

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

**Credit Risk**

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. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash at banks and on hand. The cash has been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote.

#### Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. 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 as a result of conditions specific to the Company. As at March 31, 2015, the Company had a cash balance of \$10,961,990 (December 31, 2014 - \$11,112,093) to settle current liabilities of \$207,041, (December 31, 2014 - \$182,035). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate revenue, managing liquidity risk is dependent upon the ability to secure additional financing.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### Market Risks

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

(i) Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company regularly monitors its cash management policy. As a result, Galway Metals is not subject to significant interest rate risk.

(ii) Foreign Exchange Risk

The Company's functional currency is the United States dollar and it transacts major purchases in United States dollars and Canadian dollars. To fund exploration expenses, it maintains United States dollar and Canadian dollar denominated bank accounts containing sufficient funds to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal, and therefore does not hedge its foreign exchange risk.

#### Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible for the period ended March 31, 2015:

- (i) Cash is subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in exchange rates would impact the reported net income (loss) by approximately \$109,000 for the three months ended March 31, 2015.
- (ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, prepaid expenses and deposits and accounts payable denominated in Canadian dollars. Sensitivity to a plus or minus one percentage point change in exchange rates would impact the reported net income (loss) by approximately \$110,000 for the three months ended March 31, 2015.
- (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 precious and base metals. These metal prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of these metals may be produced from the Company's properties in the future, a profitable market will exist for them.

As of March 31, 2015, the Company was in the exploration and development stage and did not have any production at any of its mineral properties. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

#### Litigation Risk

Litigation risk refers to the risk that the Company may become involved in litigation or administrative proceedings from time to time, the outcomes of which may be uncertain. An unfavorable judgement, ruling or order may adversely affect the Company's business and financial condition.

#### **Current Global Financial Conditions and Trends**

Securities of mining and mineral exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments globally, and market perceptions of the attractiveness of particular industries. The price of the securities of companies is also significantly affected by short-term changes in commodity prices, base and precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business. As of March 31, 2015, the global economy continues to be in a period of significant economic and political volatility, in large part due to US, European and Middle East economic concerns which have impacted global economic growth.

#### **Dependence on Key Employees**

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

#### **Future Accounting Pronouncements**

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, will be effective for annual periods beginning on or after January 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The Company is in the process of assessing the impact of this announcement.

There are no other relevant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

## **Financial Instruments**

### Financial Assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Loans and receivables are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest, when applicable, 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 asset or to the net carrying amount on initial recognition.

### Impairment of Financial Assets

Financial assets are assessed for indicators of impairment 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 reorganization.

### Financial Liabilities

Financial liabilities are classified as 'other financial liabilities'.

### Other Financial Liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest 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 to the net carrying amount on initial recognition.

### De-recognition of Financial Liabilities

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire. The Company's financial instruments consist of the following:

Financial Assets:	Classification:
Cash	Loans and receivables
Prepays and deposits	Loans and receivables

Financial Liabilities:	Classification:
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Accounts payable and other liabilities Due to Galway Gold Inc.	Other financial liabilities Other financial liabilities
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The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts or loans receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts or loan 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 profit or 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 profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### 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 unadjusted quoted prices in active markets for identical assets or liabilities; 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]. As of December 31, 2014 and March 31, 2015 cash was classified as Level 1 on the consolidated statements of financial position.

#### **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:

##### Stock-Based Compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statements of loss based on estimates of forfeiture and expected lives of the underlying stock options. During the three months ended March 31, 2015, the Company did not issue stock options and had therefore not recognized any stock based compensation expense, aside from recognition of vested portions of prior grants.

#### **Critical Accounting Judgments**

##### Income Taxes and Recovery of Deferred Tax Assets

The 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 financial statements. Deferred tax assets require management to assess the likelihood that Galway Metals will generate taxable income in future periods in order to utilize recognized deferred tax assets.



#### Restoration, Rehabilitation and Environmental Obligations

Management's assumption of no material restoration, rehabilitation and environmental exposure, is based on the facts and circumstances that existed in the current and prior years.

#### Impairment of Resource Property Costs

Management reviews the carrying values of exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may not be recoverable. The recoverable amount of cash-generating units for an exploration stage company requires various subjective assumptions. These assumptions may change significantly over time when new information becomes available and may cause original estimates to change.

#### **Subsequent Events**

On May 6, 2015, Galway received written notice from Victor (Vic) Alboini on behalf of Jaguar Financial Corporation ("Jaguar") in which Jaguar, in its capacity as a Shareholder, proposed the nomination of Mr. Vic Alboini and Mr. Donald Rogers (together, the "Dissident Nominees") for election to Galway's board of directors.

As a result, Galway has filed and mailed an amended and revised management information circular, notice and proxy with the addition of the Dissident Nominees to all shareholders entitled to vote at Galway's upcoming annual and special meeting occurring on June 10, 2015.

#### **Capital Management**

The Company manages its capital with the following objectives:

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

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, contributed surplus, accumulated other comprehensive income (loss), and deficit, which at March 31, 2015 totaled \$10,918,822 (December 31, 2014 - \$11,097,534). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of March 31, 2015, the Company is compliant with Policy 2.5.

**Additional Disclosure for Venture Issuers without Significant Revenue**

Administrative expenses for the three months ended March 31, 2015 and 2014 are comprised of the following:

<b>Three Months Ended March,</b>	<b>2015</b>	<b>2014</b>
	<b>(\$)</b>	<b>(\$)</b>
Salaries and benefits	72,781	65,334
Travel expense	23,086	4,106
Office and general	22,737	17,721
Public company costs	13,890	27,724
Insurance	7,295	5,331
Professional fees	42,316	21,927
	<b>182,105</b>	<b>142,143</b>

**Disclosure of Outstanding Share Data**

As at the date of this document, the Company had 57,195,248 issued and outstanding shares, 4,175,000 outstanding stock options, exercisable at \$0.10 until December 23, 2023, and 3,300,000 warrants, exercisable at \$0.15 until April 16, 2017.

**Cautionary Note Regarding Forward-Looking Statements**

Certain statements contained in this MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Selected forward looking statements, assumptions, and risk factors are as follows:

<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
Potential of the Company's properties to contain economic Molybdenum-Tungsten deposits	The actual results of the Company's exploration and development activities will be favourable; operating, exploration and development costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable	Molybdenum-Tungsten price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; actual results of the Company's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes

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	to the Company; the price of minerals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties	in economic and political conditions; the Company's ability to retain and attract skilled staff
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending March 31, 2016. The Company expects to incur further losses in the development of its business	The operating and exploration activities of the Company for the twelve-month period ending March 31, 2016, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to The Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
Plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations	Financing will be available for the Company's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to the Company; the price of Molybdenum-Tungsten and/or other applicable metals will be favourable to the Company; no title disputes exist with respect to the Company's properties	Molybdenum-Tungsten price volatility; changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
Management's outlook regarding future trends	Financing will be available for the Company's exploration and operating activities; the price of Molybdenum-Tungsten will be favourable to the Company	Molybdenum-Tungsten price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political

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		conditions
Sensitivity analysis of financial instruments	<p>Interest rates will not be subject to change in excess of plus or minus 1%</p> <p>The Company's investment portfolio will not be subject to change in excess of plus or minus 100%</p> <p>There could be material changes to the Company's results for the three months ended March 31, 2015, as a result of changes in foreign exchange rates</p>	Changes in debt and equity markets; interest rate and exchange rate fluctuations
The Company is evaluating opportunities to acquire other promising mineral properties	Management will be able to source potential acquisitions; acquisitions could be completed on terms favorable to the Company	Unavailability of suitable or promising mineral properties; changes in debt and equity markets

The Company undertakes no obligation to update or revise the forward-looking statements contained herein except as may be required by applicable securities laws.