

**Galway Metals Inc.**

**Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2016 and 2015**

**(Expressed in United States Dollars)  
(Unaudited)**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited condensed interim consolidated financial statements of Galway Metals Inc. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

**Galway Metals Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in United States Dollars)**  
**(Unaudited)**

As at	March 31, 2016	December 31, 2015
<b>Assets</b>		
Current assets		
Cash	\$ 9,809,486	\$ 10,037,068
Prepays and deposits	24,203	18,721
	9,833,689	10,055,789
Non-current asset		
Restricted cash	125,270	125,270
	\$ 9,958,959	\$ 10,181,059
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 129,070	\$ 124,616
Deferred tax liability	164,040	164,040
	293,110	288,656
<b>Shareholders' Equity</b>		
Common shares (Note 6)	14,126,982	14,126,982
Contributed surplus	577,905	577,905
Accumulated other comprehensive loss	(2,931,776)	(3,505,595)
Deficit	(2,107,262)	(1,306,889)
	9,665,849	9,892,403
	\$ 9,958,959	\$ 10,181,059

**Contingency (Note 7)**

Approved by the Board     "Robert Hinchcliffe"     Director  
    "Robb Doub"     Director

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

**Galway Metals Inc.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in United States Dollars)**  
**(Unaudited)**

<b>For the Three Months Ended March 31,</b>	<b>2016</b>	<b>2015</b>
<b>Expenses</b>		
Administrative expenses (Note 6)	\$ 202,725	\$ 182,105
Stock-based compensation (Note 4)	-	1,608
Loss (Gain) on foreign exchange	601,838	(930,291)
Exploration expenses	503	503
	<b>805,066</b>	<b>(746,075)</b>
<b>Other Income</b>		
Interest income	(4,693)	(5,015)
<b>Net income before taxes</b>	<b>(800,373)</b>	<b>751,090</b>
<b>Net income</b>	<b>\$ (800,373)</b>	<b>\$ 751,090</b>
<b>Other Comprehensive Loss</b>		
Items that will be reclassified subsequently into income:		
Cumulative translation adjustment	\$ (1,820,979)	\$ (931,410)
<b>Net Comprehensive Loss</b>	<b>\$ (2,621,352)</b>	<b>\$ (180,320)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares outstanding</b>	<b>57,195,248</b>	<b>57,195,248</b>

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

**Galway Metals Inc.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in United States Dollars)**  
**(Unaudited)**

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, December 31, 2014	\$ 14,126,982	\$ 575,235	\$ (1,684,616)	\$ (1,920,067)	\$ 11,097,534
Cumulative translation adjustment	-	-	(931,410)	-	(931,410)
Private placement	-	-	-	-	-
Issuance of warrants	-	-	-	-	-
Shares issued for property	-	-	-	-	-
Stock-based compensation	-	1,608	-	-	1,608
Net income for the period	-	-	-	751,090	751,090
<b>Balance, March 31, 2015</b>	<b>\$ 14,126,982</b>	<b>\$ 576,843</b>	<b>\$ (2,616,026)</b>	<b>\$ (1,168,977)</b>	<b>\$ 10,918,822</b>
Balance, December 31, 2015	\$ 14,126,982	\$ 577,905	\$ (3,505,595)	\$ (1,306,889)	\$ 9,892,403
Cumulative translation adjustment	-	-	573,819	-	573,819
Net income for the period	-	-	-	(800,373)	(800,373)
<b>Balance, March 31, 2016</b>	<b>\$ 14,126,982</b>	<b>\$ 577,905</b>	<b>\$ (2,931,776)</b>	<b>\$ (2,107,262)</b>	<b>\$ 9,665,849</b>

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

**Galway Metals Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in United States Dollars)**  
**(Unaudited)**

<b>For the Three Months Ended March 31,</b>	<b>2016</b>	<b>2015</b>
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net income (loss) for the period	\$ (800,373)	\$ 751,090
Share-based compensation (Note 4)	-	1,608
Deferred income tax	-	-
Changes in current assets and liabilities:		
Prepays and deposits	(5,482)	3,603
Accounts payable and accrued liabilities	4,454	25,006
	<b>(801,401)</b>	<b>781,307</b>
<b>Investing activities</b>		
Effect of foreign exchange rate changes on cash balances	573,819	(931,410)
<b>Net change in cash</b>	<b>(227,582)</b>	<b>(150,103)</b>
Cash, beginning of period	10,037,068	11,112,093
<b>Cash, end of period</b>	<b>\$ 9,809,486</b>	<b>\$ 10,961,990</b>

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

**Galway Metals Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**For the Three Months Ended March 31, 2016 and 2015**  
**(Unaudited)**

---

**1. Nature of Operations**

Galway Metals Inc. ("the Company") was incorporated pursuant to the Business Corporations Act (New Brunswick) on May 9, 2012, and continued to the Province of Ontario on July 21, 2015. The Company's head office is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5.

The Company is in the process of exploring the Victorio Project, a molybdenum-tungsten exploration project located in New Mexico ("the Victorio Project") and has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The continuing operations of the Company and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability to obtain the necessary financing to complete the exploration and development of the mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interests.

On May 3, 2016, the Company announced that it had terminated the contract for the Victorio project. Due to unfavorable market conditions and depressed molybdenum and tungsten prices, Galway Metals will not make the \$75,000 payments due June 1st, 2016 and 2017 on the Victorio project or the final payment of \$900,000 in 2018.

The Company's common shares commenced trading on the TSX Venture Exchange under the symbol "GWM" on January 4, 2013.

**2. Accounting Policies**

**Statement of Compliance**

These unaudited condensed interim 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 required by IFRS as issued by IASB and interpretations issued by IFRIC. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 27, 2016.

**Basis of Presentation**

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

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

**Basis of Consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, Galway Resources US Inc, and Nyak Resources Inc. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

**Galway Metals Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**For the Three Months Ended March 31, 2016 and 2015**  
**(Unaudited)**

**3. Share Capital**

Authorized: Unlimited number of common shares  
 Unlimited number of preferred shares issuable in series, the terms of which may be fixed by the Board of Directors before the issuance thereof

Common shares issued:

	Number of Shares	Amount
Balance, December 31, 2014 and March 31, 2015	57,195,248	\$ 14,126,982
<b>Balance, December 31, 2015 and March 31, 2016</b>	<b>57,195,248</b>	<b>\$ 14,126,982</b>

**4. Stock Options**

The following table reflects the continuity of stock options for the nine months ended March 31, 2016:

	Number of Stock Options	Weighted Average Exercise Price (CDN)
Balance, December 31, 2014 and March 31, 2015	4,175,000	\$0.10
<b>Balance, December 31, 2015 and March 31, 2016</b>	<b>4,175,000</b>	<b>\$0.10</b>

The following table reflects the stock options outstanding as at March 31, 2016:

Expiry Date	Exercise Price(CDN)	Weighted Average Life Remaining	Options Outstanding	Black-Scholes Value
December 4, 2023	\$ 0.10	7.67 years	4,175,000	\$ 421,485

Of the 4,175,000 options outstanding as at March 31, 2016, all were exercisable.



**Galway Metals Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**For the Three Months Ended March 31, 2016 and 2015**  
**(Unaudited)**

**5. Warrants**

The following table reflects the continuity of warrants for the nine months ended March 31, 2016 and 2015

	Number of Warrants	Weighted Average Exercise Price (CDN)
Balance, December 31, 2014 and March 31, 2015	3,300,000	\$ 0.15
<b>Balance, December 31, 2015 and March 31, 2016</b>	<b>3,300,000</b>	<b>\$ 0.15</b>

The following table reflects the warrants outstanding as at March 31, 2016 :

Expiry Date	Exercise Price(CDN)	Weighted Average Life Remaining	Warrants Outstanding	Black-Scholes Value
April 16, 2017	\$ 0.15	1.04 years	3,300,000	\$ 158,197

**6. Administrative Expenses**

For the Three Months Ended March 31,	2016	2015
Salaries and benefits	\$ 65,819	\$ 72,781
Office and general	25,838	22,737
Public company costs	14,961	13,890
Insurance	8,158	7,295
Professional fees	91,801	42,316
Travel (recovery) expense	(3,852)	23,086
<b>Total</b>	<b>\$ 202,725</b>	<b>\$ 182,105</b>

**7. Contingency**

On July 27, 2015 the Company announced that it has been named as a defendant in a legal proceeding commenced by Vic Alboini in the Ontario Superior Court of Justice, Court File No.: CV-15-532630 (the "Alboini Claim"). The Alboini Claim seeks general damages for defamation in the amount of \$2,000,000, punitive, aggravated and exemplary damages in the amount of \$400,000, as well as certain other relief, regarding alleged libel in an amended management information circular dated May 12, 2015 and a press release issued on May 14, 2015. The statements in question were subsequently clarified in a press release issued on June 26, 2015 and a notice to shareholders mailed to shareholders on or about June 26, 2015, after receiving a libel notice from Mr. Alboini. Galway intends to vigorously defend this action. The Company believes the claim is without merit.

**Galway Metals Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**For the Three Months Ended March 31, 2016 and 2015**  
**(Unaudited)**

---

**8. Related Party Transactions**

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

<b>For the Three Months Ended March 31,</b>	<b>2016</b>	<b>2015</b>
Remuneration paid for CEO and CFO services	\$ 54,615	\$ 53,626
Management fees paid to two directors	\$ 42,832	\$ -

During the three months ended March 31, 2016, the Company expensed \$10,564 (three months ended March 31, 2015 -\$11,536) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. ("DSA"), together known as the "Marrelli Group" for:

- (i) Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
- (ii) Bookkeeping and office support services;
- (iii) Regulatory filing services
- (iv) Corporate secretarial services

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

As of March 31, 2016, the Marrelli Group was owed \$14,385 (December 31, 2015 - \$13,887). These amounts are included in accounts payable and accrued liabilities.

During the three months ended March 31, 2016, the Company incurred \$42,832 (three months ended March 31, 2015 - \$nil) pertaining to services provided by two directors. As at March 31, 2016, \$2,349 (December 31, 2015 - \$nil) was included in accounts payable and accrued liabilities pertaining to these fees.

**9. Segment Reporting**

The Company's only operating segment is the acquisition, exploration and development of mineral resource properties in the United States. The Company's non-current assets are all located in the United States.

**10. Subsequent Event**

On May 3, 2016, the Company announced that it had terminated the contract for the Victorio project. Due to unfavorable market conditions and depressed molybdenum and tungsten prices, Galway Metals will not make the \$75,000 payments due June 1st, 2016 and 2017 on the Victorio project or the final payment of \$900,000 in 2018.