

**GALWAY METALS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 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 June 30, 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 and six months ended June 30, 2015, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. Information contained herein is presented as at August 31, 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\$10.4 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".

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

---

The plan of Galway's Board is to preserve its cash balances and sensibly seek opportunities in the mining sector where acquisition values are currently depressed. Galway believes the Company's capital is best spent only on projects in which management is convinced that the geology is highly likely to host an economically viable reserve, and where social attitudes and political policies are likely to support mine development. The Company's Board does not believe there is any point in spending shareholder capital without having a reasonable expectation that the capital spent will ultimately yield a deposit worthy of development with strong stakeholder support.

Toward that end, while Galway's team has reviewed hundreds of projects since the company began trading, it has conducted detailed analyses of more than 80 opportunities. Moreover, numerous Confidentiality Agreements have been undertaken, Letters of Intent have been signed, and presently several prospects are under serious consideration. Nonetheless, Galway would rather acquire a project that meets its criteria than lower its standards for appeasement purposes. Announcements will be made on the status of the Company's endeavors as they are advanced. Until, and even after, an acquisition, earn in, or other such value creating transaction occurs, the Company plans to continue to be prudent with its treasury.

The completion of a transaction that has the hallmarks of being able to deliver significant shareholder value takes time, patience and hard work. This is something Galway believes is possible with substantially the same management team and Board of Directors that guided Galway Resources into a \$340 million acquisition after having spent only about \$20 million on exploration and an even smaller amount on property acquisitions. Of note is that every investor that bought and held shares in Galway Resources until it was sold made money because the sale price represented an all-time high. The management and Board of Directors of Galway Metals is keenly intent on doing something similar to the Galway Resources deal once again.

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 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 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 annual and special meeting which was scheduled to be held on June 10, 2015.

On June 8, 2015, the Company advised that under the laws of New Brunswick, which was Galway's jurisdiction of incorporation, shareholders had "cumulative voting rights". Pursuant to these rights, each shareholder entitled to vote at an election of directors, had the right to cast a number of votes equal to the number of votes attached to the shares held by him multiplied by the number of directors to be elected, and could cast all such votes in favor of one candidate or distribute them among the candidates in any manner. This right was not disclosed in the amended management information circular or accompanying amended proxy, previously sent to shareholders.

In light of the fact that the number of directors nominated for election at the annual and special meeting of shareholders that was to have taken place on June 10, 2015 exceeded the number of board positions available, the management and Board of Directors of Galway believed that it was in the best interest of the shareholders to cancel the meeting of shareholders and provide updated materials to the shareholders in order to ensure that all shareholders

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

---

had an opportunity to express their wishes in respect of the election of directors in a fully informed manner.

On June 17, 2015, Galway announced that the Board approved certain amendments to its Second Amended and Restated By-Law Number 1 ("Amended By-Law") to enhance the qualification criteria of directors by including enumerated provisions that, if not satisfied, would disqualify individuals from acting as directors of the Corporation. Such provisions include, but are not limited to, a history of self-regulatory organization offences and criminal court actions. Galway believes a failure to meet such standards is tantamount to engaging in conduct unbecoming or detrimental to the public interest and it would therefore be damaging to the interests of the Corporation and the interests of shareholders of the Corporation to appoint or elect such individuals to the Board.

On June 26, 2015, Galway announced that it had been advised by counsel for Jaguar Financial Corporation that Jaguar Financial Corporation was withdrawing the two nominees that it had requested in May, 2015, be included for consideration by shareholders to be elected to the Board of Directors of Galway.

One of Jaguar's nominees, Vic Alboini, formally notified Galway of errors in statements made about him in its Amended and Revised Management Information Circular ("MIC") dated May 12, 2015 and Press Release of May 14, 2015, which statements Mr. Alboini claims are defamatory of him. In particular, Galway incorrectly stated that Mr. Alboini had been subject to investigation by the Ontario Securities Commission ("OSC"), when in fact he had only been subject to investigation by the Investment Industry Regulatory Organization of Canada ("IIROC"), a self-regulatory organization recognized by the OSC and subject to its supervision and oversight. The MIC and Press Release erroneously referred to a finding made by IIROC with respect to a failure to correct repeat compliance deficiencies without noting that this finding and the sanctions of IIROC were overturned by the OSC on appeal by Mr. Alboini.

The OSC held a new sanction hearing based on the findings made by IIROC without undertaking its own investigation. Based on the IIROC findings, the OSC imposed certain administrative penalties on Mr. Alboini.

Mr. Alboini also complained that part of the MIC and the Press Release did not state that Mr. Alboini and Northern Securities Inc. had appealed the OSC decisions to the Ontario Divisional Court. In a decision released on June 5, 2015, the appeal to the Divisional Court from the decisions of the OSC was dismissed. Galway is advised that Mr. Alboini and Northern Securities Inc. are seeking leave to appeal the decision of the Divisional Court to the Ontario Court of Appeal.

Galway apologized to Mr. Alboini for its errors and for any damage to his reputation that may have resulted from the misimpression that there were two investigations and sanctions resulting from multiple proceedings. Galway Metals issued a Notice to Shareholders with an apology to Mr. Alboini and a correction to the description of the proceedings before IIROC, the OSC and the Divisional Court.

At the Galway Metals AGM held on July 21, 2015, the Company's shareholders voted in favor of a special resolution approving the continuance of Galway from the Business Corporations Act (New Brunswick) to the Business Corporations Act (Ontario), as more particularly described at pages 22 to 27 of Galway's management information circular dated June 19, 2015 (the "Circular"). The AGM was then adjourned with respect to all remaining business until July 22, 2015 at 4:00 p.m. (Toronto time) (the "Adjourned Meeting") in order to allow for completion of the regulatory process to effect the continuance.

On July 22, 2015, at the Adjourned Meeting, the AGM was reconvened. The remainder of the resolutions scheduled to be considered at the AGM were considered and approved by a majority of shareholders:

- directors Robert Hinchcliffe, Larry Strauss, Mike Sutton, Robb Doub, Joseph Cartafalsa and Alfonso Gomez were re-elected to Galway's board of directors;
- Pricewaterhouse Coopers LLP, Chartered Accountants, Galway's auditors, were reappointed for the coming fiscal year;

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

---

- Galway's incentive stock option plan, adopted on December 17, 2012, was confirmed and ratified;
- Galway's shareholder rights plan was continued without variation; and
- an amendment to the Second Amended and Restated By-Law Number 1 of Galway was confirmed and ratified without variation.

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. It is the position of Galway that there has been no libel and no damages.

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. 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.

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

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.*
- (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.*

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

---

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 Resources Ltd 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.

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 – June 30	Nil	(1,279,010)	(0.02)	10,707,508
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

**Six Months Ended June 30, 2015 vs Six Months Ended June 30, 2014**

The Company reported a net loss of \$527,920 (six months ended June 30, 2014 – \$406,126). The variance over the comparative period is primarily driven by fluctuations in foreign exchange.

Administrative Expenses

The six months ended June 30, 2015 saw administrative expenses of \$459,010 (six months ended June 30, 2014 - \$358,670), consisting primarily of:

- salaries and benefits of \$123,384 (six months ended June 30, 2014 – \$122,844), comprised of senior management and administration remuneration.
- general office and consumable expenses of \$48,177, (six months ended June 30, 2014 – \$43,712).
- executive travel expenses of \$34,066 (six months ended June 30, 2014 –\$23,162).
- professional fees of \$112,637 (six months ended June 30, 2014 –\$108,275) consisting of general legal expenses and, in 2015, costs associated with responding to enquires from a shareholder.
- public company costs of \$127,414 (six months ended June 30, 2014 –\$49,887) consisting of filing fees, transfer agent fees, investor relations costs, and shareholder information expenses.



**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

---

(Loss) Gain on Foreign Exchange

Loss on foreign exchange of \$2,678 (six months ended June 30, 2014 – a gain of \$52,344) 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 six months ended June 30, 2014 is the primary driver for the period over period variance.

Write-down of Resource Property Costs

During the six months ended June 30, 2015, the Company incurred and wrote-off \$73,318 of costs associated with its Victorio Project, consisting substantially of a contractual option payment (six months ended June 30, 2014 – \$81,590)

**Three Months Ended June 30, 2015 vs Three Months Ended June 30, 2014**

The Company reported a net loss of \$1,279,010 (three months ended June 30, 2014 – \$668,053). The variance over the comparative period is primarily driven by fluctuations in foreign exchange.

Administrative Expenses

The three months ended June 30, 2015 saw administrative expenses of \$276,905 (three months ended June 30, 2014 - \$216,527), consisting primarily of:

- salaries and benefits of \$50,603 (three months ended June 30, 2014 – \$57,510), comprised of senior management and administration remuneration.
- general office and consumable expenses of \$25,440, (three months ended June 30, 2014 – \$25,991).
- executive travel expenses of \$10,980 (three months ended June 30, 2014 –\$19,056).
- professional fees of \$70,321 (three months ended June 30, 2014 –\$86,348) consisting of general legal expenses and, in 2015, costs associated with responding to enquires from a shareholder.
- public company costs of \$113,524 (three months ended June 30, 2014 –\$22,163) consisting of filing fees, transfer agent fees, investor relations costs, and shareholder information expenses, primarily driven by actions of a dissident shareholder.

(Loss) Gain on Foreign Exchange

Loss on foreign exchange of \$932,969 (three months ended June 30, 2014 –\$362,604) 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 June 30, 2014 is the primary driver for the period over period variance.

Write-down of Resource Property Costs

During the three months ended June 30, 2015, the Company incurred and wrote-off \$72,815 of costs associated with its Victorio Project, consisting substantially of a contractual option payment (three months ended June 30, 2014 – \$81,590).

### **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 June 30, 2015, the Company had a cash balance of \$10,551,571 (December 31, 2014 - \$11,112,093) to settle current liabilities of \$134,109 (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 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.

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

**Related Party Transactions**

During the three and six months ended June 30, 2015, the Company received \$nil (three and six months ended June 30, 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 June 30, 2014, a receivable of \$nil remained (December 31, 2014 - \$106,210, representing the difference between expenses incurred on Galway Gold Inc.'s behalf in excess of reimbursements received. During the quarter ended June 30, 2015, the balance was repaid in full.

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

	<b>Three months Ended June 30, 2015 \$</b>	<b>Three months Ended June 30, 2014 \$</b>	<b>Six months Ended June 30, 2015 \$</b>	<b>Six months Ended June 30, 2014 \$</b>
Remuneration paid for CEO services	50,000	50,000	100,000	100,000
Remuneration paid for CFO services	3,660	4,126	7,286	8,203
Management fees paid to a director	30,797	24,018	63,074	36,027
Stock-based compensation – directors and officers	nil	nil	nil	nil

During the three and six months ended June 30, 2015, the Company expensed \$12,485 and \$24,021 respectively (three and six months ended June 30, 2014 – \$14,356 and \$24,868, respectively) 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 June 30, 2015, the Marrelli Group was owed \$11,270 (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

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

---

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 six months ended June 30, 2015, the company incurred and wrote-off \$73,318 (six months ended June 30, 2014 – \$81,590) comprised substantially of a contractual property option payment.

(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 June 30, 2015, the Company had a cash balance of \$10,551,571 (December 31, 2014 - \$11,112,093) to settle current liabilities of \$134,109, (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 June 30, 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 \$106,000 for the six months ended June 30, 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 \$106,000 for the six months ended June 30, 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 June 30, 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 June 30, 2015, the global economy continues to be in a period of significant economic and political volatility, in large part due to US, European and Asian 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.

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

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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:
Accounts payable and other liabilities	Other financial liabilities
Due to Galway Gold Inc.	Other financial liabilities

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 June 30, 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 June 30, 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**

The Galway Metals AGM was held on July 21, 2015 and the Company's shareholders voted in favour of a special resolution approving the continuance of Galway from the Business Corporations Act (New Brunswick) to the Business Corporations Act (Ontario), as more particularly described at pages 22 to 27 of Galway's management information circular dated June 19, 2015 (the "Circular"). The AGM was then adjourned with respect to all remaining business until July 22, 2015 at 4:00 p.m. (Toronto time) (the "Adjourned Meeting") in order to allow for completion of the regulatory process to effect the continuance.

On July 22, 2015, at the Adjourned Meeting, the AGM was reconvened. The remainder of the resolutions scheduled to be considered at the AGM were considered and approved by a majority of shareholders:

- directors Robert Hinchcliffe, Larry Strauss, Mike Sutton, Robb Doub, Joseph Cartafalsa and Alfonso Gomez were re-elected to Galway's board of directors;



**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

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- Pricewaterhouse Coopers LLP, Chartered Accountants, Galway's auditors, were reappointed for the coming fiscal year;
- Galway's incentive stock option plan, adopted on December 17, 2012, was confirmed and ratified;
- Galway's shareholder rights plan was continued without variation; and
- an amendment to the Second Amended and Restated By-Law Number 1 of Galway was confirmed and ratified without variation.

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. It is the position of Galway that there has been no libel and no damages.

### **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 June 30, 2015 totaled \$10,573,399 (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 six months ended June 30, 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 June 30, 2015, the Company is compliant with Policy 2.5.

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

Administrative expenses for the six months ended June 30, 2015 and 2014 are comprised of the following:

Six Months Ended March,	2015	2014
	(\$)	(\$)
Salaries and benefits	123,384	122,844
Travel expense	34,066	23,162
Office and general	48,177	43,712
Public company costs	127,414	49,887
Insurance	13,332	10,790
Professional fees	112,637	108,275
	<b>459,010</b>	<b>358,670</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:

Forward-looking statements	Assumptions	Risk factors
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

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

	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 June 30, 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 June 30, 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

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2015**  
**Dated: August 31, 2015**

		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 six months ended June 30, 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
Timing and possible outcome of pending litigation commenced by Vic Alboini	The Company will be able to successfully settle or defend this action	The Company may be found liable in the Alboini Claim and damages claimed under such litigation may be material and the outcome of such litigation may impact the Company's business, results of operations or financial condition. The Company may be required to incur significant expenses or devote significant financial resources in defending itself against the Alboini Claim. The adverse publicity surrounding such claim may have an adverse effect on the Company's business

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