

**GALWAY METALS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
DECEMBER 31, 2016**

## **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 year ended December 31, 2016. 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, 2016, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. Information contained herein is presented as at May 1, 2017 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 Metals Inc. 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. Galway Metals' head office is located at 82 Richmond Street East, Toronto, Ontario M5C 1P1. 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 a 100% interest in Galway Resources' Victorio project, being a molybdenum-tungsten exploration project located in New Mexico (the "Victorio Project") and US \$12 million. 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 a 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".

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.

On September 21, 2016, the Company awarded 1.435 million incentive stock options exercisable at C\$0.51 per common share and expiring on September 21, 2026, to officers, directors, employees and consultants of the Company.

On April 24, 2017, the Company announced that it had awarded 415,000 incentive stock options exercisable at C\$0.28 per common share, expiring on April 24, 2027, to officers, directors, employees and consultants of the Company. This grant of options is in compliance with terms of the Company's Stock Option Plan. 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**

#### **Clarence Stream Project**

On [August 3, 2016](#) Galway announced that it had entered into an Option Agreement to acquire a 100% undivided interest in Wolfden Resources Corporation's Clarence Stream property located 70 kilometres (km) south-southwest of Fredericton in south-western New Brunswick, Canada. In conjunction with this acquisition, Galway acquired Jubilee Gold Exploration Ltd.'s Birneys Lake property, which is adjacent on the south side of Wolfden's Clarence Stream property.

On December 20, 2016, Galway announced that it had increased its land position at Clarence Stream by to 60,465 hectares (149,412 acres) from 43,800 hectares previously by staking 1,893 additional claim units and acquiring a further 11 claim units that comprise the Lower Tower Hill Property from Globex Mining because the Company's early exploration efforts have enhanced its views of the potential for the Clarence Stream gold district. Gold districts need major fault systems through which mineralized fluids can be trapped. These conditions exist at Clarence Stream with the Sawyer Brook Fault System and the many intrusives located along its 65 km trend. Gold deposits around the world are commonly found by following up initial till sample anomalies, soil sample anomalies, boulders back to their source gold veins, and/or mineralized bedrock chip samples; Galway has all four.

The property hosts Indicated Resources of 182,000 ounces of gold at 6.9 g/t (241,000 ounces at 9.1 g/t uncut), plus Inferred Resources of 250,000 oz at 6.3 g/t (313,000 ounces at 8.0 g/t uncut). The property also hosts antimony, with Indicated Resources totaling 7.3 mm lb at 2.9% Sb.

Galway has reported results from 25 drill holes at the Clarence Stream project. Highlights include\*:

- **4.6 g/t Au over 30.0 metres** (True Width (TW) 29.1), including 28.0 g/t over 1.0 m, 20.7 g/t over 1.0 m, and 32.1 g/t over 1.0 m; starting at a vertical depth of 33.0 m from drill hole CS16-343,
- **4.6 g/t Au over 24.0 metres** (TW 23.2), including **9.6 g/t Au over 8.0 metres** (TW 7.7) starting at a vertical depth of 12 meters from drill hole CS16-345,
- **10.0 g/t Au over 31.0 metres** (TW 29.9), including **24.2 g/t Au over 12.0 metres** (TW 11.6) starting at a vertical depth of 10 meters from drill hole CS16-346,
- **7.9 g/t Au over 18.0 metres** (TW 17.4), including **30.1 g/t Au over 4.0 metres** (TW 3.9) starting at a vertical depth of 16 meters from drill hole CS16-347,
- **10.1 g/t Au over 13.0 metres** (TW 12.2), including **24.9 g/t Au over 5.0 metres** (TW 4.7) starting at a vertical depth of 115 meters from drill hole CS16-348, and
- **56.2 g/t Au over 0.6 metres** (TW .55) in a quartz vein zone that grades **2.8 g/t Au over 13.95 metres** (TW 12.8) at a vertical depth of 36.0 meters (North Zone) from drill hole AD17-96.

\*All of the drill results released to date can be found on Galway's website at [www.galwaymetalsinc.com](http://www.galwaymetalsinc.com)

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Cash payments for all of the Clarence Stream properties will be CDN\$3.5 million over three years plus 1% Net Smelter Return (NSR) royalties on portions of the project, with Galway retaining rights to acquire most of the NSR's. Galway's cash payments in the first year were CDN\$1.0 million.

**Jubilee:** Galway acquired the Birneys Lake project at Clarence Stream for CDN\$200,000 plus a 1% NSR royalty with a buyback option for half (0.5%) at any time for CDN\$500,000.

**Globex:** Subsequent to the original acquisition on August 3, 2016, Galway Acquired 100% of the Lower Tower Hill Property from Globex Mining Enterprises for 260,000 shares plus a 2.5% Gross Metal Royalty on those claims.

**Wolfden:** Galway has the option to acquire 100% of Wolfden's interest in the Clarence Stream property by making the following payments:

- CDN\$750,000 upon closing (completed)
- CDN\$750,000 upon the first anniversary of closing
- CDN\$1.0 mm upon the second anniversary of closing
- CDN\$750,000 upon the third anniversary of closing
- 1% NSR royalty with a full buyback option at any time for CDN\$2.0 mm.

**Estrades Project**

On [August 18, 2016](#), the Company announced that it acquired an undivided 100% ownership interest in the former producing, high grade Estrades mine, related Newiska concessions, and adjacent Casa Berardi claims in the northern Abitibi of western Quebec, Canada, located approximately 95 km north of the town of La Sarre. The claims are largely contiguous and comprise 20,915 hectares, or 51,682 acres. Galway commissioned Roscoe Postle Associates (RPA) to provide an updated NI 43-101 compliant Estrades resource estimate, which included Indicated Resources of 1,300,000 tonnes grading 8.0% Zn, 3.9 g/t Au, 1.1% Cu, 137.9 g/t Ag, and 0.65% Pb, plus Inferred Resources of 1,219,000 tonnes grading 4.3% Zn, 1.5 g/t Au, 1.5% Cu, 68.6 g/t Ag, and 0.26% Pb.

On February 28<sup>th</sup> Galway released results from the first drill hole at Estrades which included **72.5 g/t Au and 40.1g/t Ag over 1.6 metres** (TW 1.0m), including 1.4% Zn over 0.85m (0.5m TW) starting at a vertical depth of 92 meters.

Historic operators drilled in excess of 90,000 metres to define the Estrades resource, plus over 90,000 metres more along Galway's 31 kilometres of strike length along the Casa Berardi break, which encountered numerous gold-bearing intersects that Galway plans to follow-up in its exploration program that is scheduled to begin in January 2017. In addition to the capital spent to complete the drilling noted above, Breakwater Resources Ltd. spent CDN\$20 million in 1990 developing Estrades into an operating mine, including the installation of a 200-metre deep by 150-metre along strike decline, a ventilation raise and associated infrastructure. Production in 1990-91 totaled 174,946 tonnes grading 12.9% Zn, 6.4 g/t Au, 1.1% Cu and 172.3 g/t Ag. Breakwater closed the mine amid weak metal prices. In order to consolidate the Estrades, Newiska and Casa Berardi claim blocks, Galway completed deals with Mistango River Resources Inc., CR Capital Corporation, First Quantum Minerals Ltd., Globex Mining Enterprises Inc., Greg Exploration and a private company, plus the Company staked additional claims.

The Casa Berardi Break is a major but underexplored gold-bearing fault system immediately adjacent to the north of Estrades. This property is located 24 km along strike from the Casa Berardi mine (owned by Hecla Mining), which has produced approximately 2.0 million ounces (mm oz) of gold grading 6.9 grams per tonne (g/t), and has Proven and Probable Reserves of 1.3 mm oz grading 4.5 g/t Au, Measured and Indicated Resources of another 1.5 mm oz grading 3.8 g/t Au, and Inferred Resources adding a further 0.6 mm oz grading 4.8 g/t Au.

Initial cash payment for all the properties Galway acquired, including the Estrades, Newiska and Casa Berardi claims, was CDN\$1.35 million. In addition, Galway issued 800,000 units with each unit comprised of a share valued at CDN\$0.25 and a three-year warrant exercisable at CDN\$0.52 (deal terms were established when Galway's shares were at CDN\$0.14). The Company has also agreed to issue three royalties on portions of the properties (see below).

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**Mistango River Resources:** Cash payment of CDN\$700,000, plus a 1% NSR royalty on portions of three claims. This royalty has a buyout option at any time for CDN\$1.0 mm.

**CR Capital:** Cash payment of CDN\$150,000 on CR Capital's property in which it held an approximate 64.6% interest.

**First Quantum Minerals:** No cash or share payment. First Quantum exchanged its approximate 35.4% minority interest in CR Capital's property for a 2% NSR royalty. There is no buyout option on this royalty. First Quantum's share of the CR Capital property hosts a portion of the East Zone and the Newiska Block.

**Private Company:** CDN\$300,000 cash and 800,000 units as described above, subject to regulatory approval. The private company held rights to all historic data on the Estrades property.

**Globex Mining Enterprises:** CDN\$200,000 cash and a 1% Gross Metal Royalty (similar to an NSR royalty). There is no buyout option on this royalty.

**Greg Exploration:** Subsequent to the original acquisition on August 18, 2016, Galway acquired 34 claims adjacent to its Estrades, Newiska and Casa Berardi concessions from GREG Exploration, Inc. for CDN\$34,000.

There are pre-existing NSR royalties of 2.0% on Mistango's and Globex's Casa Berardi claims. On Globex's claims, 1.5% of the 2.0% royalty can be purchased at any time for CDN\$1.5 mm.

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 three months ended December 31, 2013.

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. As such, Galway Metals did not make the US\$75,000 payment due June 1, 2016, and will not make subsequent payments of US\$75,000 and US\$900,000 that were scheduled in 2017 and 2018, respectively.

**Selected Annual Information**

	Year Ended Dec. 31, 2016 \$	Year Ended Dec. 31, 2015 \$
Total assets	8,644,417	10,181,059
Total liabilities	(160,191)	(288,656)
Working capital	6,363,419	9,931,173
Expenses(Income)	2,430,320	(758,092)
Net (loss) income	(2,248,623)	613,178
Net (loss) earnings per share, basic and diluted	(0.04)	0.01

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**Year Ended December 31, 2016 vs Year Ended December 31, 2015**

The Company reported a net loss of \$2,248,623 for the year ended December 31, 2016 (year ended December 31, 2015 – earnings of \$613,178). During the year ended December 31, 2016, the Company recognized a loss on foreign exchange of \$330,443, (year ended December 31, 2015 – gain on foreign exchange of \$1,820,979) resulting from the movement of its invested cash base to Canadian dollars.

Administrative Expenses

The year ended December 31, 2016 saw administrative expenses of \$911,606 (year ended December 31, 2015 - \$974,647), consisting primarily of:

- salaries and benefits of \$281,067 (2015 - \$270,349), comprised of senior management personnel and administrative staff.
- general office and consumable expenses of \$148,120 (2015 - \$102,146), with the comparative decline driven primarily by reduced costs of administering the Company's subsidiaries.
- professional fees of \$327,567 (2015 - \$318,216), consisting of general legal expenses, and accounting and financial reporting costs.
- public company costs of \$58,225 (2015 - \$203,555), consisting of filing fees, transfer agent fees, investor relations costs, and shareholder information expenses.
- insurance expense of \$20,144 (2015 - \$21,810), representing the Company's directors and officers insurance.
- Travel of \$76,483 (2015 - \$58,571), consisting primarily of corporate administrative travel.
- Directors fees of \$nil (2015 - \$nil).

Exploration Expenses

The year ended December 31, 2016, saw exploration expenses of \$663,836 vs the year ended December 31, 2015 of \$nil, as the company commenced drilling on its newly acquired Clarence Stream and Estrades projects. During fiscal 2015, there were no exploration initiatives undertaken on its Victorio project.

**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 (\$)	
2016 – December 31	Nil	(57,188)	(0.00)	8,644,417
2016 – September 30	Nil	(1,088,751)	(0.02)	9,442,429
2016 – June 30	Nil	(302,311)	(0.01)	9,709,822
2016 – March 31	Nil	(800,373)	(0.01)	9,809,486
2015 – December 31	Nil	(37,519)	0.00	10,181,059

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2015 – September 30	Nil	1,178,617	0.02	10,467,928
2015 – June 30	Nil	(1,279,010)	(0.02)	10,707,508
2015 – March 31	Nil	751,090	0.01	11,125,863

**Three Months Ended December 31, 2016 vs Three Months Ended December 31, 2015**

The Company reported a net loss of \$57,188 (three months ended December 31, 2015 – \$37,519). The variance over the comparative period is primarily driven by fluctuations in foreign exchange.

Administrative Expenses

The three months ended December 31, 2016 saw administrative expenses of \$267,343 (three months ended December 31, 2015 - \$232,316), consisting primarily of:

- salaries and benefits of \$83,315 (three months ended December 31, 2015 – \$72,995), comprised of senior management and administration remuneration.
- general office and consumable expenses of \$61,052, (three months ended December 31, 2015 – \$24,671).
- executive travel costs of \$56,052 (three months ended December 31, 2015 – \$12,150).
- professional fees of \$72,453 (three months ended December 31, 2015 –\$117,317) consisting of general legal expenses and, in 2015, costs associated with responding to enquires from an activist shareholder.
- public company costs of \$2,005 (three months ended December 31, 2015 –\$4,357) consisting of filing fees, transfer agent fees, investor relations costs, and shareholder information expenses and, in 2015, the costs associated with an activist shareholder.
- insurance expense recovery of \$7,534 (three months ended December 31, 2015 – expense of \$826), representing the Company's directors and officer's insurance and health insurance for certain key employees.

(Loss) Gain on Foreign Exchange

Loss on foreign exchange of \$75,321 (three months ended December 31, 2015 – a gain of \$361,528) 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 December 31, 2015 is the primary driver for the period over period variance.

Stock-based Compensation

During the three months ended December 31, 2016, the Company recorded a charge of \$89,684 pertaining to the grant of 1,435,000 incentive stock options to officers, directors, employees and consultants of the Company. There were no such costs recognized in the comparative period.

### **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 December 31, 2016, the Company had a cash balance of \$6,487,429 (December 31, 2015- \$10,037,068) to settle current liabilities of \$160,191 (December 31, 2015 - \$124,616). 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. All of these warrants were exercised subsequent to December 31, 2016.

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

### **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**

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

	<b>Year Ended December 31, 2016 \$</b>	<b>Year Ended December 31, 2015 \$</b>
Remuneration paid for CEO services	200,000	200,000
Remuneration paid for CFO services	13,942	14,078
Stock-based compensation – directors and officers	198,435	-

During the year ended December 31, 2016, the Company expensed \$50,595, (2015 - \$58,666) 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 December 31, 2016, the Marrelli Group was owed \$12,796 (2015 - \$13,887). These amounts are included in accounts payable and accrued liabilities.

During the year ended December 31, 2016, the Company incurred \$211,427 (2015 - \$nil) pertaining to consulting services provided by two directors. As at December 31, 2016, \$4,572 (2015 - \$nil) was included in accounts payable and accrued liabilities pertaining to these fees).

### **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.

#### **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 December 31, 2016, the Company had a cash balance of \$6,487,429 (December 31, 2015 - \$10,037,068) to settle current liabilities of \$160,191, (December 31, 2015 - \$124,616). 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, controlling expenses and preserving cash.

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 does not require a foreign exchange hedge.

(iii) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible for the year ended December 31, 2016:

- (i) 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 \$75,000 for the year ended December 31, 2016.
- (ii) 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 December 31, 2016, 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 December 31, 2016, 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.

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

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

Financial assets are comprised of cash and restricted cash and are classified as loans and receivables.

Financial assets are classified as 'loans and receivables'. Loans and receivables are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

#### Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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' and are comprised of accounts payable and accrued liabilities.

Other financial liabilities are initially measured at fair value.

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.

### **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.

#### **Critical Accounting Estimates and Judgments**

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

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:

#### 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. For the year ended December 31, 2016, the Company recorded a \$nil (2015 - \$88,774) impairment charge on the Victorio Project.

#### 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 income (loss) and comprehensive loss based on estimates of forfeiture, risk free interest rates, volatility of the Company's stock, and expected lives of the underlying stock options.

#### 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 the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. As at December 31, 2016 and 2015, no deferred tax assets were recognized, as the Company is still in the exploration stage, and management is uncertain when sufficient taxable income will be available to realize the deferred tax assets.

### **Events occurring After the Reporting Period**

Subsequent to December 31, 2016, 3,300,000 warrants with an exercise price of \$0.15 and an expiration date of April 16, 2017, were exercised.

Subsequent to year end, the Company announced that it had awarded 415,000 incentive stock options exercisable at C\$0.28 per common share, expiring on April 24, 2027, to officers, directors, employees and consultants of the Company. This grant of options is in compliance with terms of the Company's Stock Option Plan.

### **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 December 31, 2016 totaled \$8,484,226 (December 31, 2015 - \$9,892,403). 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 year ended December 31, 2016. 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 December 31, 2016, the Company is compliant with Policy 2.5.

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

Administrative expenses for the year ended December 31, 2016 and 2015 are comprised of the following:

	<b>2016</b>	<b>2015</b>
	<b>(\$)</b>	<b>(\$)</b>
Salaries and benefits	281,067	270,349
Travel expense	76,483	58,571
Office and general	148,120	102,146
Public company costs	58,225	203,555
Insurance	20,144	21,810
Professional fees	327,567	318,216

	<b>911,606</b>	<b>974,647</b>
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**Disclosure of Outstanding Share Data**

As at the date of this document, the Company had 61,655,248 issued and outstanding shares, 4,075,000 outstanding stock options, exercisable at \$0.10 until December 23, 2023 and 1,435,000 outstanding stock options, exercisable at \$0.51 until September 21, 2026, 415,000 outstanding stock options, exercisable at \$0.28 until April 24, 2027 and 800,000 warrants, exercisable at \$0.52 until August 24, 2019.

**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 deposits of gold, silver, zinc and/or copper	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 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	Precious and base metals 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 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 December 31, 2017. 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 December 31, 2017, 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	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

**Galway Metals Inc.**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2016**  
**Dated: May 1, 2017**

	Company	
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 precious and/or base metals; no title disputes exist with respect to the Company's properties	Precious and base metals 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 precious and/or base metals will be favourable to the Company	Precious and/or base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions
Sensitivity analysis of financial instruments	Interest rates will not be subject to change in excess of plus or minus 1%  The Company's investment portfolio will not be subject to change in excess of plus or minus 100%  There could be material changes to the Company's results for the three months ended December 31, 2016, as a result of changes in foreign exchange rates	Changes in debt and equity markets; interest rate and exchange rate fluctuations
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
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The Company undertakes no obligation to update or revise the forward-looking statements contained herein except as may be required by applicable securities laws.