

**GALWAY METALS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD FROM DECEMBER 20, 2012 TO DECEMBER 31, 2012**

## **Introduction**

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to a reader to assess material changes in the financial condition and results of operations as at and for the period from December 20, 2012 to December 31, 2012. 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 financial statements of the Galway Metals Inc. ("Galway" or the "Company") for the period ended December 31, 2012. Readers are encouraged to review the Statements in conjunction with this document.

## **Cautionary Note Regarding Forward-Looking Information**

Certain statements contained in the following 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.

## **Description of Business**

Galway Metals Inc. ("Galway Metals" or "the Company") 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. ("Galway"), 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 not already owned by AUX Canada and its affiliates and pursuant to the Arrangement, Galway 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 transferred to Galway Metals and Galway Metals holds indirectly as assets a 100% interest in Galway's Victorio project, being a molybdenum-tungsten exploration project located in New Mexico (the "Victorio Project") and US\$12 million in net working capital. Upon completion of the Arrangement, Galway's existing securityholders own 100% of the Galway Metals shares outstanding, proportionate to their ownership of Galway 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 shareholders and warrant holders at a special meeting held on December 17, 2012.

Galway Metals is in the process of exploring the Victorio Project and has not yet determined whether the mineral properties contain mineral reserves that are economically recoverable. The continuing operations of Galway Metals and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability to obtain the necessary financing to complete the exploration and development of the mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interests.

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

**Discussion of Operations**

The Victorio Tungsten-Molybdenum Project is an advanced-stage exploration property secured through an option agreement that when executed gave Galway Metals Inc. 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.

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

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

Category	Cutoff/ Ton	Tons	Mo %	Tungsten %	Contained Metal (pounds)	
					Molybdenum	Tungsten
Measured	\$25	37,737,913	0.10	0.08	71,702,035	61,890,177
Indicated	\$25	39,499,463	0.08	0.09	64,779,119	72,679,012
<b>M+I</b>	<b>\$25</b>	<b>77,237,376</b>	<b>0.09</b>	<b>0.09</b>	<b>136,481,154</b>	<b>134,569,189</b>
Inferred	\$25	77,222,232	0.07	0.09	114,288,903	143,633,352
Measured	\$35	20,275,366	0.12	0.11	47,444,356	42,983,776
Indicated	\$35	19,125,184	0.10	0.12	39,397,879	45,517,938
<b>M+I</b>	<b>\$35</b>	<b>39,400,550</b>	<b>0.11</b>	<b>0.11</b>	<b>86,842,235</b>	<b>88,501,714</b>
Inferred	\$35	34,728,550	0.10	0.11	66,678,816	78,486,523

**Mineral Property Interests**

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. Galway Metals is committed to continue the payment obligations under these agreements, as renegotiated to reflect the fact that Galway common shares will no longer be issued as payment. The outstanding payment obligations under the original agreements are set out below:

On April 6, 2006, Galway through its wholly owned subsidiary Nyak Resources, Inc., entered into an installment sale agreement with Donegan Resources Inc., to acquire an undivided 100% right, title and interest in and to certain mining claims in the Victorio Mountain Project. The agreement was amended in March 2009 and again in May 2011.

In April 2013, the Company renegotiated the timing of its required cash and share payments for its Victorio property. Under the revised terms, the Company is obligated to make payments as follows:

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- payment of \$100,000 on June 1, 2013 and 50,000 Galway common shares; and
- payment of \$200,000 on June 1, 2014 and 50,000 Galway common shares;
- payment of \$400,000 on June 1, 2015;
- payment of \$600,000 on June 1, 2016;

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

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

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

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

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

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

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.

**Selected Annual Information**

	<b>Period Ended Dec. 31, 2012 \$</b>
Total assets	13,567,228
Total liabilities	(119,475)
Working capital	11,794,832
Expenses	(\$107,645)
Net loss	(\$107,645)
Net loss per share, basic and diluted	(\$0.00)

### **Selected Quarterly Information**

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

Period from December 20, 2012 to December 31, 2012	Revenue (\$)	Loss and Comprehensive Loss		Total assets (\$)
		Total (\$)	Basic and diluted loss per share (\$)	
2012- December 31	Nil	(107,645)	(0.00)	13,567,228

### **Period from December 20, 2012 to December 31, 2012**

The Company reported a net loss and comprehensive loss of \$107,645 for the period from December 20, 2012 to December 31, 2012. The Company did not carry on operations prior to December 20, 2012.

#### Exploration Expenses

During the period from December 20, 2012 to December 31, 2012, the Company incurred \$11,330 in exploration expenses during the period, consisting of geological expenses of \$7,843, assay fees of \$97, and general exploration expense of \$3,390.

#### Administrative Expenses

The period from December 20, 2012 to December 31, 2012 saw administrative expenses of \$96,315, consisting primarily of salaries and benefits of \$16,731, general office and consumable expenses of \$10,508, professional fees of \$35,680, public company costs of \$32,902, and insurance expense of \$494. During the period ended December 31, 2012, the Company experienced elevated administrative and general expenses in conjunction with the close of the Arrangement described on page 1, and initial costs of administering a new reporting issuer.

### **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, 2012, the Company had a cash balance of \$11,883,874 (December 20, 2012 - \$11,903,574) to settle current liabilities of \$119,475 (December 20, 2012 - \$14,551). 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.

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. In keeping with this, scheduled property payments have been renegotiated on more favourable terms and now take place over a longer period (see subsequent events). Accordingly, the Company expects to incur approximately \$475,000 in general administration and exploration expenditures over the next twelve months.

### **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**

There are no proposed transactions as at the date of this document.

### **Related Party Transactions**

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

For the Period December 20, 2012 to December 31, 2012:

Remuneration paid for CEO and CFO services	\$16,075
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During the period from December 20, 2012 to December 31, 2012, the Company accrued or paid \$9,500 for accounting and CFO services to an organization where the Company's CFO is a member of senior management. Included in accounts payable as at December 31, 2012, is \$7,500 owed in relation to these services.

The above transactions, occurring in the normal course of operations, are measured at the amount of consideration established and agreed to by the related parties.

### **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 property (the "Project"). Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon the Project. If no additional mineral properties are acquired by the Company, any adverse development affecting the Project would have a material adverse effect on the Company's financial condition and results of operations.

(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 fulfil 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, 2012, the Company had a cash balance of \$11,883,874 (December 20, 2012 - \$11,903,574) to settle current liabilities of \$119,475 (December 20, 2012 - \$14,551). 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 bank account 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 December 31, 2012:

- (i) Cash is subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the period ended December 31, 2012.
- (ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, prepaids and deposits and accounts payable denominated in Canadian dollars. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the period ended December 31, 2012.
- (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 in the future, a profitable market will exist for them.

As of December 31, 2012, the Company was not a producing entity. 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.

#### **New Accounting Standards and Interpretations**

The following standards have been issued but not yet adopted in these consolidated financial statements. The Company does not expect to early adopt these standards. The Company's assessment of the impact of these new standards and interpretations is set out below.

- i) IAS 1, Presentation of Financial Statements, was amended to require an entity to group items presented in other comprehensive income into those that: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss. The amendment is applicable for annual periods beginning on or after July 1, 2012. This will change the Company's current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.
- ii) IFRS 7 Financial instruments: disclosures were further amended to provide guidelines on the eligibility criteria for offsetting assets and liabilities as a single net amount in the balance sheets. This amendment is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.
- iii) IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. IFRS 9 has



an effective date of January 1, 2015, with early adoption permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.

- iv) IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 defines the principle of control and describes the application of control to identify whether an investor controls an investee. IFRS 10 has an effective date of January 1, 2013, with early adoption permitted. This standard is not expected to have a significant impact on the Company's consolidated financial statements.
- v) IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard introduces additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 has an effective date of January 1, 2013, with early adoption permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- vi) IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard provides guidance on how to measure fair value under IFRS and enhances disclosure requirements for information about fair value measurements. IFRS 13 has an effective date of January 1, 2013, with early adoption permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- vii) IAS 32 Financial instruments: presentation was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014 and is not expected to have a significant impact on the Company.

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

### **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, 2012, the global economy continues to be in a period of significant economic volatility, in large part due to US and European 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.

### **Financial Instruments**

#### Financial Assets

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

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

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest, when applicable, over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or to the net carrying amount on initial recognition.

#### Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

#### Financial Liabilities

Financial liabilities are classified as 'other financial liabilities'.

#### Other Financial Liabilities

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

#### De-recognition of Financial Liabilities

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

Financial Assets:	Classification:
Cash	Loans and receivables
Prepays and deposits	Loans and receivables
Financial Liabilities:	Classification:
Accounts payable and other liabilities	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 20, 2012 and December 31, 2012 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. For the period ended December 31, 2012, the Company had not issued any stock options and had therefore had not recognized any stock based compensation expense.

#### **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. This analysis is performed by CGU which is defined as the Company resource properties. 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**

In April 2013, the Company renegotiated the timing of its required cash and share payments for its Victorio property. Under the revised terms, the Company is obligated to make payments as follows:

- payment of \$100,000 on June 1, 2013 and 50,000 Galway common shares; and
- payment of \$200,000 on June 1, 2014 and 50,000 Galway common shares;
- payment of \$400,000 on June 1, 2015;
- payment of \$600,000 on June 1, 2016;

### **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, accumulated other comprehensive income, and deficit, which at December 31, 2012 totaled \$13,447,753 (December 20, 2012 - \$13,553,484). 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 period ended December 31, 2012. The Company is not subject to externally imposed capital requirements.

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

Administrative expenses for the period ended December 31, 2012 are comprised of the following:

	<b>(\$)</b>
Professional fees	35,680
Public company costs	32,902
Salaries and benefits	16,731
Office and general	10,508
Insurance	494
	<b>96,315</b>

Exploration expenses for the period ended December 31, 2012 are comprised of the following:

	(\$)
Assaying	97
Geological	7,843
General exploration	3,390
	<b>11,330</b>

**Disclosure of Outstanding Share Data**

As at the date of this document, the Company had 149,635,739 issued and outstanding shares.