Dated: August 29, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Galane Gold Ltd. ("Galane" or the "Company") was prepared by management as at August 29, 2017. Throughout this MD&A, unless otherwise specified, "Galane", "the Company", "we", "us" or "our" refer to Galane Gold Ltd. and its subsidiaries and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2017 (the "interim financial report"), as well as with the audited consolidated financial statements and notes thereto for the year ended December 31, 2016 (the "Financial Statements").

The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The interim financial report has been prepared by management in accordance with IFRS applicable to interim financial reporting, including IAS 34, Interim Financial Reporting. All amounts are expressed in U.S. dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

The Company's certifying officers are responsible for ensuring that interim financial report and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's certifying officers certify that the interim financial report together with the other financial information included in the interim financial report fairly present in all material respects the financial condition, financial performance and cash flows of the Company as the date of and for the periods presented in the interim financial report.

The Audit Committee and the Board of Directors provide an oversight role with respect to all public financial disclosures by the Company. The Board of Directors approves the Financial Statements and MD&A after the completion of its review and recommendation for approval by the Audit Committee, which meets periodically to review all financial reports, prior to filing.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, proposed acquisitions, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to: the Company's dependence on two mineral projects; gold price volatility; risks associated with the conduct of the Company's mining activities in Botswana and South Africa; regulatory, consent or permitting delays; risks relating to the Company's exploration, development and mining activities being situated in Botswana and South Africa; risks relating to reliance on the Company's management team and outside contractors; risks regarding mineral resources and reserves; the Company's inability to obtain insurance to cover all risks, on a commercially reasonable basis or at all; currency fluctuations; risks regarding the failure to generate sufficient cash flow from operations; risks relating to project financing and equity issuances; risks arising from the Company's fair value estimates with respect to the carrying amount of mineral interests; mining tax regimes; risks arising from holding derivative instruments; the Company's need to replace reserves depleted by production; risks and unknowns inherent in all mining projects, including the inaccuracy of reserves and resources, metallurgical recoveries and capital and operating costs of such projects; contests over title to properties, particularly title to undeveloped properties; laws and regulations governing the environment, health and safety; operating or technical difficulties in connection with mining or development activities; lack of infrastructure; employee relations, labour unrest or unavailability; health risks in Africa; the Company's interactions with surrounding communities and artisanal miners; the Company's ability to successfully integrate acquired assets; risks related to restarting production: the speculative nature of exploration and development, including the risks of diminishing quantities or grades of reserves; development of the Company's exploration properties into commercially viable mines; stock market volatility; conflicts of interest among certain directors and officers; lack of liquidity for shareholders of the Company; risks related to the market perception of junior gold companies; and litigation risk. See "Risks and Uncertainties" below. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding gold prices, business and operating strategies, and the Company's ability to operate on a profitable basis.

CORPORATE OVERVIEW

The Company's principal business activities are the exploration for, development of, and operation of gold mining properties. The Company operates through its wholly-owned subsidiary, Galane Gold Mines Ltd. ("GGM"), which in turn operates two mines: (a) a producing mine which also has the rights to certain mineral exploration tenements (the producing mine and mineral exploration tenements collectively, the "Mupane Property") located in the Republic of Botswana ("Botswana") through subsidiaries located in Botswana; and (b) a mine requiring refurbishment and which has the rights to certain mineral exploration tenements (the mine and mineral exploration tenements collectively, the "Galaxy Property") located in the Republic of South Africa ("South Africa") through subsidiaries located in South Africa. The common shares in the capital of the Company (the "Common Shares") have been listed for trading on the TSX Venture Exchange under the symbol "GG" since September 6, 2011.

OUTLOOK

Certain information set out in this section is forward looking information and is based on a number of risks and assumptions, including those related to gold price volatility, delays in production, regulatory risk, currency fluctuations, integrating successfully new acquired assets and risks and uncertainties inherent with all mining operations. For more details please see above under "Forward-Looking Statements" and below under "Risks and Uncertainties".

Mupane Property

The Company continues to carry out its improvement and exploration plan in Botswana, with a focus on the optimisation of the mining operations and the expansion of the resource base.

The Company completed a new five year mine plan for the Mupane Property in 2016 which currently forms the guide for the Company's short term goals and long term strategy. The Company intends to utilize the following resources during 2017:

- Tau Underground – It is estimated that the Company will process approximately 350,000 tonnes at an average grade of 2.6 grams per tonne ("g/t"). While developing underground the Company intends to continue exploration to attempt to confirm the extension of the Tau mineralised body at depth as reported in the press release of October 24, 2016 on the discovery of the potential extension.
- Low Grade Stockpiles – the Company will process approximately 310,000 tonnes of low grade stockpile at an average grade of 0.78 g/t, which is located at the run-of-mine pad at the processing plant and at Golden Eagle.
- Tekwane – the Company will continue to selectively mine the high grade areas and will use a screening plant at the mine site to reduce the tonnage and increase the potential grade to be delivered to the plant. The Company is planning to process approximately 30,000 tonnes at an average grade of 1.2 g/t.

The Mupane Property mine plan is subject to change according to the prevailing gold price. The Company will adopt the appropriate plan for the prevailing gold price environment.

The Mupane Property processing plant continues to focus on on-going stabilisation and optimisation of the processing operations. There are no major plant capital projects scheduled at the Mupane Property for 2017 as the Company believes it has implemented all material optimisation projects.

Galaxy Property

The Company announced in January 2017 that, at the current stage, the Galaxy Property does not generate positive cash flows and further capital expenditures are required to complete the full commissioning. Mupane continues to generate positive operating cash flows; however, at the current gold price it is insufficient to fully fund commissioning at the Galaxy Property. With the decline in gold price in November 2016 and the continued uncertainty of the price of gold, management of the Company has decided to be prudent and delay full commissioning at the Galaxy Property until the Company has sufficient funds available.

The Company will continue to review this decision and work has already commenced on an expansion plan to take annual production up to 60,000 ounces of gold. It is currently envisaged that the Company will commence a desktop study first, the results of which will then be used to support a pre-feasibility study to be completed within two years.

DISCUSSION OF OPERATIONS

For the three and six months ended June 30, 2017

The following is an analysis of the Company's operating results for the three months ended June 30, 2017 ("Q2 2017") and six months ended June 30, 2017 ("YTD 2017"). For mining operations, processing and financial information, comparisons with the three and six months ended June 30, 2017 ("Q2 2016" and "YTD 2016", respectively) have been provided.

Operating activity*:*

Commentary regarding the Company's operating activity during Q2 2017 and YTD 2017 follows:

Mining

The following table sets forth certain key mining statistics for the Mupane Property:

		2017		YTD 2017	2016		YTD 2016
		Q2	Q1		Q2	Q1	
Mupane (Tau)	Ore (t)	79,753	61,373	141,126	46,656	49,657	96,313
	Grade (g/t)	2.74	2.83	2.78	3.46	2.96	3.20
	Waste (t)	14,911	9,326	24,237	13,645	7,261	20,906
Tekwane and Shashe	Ore (t)	-	-	-	37,697	4,103	41,800
Pencils	Grade (g/t)	-	-	-	0.48	0.44	0.48
	Waste (t)	-	-	-	33,695	8,916	42,611
Low Grade Stockpiles	Ore (t)	68,481	89,371	157,852	187,275	120,469	307,744
	Grade (g/t)	0.87	0.82	0.84	0.79	0.77	0.79

The Company intended to operate two mining operations at the Mupane Property during 2017:

- Tau – In Q2 2017, the Company continued mining in the main reef of the ore body with 79,753 tonnes at 2.74 g/t being mined (Q2 2016 – 46,656 tonnes at 3.46 g/t). In Q2 2016, the ore mined was a combination of reef development ore and stope ore as the mining effort transitioned from development into continuous operations. In Q2 2017, the Company mined from the main ore body and mined from the stopes resulting in increased tonnage. YTD 2017 141,216 tonnes of ore at 2.78 g/t were mined compared to YTD 2016 96,313 tonnes of ore at 3.20 g/t with higher tonnes and lower grade consistent with the Q2 2017 result.
- Tekwane – In Q2 2017, the Company commenced the transfer and processing of Tekwane ore from run-of-mine ("ROM") stockpiles. As there was sufficient ore on ROM stockpiles no mining was undertaken during the quarter (Q2 2016 – 37,697 tonnes at 0.48 g/t). YTD 2017 there has been no mining at Tekwane due to the unseasonably wet weather experienced and having sufficient ore tonnes available on ROM stockpiles (YTD 2016 - 41,800 tonnes at 0.48 g/t).

In addition, the Company is currently processing ore from its previously mined low grade stockpiles, which are located next to the processing plant. In Q2 2017, it processed 68,481 tonnes at an average grade of 0.87 g/t (Q2 2016 – 187,275 tonnes at 0.79 g/t) and YTD 2017 157,852 tonnes at 0.84 g/t (YTD 2016 - 307,744 tonnes at 0.74 g/t. The decrease in tonnes processed was due to increased availability of high grade tonnes from Tau underground during Q2 2017.

Processing

The following table sets forth certain key processing statistics at the Mupane Property:

	Q2 2017	Q1 2017	**YTD 2017**	Q2 2016	Q1 2016	**YTD 2016**
Ore milled (000 t)	151	159	**310**	250	172	**423**
Head grade (g/t)	1.81	1.36	**1.58**	1.33	1.40	**1.36**
Recovery (%)	76.3%	61.6%	**69.8%**	73.5%	74.9%	**74.1%**
Gold production (oz.)	6,709	4,298	**11,006**	7,855	5,828	**13,682**

Gold production in Q2 2017 was 6,709 ounces compared to 7,855 ounces in Q2 2016. The grade and recovery in Q2 2017 of 1.81 g/t and 76.3% respectively, were an improvement on the grade and recovery in Q2 2016 of 1.33 g/t and 73.5% respectively, with a higher proportion of the ore milled coming from Tau underground which has a higher grade.

Gold production YTD 2017 was 11,006 ounces compared to 13,682 ounces YTD 2016. The grade YTD 2017 of 1.58 g/t was an improvement (YTD 2016 – 1.36 g/t). However, recovery of 69.8% (YTD 2016 74.1%) was adversely impacted by the significantly lower Q1 2017 recoveries.

The following is a summary of the key issues impacting gold production YTD 2017:

- The mine site experienced unseasonably high rainfall during Q1 2017, impacting both the volume of ore available from mining and the ore available for blending the plant feed. This impacted the volume of ore available from Tau underground, the oxide ore available from mining at Tekwane, and the reclamation from low grade stockpiles at Signal Hill.
- Consequently, plant feed was supplemented with material from low grade stockpiles located at the processing plant, however with the ore being constantly wet this had a negative impact on both feed rate and recoveries.
- The plant recoveries for YTD 2017 were 69.8% (YTD 2016 – 74.1%). The current year recoveries are lower primarily due to a lightning strike that caused power issues for both the mill and SCADA systems, combined with intermittent issues with the elution column heating system, which issues have since been resolved.
- The lightning strike also caused minor damage to the mill motor, with the plant feed rate having to be reduced to allow for continued operation. The mill motor was replaced during Q2 2017.

Revenue and earnings from mining operations

The table below outlines the revenue and earnings from mining operations on a total dollar basis, and on a per ounce of gold sold basis:

	Q2 2017	Q1 2017	YTD 2017	Q4 2016	Q3 2016
Revenue (000)	$ 8,212	$ 6,728	$ 14,940	$ 7,576	$ 8,399
Gold sold (oz.)	6,545	5,531	12,076	6,293	6,326
Earnings (Loss) from mining operations (000)	$ 86	$ (2,533)	$ (2,447)	$ (1,721)	$ 8
Operating cash cost excluding royalties ($/oz.)(1)	$ 943	$ 1,448	$ 1,140	$ 918	$ 1,055

	Q2 2016	Q1 2016	YTD 2016	Q4 2015	Q3 2015
Revenue (000)	$ 9,339	$ 7,350	$ 16,689	$ 6,759	$ 8,533
Gold sold (oz.)	7,378	6,191	13,569	6,484	7,483
Earnings (Loss) from mining operations (000)	$ 1,221	$ (814)	$ 407	$ (4,279)	$ (32)
Operating cash cost excluding royalties ($/oz.)(1)	$ 849	$ 1,079	$ 947	$ 823	$ 875

Note:

(1) Earnings from mining operations per ounce and operating cash cost excluding royalties per ounce are non-GAAP measures. See "Supplemental Information to Management's Discussion and Analysis".

During Q2 2017, the Company generated $8.2 million in revenue from the sale of 6,545 ounces of gold plus incidental silver at an average combined price of $1,255 per ounce and profit from mining operations of $0.1 million. This compares to $9.3 million in revenue from the sale of 7,378 ounces of gold plus incidental silver at an average combined price of $1,265 per ounce and a profit from mining operations of $1.2 million in Q2 2016.

The reason for the change in earnings from mining operations from Q2 2017 to Q2 2016 is a result of several factors:

- Gold sales for Q2 2017 were 833 ounces less than in Q2 2016, compounded by a decrease in the average combined price for gold and incidental silver achieved between the two quarters of $10 per ounce. As a result, revenue was $1.1 million lower in Q2 2017 than in Q2 2016.
- Mining costs in Q2 2017 were $2.1 million compared to $2.4 million in Q2 2016. The decrease in cost is due mainly to lower rehandle costs for low grade stockpiles, partially offset by additional tonnes mined from Tau underground.
- Processing costs were $3.5 million for Q2 2017, compared to $3.6 million for Q2 2016. The actual tonnes milled decreased from 250,118 tonnes in Q2 2016 to 150,898 tonnes in Q2 2017, but this did was not reflected in the costs. This was due to increased reagent and maintenance costs during the quarter.
- General and administration costs in Q2 2017 were $1.0 million, consistent with the costs for Q2 2016.
- Depreciation and amortization of $1.5 million were recognized in Q2 2017 compared to $1.0 million in Q2 2016. The increase was due to the additional tonnes mined from Tau underground.

As a result of the above factors the operating cash cost per ounce (excluding royalties) in Q2 2017 was $943 compared to $849 per ounce in Q2 2016. See "Supplemental Information to Management's Discussion and Analysis" for reconciliation of non-GAAP performance measures.

YTD 2017, the Company generated $14.9 million in revenue from the sale of 12,076 ounces of gold plus incidental silver at an average combined price of $1,237 per ounce and a loss from mining operations of $2.4 million. This compares to $16.7 million in revenue from the sale of 13,569 ounces of gold plus incidental silver at an average combined price of $1,229 per ounce and a profit from mining operations of $0.4 million for YTD 2016.

The reason for the change in earnings from mining operations from YTD 2017 to YTD 2016 is a result of several factors:

- Gold sales for YTD 2017 were 1,493 ounces less than YTD 2016, partially offset by an increase in the average price for gold plus incidental silver achieved between the two years of $8 per ounce. As a result, revenue was $1.7 million lower for YTD 2017 than YTD 2016.
- Mining costs for YTD 2017 were $4.8 million compared to $4.7 million for YTD 2016. The increase in cost is due primarily to the additional tonnes mined from Tau underground, partially offset by lower rehandle costs for low grade stockpiles.
- Processing costs were $7.8 million for YTD 2017, compared to $7.7 million for YTD 2016. The actual tonnes milled decreased from 422,512 tonnes YTD 2016 to 310,356 tonnes YTD 2017, but this was not reflected in the costs. This was due to increased reagent and maintenance costs.
- General and administration costs for YTD 2017 were $1.9 million, consistent with the costs for YTD 2016.

Depreciation and amortization of $2.9 million were recognized for YTD 2017 compared to $2.0 million for YTD 2016. The increase was due to the additional tonnes mined from Tau underground.

As a result of the above factors the operating cash cost per ounce (excluding royalties) for YTD 2017 were $1,140 compared to $947 per ounce YTD 2016. See "Supplemental Information to Management's Discussion and Analysis" for reconciliation of non-GAAP performance measures.

Earnings

The Company's profit/(loss) comprised of:

	Q2 2017	YTD 2017	Q2 2016	YTD 2016
Profit/(Loss) from mining operations	$ 85,610	$ (2,447,673)	$ 1,222,101	$ 407,209
Exploration costs	(50,442)	(85,226)	(7,990)	(15,361)
Corporate general and administrative costs excluding share based compensation	(399,299)	(823,720)	(408,508)	(875,241)
Share-based compensation	(69,736)	(131,948)	(63,893)	(111,349)
Foreign exchange loss	(53,041)	(466,894)	(2,715)	(472,379)
Interest on long term debt	(203,233)	(462,747)	(159,710)	(223,174)
Galaxy on-going costs	(312,186)	(619,135)	(423,769)	(877,695)
Other income	4,068	5,545	1,827	3,362
Other financing costs	(331,176)	(560,988)	(58,170)	(115,693)
	$ (1,329,435)	$ (5,592,786)	$ 99,173	$(2,280,321)

Galaxy on-going costs for Q2 2017 represent the net cost incurred to idle the plant while progress on the project has been slowed. For Q2 2016 ongoing costs represented the costs incurred to maintain the Galaxy operations in care and maintenance.

Corporate general and administration costs excluding share-based compensation include the following:

	Q2 2017	YTD 2017	Q2 2016	YTD 2016
Professional Fees	$ 158,879	$ 239,572	$ 261,508	$ 479,345
Management fees to officers	121,041	339,865	34,063	166,365
Investor relations	4,320	9,576	19,258	26,971
Corporate general and administration	115,059	234,707	93,679	202,560
	$ 399,299	$ 823,720	$ 408,508	$ 875,241

SUMMARY OF FINANCIAL POSITION

Selected Consolidated Statement of Financial Position Data:

	June 30, 2017 $	March 31, 2017 $	December 31, 2016 $	September 30, 2016 $
Total current assets	7,408,107	7,473,036	9,119,240	11,272,386
Total current liabilities	22,294,894	20,600,653	17,661,577	14,835,386
Working capital	(14,886,787)	(13,127,617)	(8,542,337)	(3,563,000)
Mining assets	37,849,520	38,830,793	39,508,176	36,869,795
Non-current liabilities	12,373,848	13,882,341	14,944,366	14,340,632
Total shareholders' equity	10,588,885	11,820,835	16,021,973	18,966,163

	June 30, 2016 $	March 31, 2016 $	December 31, 2015 $	September 30, 2015 $
Total current assets	11,763,455	10,755,471	11,476,338	12,595,640
Total current liabilities	11,369,119	11,560,394	14,248,390	9,737,844
Working capital	394,336	(804,923)	(2,772,052)	2,857,796
Mining assets	35,540,116	36,116,425	36,804,499	28,224,050
Non-current liabilities	15,481,289	15,576,737	11,965,643	7,921,121
Total shareholders' equity	20,453,163	19,734,765	22,066,804	23,160,725

In Q2 2017, working capital deficiency increased by $1.8 million from Q1 2017. This was mainly due to the following movements in total current liabilities and cash balance:

- The cash balance remained consistent at $1.2 million.
- An increase in ore stockpiles of $0.1 million with Tau ore present on the stockpile at June 30, 2017.
- An increase in gold in process inventory of $0.1 million reflecting the increased feed grade during Q2 2017.
- Stores inventory remained consistent at $2.4 million.
- Trade payables remained consistent at $12.1 million.
- An increase of $1.7 million in current liabilities with $1.6 million of deferred royalties moving from non-current to current liabilities, a further $0.4 million of royalties deferred during the quarter, an increase of $0.3 million for the secured note, and $0.1 million for the Galaxy shareholder loans, offset by $0.8 million repaid on the Mupane secured loan facility.

In Q2 2017, non-current liabilities decreased by $1.5 million from Q1 2017 with a movement of deferred royalties to current liabilities being offset by foreign exchange movements on rehabilitation obligations. Total shareholders' equity in Q2 2017 decreased by $1.2 million as a result of the net loss for the quarter of $1.3 million.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's selected quarterly information for each of the eight most recently completed quarters:

	Three months ended			
	June 30, 2017 $	March 31, 2017 $	December 31, 2016 $	September 30, 2016 $
Revenue	8,212,225	6,727,699	7,576,243	8,398,808
Mining costs - Cash - Non-cash (depreciation, amortization and impairment)	 (6,587,970) (1,538,645)	 (7,943,469) (1,317,514)	 (7,986,516) (1,310,275)	 (7,575,603) (814,984)
Total mining costs	(8,126,615)	(9,260,983)	(9,296,791)	(8,390,587)
Non-Mining Expenses	(1,415,045)	(1,730,067)	(1,076,594)	(1,593,573)
(Loss) earnings	(1,329,435)	(4,263,351)	(2,797,142)	(1,585,352)
(Loss) earnings per share - Basic - Diluted	 (0.01) (0.01)	 (0.03) (0.03)	 (0.02) (0.02)	 (0.01) (0.01)
Total assets at end of quarter	45,257,627	46,303,829	48,627,916	48,142,181
Total liabilities at end of quarter	34,668,742	34,482,994	32,605,943	29,176,018
Total equity at end of quarter	10,588,885	11,820,835	16,021,973	18,966,163

	Three months ended			
	June 30, 2016 $	March 31, 2016 $	December 31, 2015 $	September 30, 2015 $
Revenue	9,339,617	7,349,711	6,758,292	8,533,141
Mining costs - Cash - Non-cash (depreciation, amortization and impairment)	 (7,079,647) (1,037,869)	 (7,246,768) (917,836)	 (6,375,977) (4,661,579)	 (8,247,589) (317,779)
Total mining costs	(8,117,516)	(8,164,604)	(11,037,556)	(8,565,368)
Non-Mining Expenses	(1,122,928)	(1,564,601)	1,682,260	(607,741)
(Loss) earnings	99,173	(2,379,494)	(2,597,004)	(639,968)
(Loss) earnings per share - Basic - Diluted	 0.00 0.00	 (0.03) (0.03)	 (0.05) (0.05)	 (0.01) (0.01)
Total assets at end of quarter	47,303,571	46,871,896	48,280,837	40,819,690
Total liabilities at end of quarter	26,850,408	27,137,131	26,214,033	17,658,965
Total equity at end of quarter	20,453,163	19,734,765	22,066,804	23,160,725

Note:

(1) Information for all periods is derived from the Company's annual and interim financial statements, which are prepared in accordance with IFRS and IFRS applicable to interim financial reporting, as applicable, and in U.S. dollars.

LIQUIDITY AND CAPITAL RESOURCES

The Company defines capital as consisting of shareholders' equity, being comprised of issued capital stock, contributed surplus and deficit and long term debt. The Company's objectives when managing capital are primarily to support the creation of shareholder value, but also to ensure that the Company is able to meet its financial obligations as they become due. The Company has not declared or paid any dividends on its Common Shares.

In order to fund the business activities intended in its current business plan, management expects that the Company's mining operations will continue to provide positive cash flow from its operations that is more than sufficient to support its corporate expenses, capital expenditure requirements and exploration activities. As described above under "Summary of Financial Position", at June 30, 2017, the Company had a working capital deficiency of $14.9 million and generated $2.1 million in cash flow from operations for the year to date ended June 30, 2017.

The revenue of the Company is dependent upon the price of gold. At the current level of operating costs, the Company will continue to generate positive cash flow on an annual basis from operations even if there was a 10% reduction in the price of gold as at the date of this MD&A.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through monthly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

Going Concern

This interim financial report was prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

For the six months ended June 30, 2017, the Company incurred a net loss of $5.6 million, with operating activities generating a $2.1 million cash inflow. However, as at June 30, 2017, the Company had a working capital deficiency of $14.9 million (December 31, 2016 - $8.5 million). At June 30, 2017, the Company had unrestricted cash of $1.2 million and current assets of $7.4 million.

The Company's liquidity position was adversely impacted by the decline in gold price in late 2016, in conjunction with free cash flow being diverted to capital projects, primarily the restart of its mining properties indirectly held through the Company's wholly-owned subsidiary Galaxy Gold Mining Limited ('Galaxy'), acquired in 2015, which given the current cash constraints has been placed into idle mode. The Company is due to repay the remaining balance of the Samsung financing facility of $1.2 million, and to commence the repayment of deferred royalties of $3.4 million and of a short term note of $1.0 million during the year ended December 31, 2017.

The Company`s ability to continue as a going concern is dependent upon its ability to generate cash flow from operations, renegotiate existing payment terms and, to the extent that this is not sufficient, to obtain additional funding from loans, equity financings or through other arrangements. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. These conditions may cast significant doubt on the validity of the going concern assumption.

The interim financial report does not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

ENVIRONMENTAL DISCUSSION

The mining activities of the Company can give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation work can include land rehabilitation and site restoration. The extent of work required and the associated costs are dependent on the requirements in the local jurisdiction and the interpretations of the requirements by relevant authorities.

Provision for the cost of the Company's restoration and rehabilitation program is recognized at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass obligated and reasonably estimable restoration and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate restoration and rehabilitation activities such as waste material handling conducted as an integral part of a mining or production process are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation that is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are the ones most appropriate for the location of the mine. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements. As at June 30, 2017, the amount reflected in the Company's restoration and rehabilitation provision is $6.0 million (on an undiscounted basis, the total payments are estimated at $8.2 million) which was calculated by an independent contractor.

The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognized as part of finance costs. Potential changes in the laws and regulations could have an adverse risk on the actual restoration costs that the Company could incur in the future.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, interest bearing loans and borrowing, and warrants denominated in foreign currencies. The fair value of the Company's trade and other receivables, and accounts payable and accrued liabilities approximate their carrying value. The Company's other financial instruments, specifically interest bearing loans and borrowings are recorded at amortized cost using the effective interest rate method.

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. The Company currently has no trade receivables for the purchase of the gold it produces, and other receivable balance consists of amounts outstanding on tax credits from governmental authorities, each of which are expected to be paid in the near term at face value. The Company's exposure to credit risk is minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017, the Company had a cash, gold inventory and receivables balance of $7,408,107 (December 31, 2016 - $9,119,240) to settle current liabilities of $22,294,894 (December 31, 2016 - $17,661,577). All of the Company's financial liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. See "Liquidity and Capital Resources" section for further commentary on the Company's liquidity risks.

Interest risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in market risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's operations are in Botswana, South Africa and Canada and its functional currency is U.S. dollars. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currencies, including the Botswana Pula, the South African Rand and Canadian Dollars. The operating results and the financial position of the Company are reported in U.S. dollars. The fluctuations of the operating currencies in relation to the U.S. dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company monitors the volatility of foreign exchange rates and will hedge its currency risk if it determines that the need arises.

Market risk is the risk that the fair values of financial instruments or that the Company's future cash flows will fluctuate because of changes in market commodity rates. The Company's efforts are currently focused on the production of gold. As such, the Company's future cash flows and valuation of its future mineral assets will be exposed to market risk on the price fluctuations of gold as a commodity.

ISSUED AND OUTSTANDING SHARE CAPITAL

The Company's authorized capital consists of an unlimited number of Common Shares, of which 146,804,760 Common Shares are issued and outstanding as of the date of this MD&A.

The Company adopted a stock option plan (the "Option Plan"). Under the terms of the Option Plan, officers, directors, employees and consultants are eligible to receive grants of stock options to purchase Common Shares for a period of up to ten years from the date of grant, provided that the number of Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Common Shares at the date of the grant. As of the date of this MD&A, subject to the terms of the Option Plan, options to purchase 10,790,000 Common Shares are outstanding and options to purchase 3,890,476 Common Shares are available for grant.

The Company adopted a share purchase plan ("SPP") on June 12, 2012. Under the terms of the SPP, each participating officer, director, or employee that has been employed with the Company or its subsidiaries for at least six months is entitled to receive the matching number of Common Shares acquired pursuant to the SPP at no cost to such officer, director or employee. Subject to certain conditions, such deferred matching shares will be issued to the participating officers, directors or employees over a three-year period following the date of the purchase of the qualifying shares. As of the date of this MD&A, the participating officers, directors and employees of the Company are entitled to be issued, subject to the terms of the SPP, no additional deferred matching shares.

The Company adopted a deferred share unit plan (the "DSU Plan") on June 3, 2014. Subject to adjustment in certain circumstances, the maximum aggregate number of Common Shares that may be reserved for issuance pursuant to the DSU Plan is 13,262,888 Common Shares. As of the date of this MD&A, subject to the terms of the DSU Plan, participating officers, directors, employees and consultants of the Company may be issued an aggregate of up to 4,970,046 Common Shares pursuant to outstanding deferred share units awarded under the DSU Plan and 965,782 Common Shares have been issued under the DSU Plan.

The Company is obligated to issue up to 7,375,000 additional Common Shares to the shareholders of Northern Lights Exploration Pty. ("NLE"), on a pro rata basis, if by July 27, 2018 certain exploration milestones are met within the NLE properties in the Tati Greenstone Belt in Botswana (the "NLE Properties").

In connection with the Galaxy Acquisition, the Company issued warrants exercisable to acquire up to 4,596,614 Common Shares.

On May 9, 2016, the Company closed a rights offering (the "Rights Offering") with eligible shareholders of Common Shares of record at close of business on April 8, 2016. A total of 71,314,442 Common Shares were issued pursuant to the Rights Offering at an issuance price of Cdn.$0.01 per share for aggregate gross proceeds of approximately Cdn.$713,000.

DEBENTURES

The Company issued approximately $2.4 million aggregate principal amount of unsecured convertible debentures (the "Galaxy Debentures") to settle outstanding debt or contractual obligations owed by Galaxy and its subsidiary Galaxy Gold Reefs (Pty) Ltd. The Galaxy Debentures mature on November 20, 2019 and bear 4% interest per annum, accrued and paid at maturity. The principal is convertible at the option of the holder into Common Shares at a price of Cdn.$0.58(1) per share, based on a pre-determined exchange rate of $1.00: Cdn.$1.30. The interest is convertible into Common Shares, based on a pre-determined exchange rate of $1.00: Cdn.$1.30, at a price per share equivalent to the greater of Cdn.$1.00 and the Discounted Market Price (as defined by the TSX Venture Exchange) at the time of conversion, subject to acceptance of the TSX Venture Exchange.

In addition, on March 29, 2016, the Company announced that it and its subsidiary, Galaxy, entered into a full and final settlement agreement with Traxys Europe SA, Mine2Market S. à r.l. and certain others (collectively the "Traxys parties") with respect to various outstanding claims arising from the time period when the Traxys parties operated Galaxy's mining operations. In connection with the settlement, the Traxys parties settled their claim for $4.3 million of indebtedness in exchange for the issuance by the Company of approximately $3.2 million aggregate principal amount of unsecured convertible debentures (the "Traxys Debentures"). The Traxys Debentures mature on November 20, 2019 and bear interest at 4% per annum, accrued and paid at maturity. The principal is convertible at the option of the holder into Common Shares at a price of Cdn.$0.58(2) per share, based on a pre-determined exchange rate of $1.00:Cdn.$1.35. The interest is convertible into Common Shares, based on a pre-determined exchange rate of $1.00:Cdn.$1.35, at a price equivalent to the greater of Cdn.$0.58(2) and the Discounted Market Price (as defined by the TSX Venture Exchange) at the time of conversion, subject to acceptance of the TSX Venture Exchange.

(1) The initial conversion price of the Galaxy Debentures was Cdn.$1.00 per share. As a result of the completion of the Rights Offering, the conversion price was adjusted downward to Cdn.$0.58 per share.
(2) The initial conversion price of both the Traxys Debentures was Cdn.$1.00 per share. As a result of the completion of the Rights Offering, the conversion price in each case was adjusted downward to Cdn.$0.58 per share.

TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended June 30, 2017, no related party transactions occurred.

CHANGES IN ACCOUNTING STANDARDS

The following accounting standards are to be adopted in the future:

(a) IFRS 9 – Financial instruments
The IASB has issued IFRS 9, Financial Instruments, which is a four-part project proposing to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning or after January 1, 2018. The Company will evaluate the impact of the change to its financial statements based on the characteristics on its financial instruments at the time of adoption.

(b) IFRS 15 – Revenue from Contracts with Customers
In May 2015, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15). The standard replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets From Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 is effective for periods beginning on or after January 1, 2018, and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The Company is in the process of evaluating the requirements of the new standard.

(c) IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

(d) Amendment to IFRS 2 – Classification and measurement of share based payment transactions
On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018.

The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

COMMITMENTS

As at the date of this MD&A, the Company had the following commitments:

(a) Royalty expenses

Production from the Mupane operation is subject to Government royalties (included in mining costs) of 5% of revenues based on market prices at the date of shipment. For the six month period ended June 30, 2017, the Company expensed $754,163 in royalties (Q2 2016 - $854,857).

(b) Operating contractual obligations

The Company has operating lease obligations which relate to obligations for land operating lease agreements as follows:

- To be incurred in the remainder of 2017 $173,655
- To be incurred 2018-2021 $1,317,448

(c) Claims

The Company is also subject to the possibility of revised tax assessments for some years. The Company does not believe that, should unfavourable decisions arise from any review of its tax filings, that any amount it might be required to pay will be material. No such amounts have been provided for in the interim financial report.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

SUBSEQUENT EVENT

The Company previously announced on May 23, 2017 that it had entered into a letter of intent (the "LOI") for the acquisition of all of the outstanding shares of Vantage Goldfields Limited ("Vantage"), a gold mining company with operations in the Mpumalanga Province of South Africa (the "Acquisition"). Galane and Vantage have been unable to conclude on the execution of a binding acquisition agreement (the "Acquisition Agreement") and therefore the LOI has been terminated. Vantage was unable to meet the conditions set out in the LOI, and therefore was not in a position to sign the Acquisition Agreement. Galane provided five extensions to the original LOI and decided not to extend further.

SUPPLEMENTAL INFORMATION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

CASH COSTS

The Company's MD&A refers to operating cash cost per ounce, and operating cash cost excluding royalties per ounce, all non-GAAP performance measures, in order to provide investors with information about measures used by management to monitor performance. Management of the Company uses this information to assess how well the producing gold mines are performing compared to plan and prior periods, and also to assess the overall effectiveness and efficiency of gold mining operations. Cash cost figures are calculated in accordance with a standard developed by the Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is still an accepted standard of reporting cash costs of gold production in North America. Adoption of the standard is voluntary, and the cost measures presented herein may not be comparable to other similarly titled measures of other companies. Cash cost includes mine site operating costs such as mining, processing, administration, but are exclusive of impairment, amortization, reclamation, and exploration and development costs. Operating cash cost is the total cash cost less those costs capitalized as attributable to the removal of excess waste in developing new resources. These costs are then divided by the Company's ounces of gold produced to arrive at the cash cost measures on a per ounce basis. These measures, along with sales, are considered to be key indicators of a company's ability to generate operating earnings and cash flow from its mining operations. These measures of cash costs do not have any standardized meaning prescribed by IFRS and differ from measures determined in accordance with IFRS. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of net earnings or cash flow from operations as determined under IFRS.

The following table provides a reconciliation of cash cost measures for the mine to the mining costs excluding impairment, depreciation and amortization reflected in the Financial Statements.

	Q2 2017	Q1 2017	YTD 2017	Q4 2016	Q3 2016
Mining costs excluding impairment, depreciation and amortization	$ 6,587,970	$ 7,943,469	$ 14,531,439	$ 7,986,517	$ 7,575,603
Adjust for:					
Inventory movement	149,661	(1,380,523)	(1,230,862)	(1,303,179)	(564,405)
Total operating cash cost	$ 6,737,631	$ 6,562,946	$ 13,300,577	$ 6,683,338	$ 7,011,198
Royalties	(410,272)	(340,231)	(750,503)	(386,052)	(424,710)
Total operating cash cost excluding royalties	$ 6,327,359	$ 6,222,715	$ 12,550,074	$ 6,297,286	$ 6.586.488
Gold production (ounces)	6,709	4,298	11,007	6,858	6,243
Total operating cash cost excluding royalties per oz.	$ 943	$ 1,448	$ 1,140	$ 918	$ 1,055

	Q2 2016	Q1 2016	YTD 2016	Q4 2015	Q3 2015
Mining costs excluding impairment, depreciation and amortization	$ 7,079,647	$ 7,246,768	$ 14,326,415	$ 6,375,977	$ 8,247,589
Adjust for:					
Inventory movement	63,054	(579,179)	(516,125)	(407,322)	(1,131,236)
Total operating cash cost	$ 7,142,701	$ 6,667,589	$ 13,810,290	$ 5,968,655	$ 7,116,353
Royalties	(475,348)	(379,509)	(854,857)	(352,551)	(435,713)
Total operating cash cost excluding royalties	$ 6,667,353	$ 6,288,080	$ 12,955,433	$ 5,616,104	$ 6,680,640
Gold production (ounces)	7,854	5,828	13,682	6,825	7,637
Total operating cash cost excluding royalties per oz.	$ 849	$ 1,079	$ 947	$ 823	$ 875

RISKS AND UNCERTAINTIES

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's annual MD&A for the year ended December 31, 2016, available at www.sedar.com.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2016, can be found on SEDAR at www.sedar.com.