Dated: May 14, 2014.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 May 14, 2014. 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 months ended March 31, 2014 (the "interim financial report"), as well as with the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2013 (collectively the "Financial Statements").

The Financial Statements have been prepared by management and have been prepared 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"). 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 the 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 a single mineral project; gold price volatility; risks associated with the conduct of the Company's mining activities in Botswana; regulatory, consent or permitting delays; risks relating to the Company's exploration, development and mining activities being situated in a single country; 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

FORWARD-LOOKING STATEMENTS (continued…)

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; 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 a producing mine, and 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. 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

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 intends to utilize the following resources during the remainder of 2014:

- Tholo Pit – this ore is of a higher grade than other high volume ore sources available to the Company at this time and thus has the effect of increasing the process plant head grade. Mining activity from the Tholo pit is anticipated to finish in the third quarter of 2014 as we look to change our mining method to access more ore at the bottom of the pit. Due to the high volumes of ore mined, at the end of the pit life, it is expected that some of the ore mined will be stockpiled for feed throughout 2014.
- Tailings – the Company has identified several high grade tailing dumps that are a result of historic mining activity. The deposits are within the Company's current licenses and we intend to utilize the deposits to supplement the feed to the plant to increase the volume processed. It is envisaged that we will continue to supplement feed with tailings material.
- Tau Underground – the infrastructure required to commence underground mining at Tau is complete. The Company has minimized the capital requirement so that the project was internally funded. It is expected that we will start processing ore from Tau during the second quarter of 2014.
- Tawana Pit – as part of the venting required for Tau Underground we have designed an exit through the existing Tawana Pit. The pit cut back and underground development drive to achieve the ventilation design parameters will expose and provide additional oxide ore during 2014.
- High Grade Small Deposits – the Company has identified several high grade small deposits around our existing operations which we have utilized when we have had spare mining capacity and will continue to utilize during 2014 to increase the grade of the plant feed.
- Golden Eagle – we commenced mining again in 2014 after redesigning the pit to take into account a lower gold price.
- Low Grade Stockpiles – we have completed test work on screening the low grade stockpiles by particle size. This work has shown that the majority of the high grade ore is in the material sized at less than 40mm. We intend, currently, to commence screening the material in 2014 and supplement feed to the plant throughout 2014 and 2015 with the material less than 40mm in size.

This mine plan is subject to change according to the prevailing gold price whereby the Company will adopt the appropriate plan for that prevailing gold price environment.

The Company's processing plant continues to focus on on-going stabilisation and optimisation of the processing operations. Particular areas of focus include:

- Civil works have been completed on a new cyanide area which will enable the Company to use either liquid or solid cyanide. An automated dosing system has been introduced which will be integrated with the new cyanide plant with the effect of reducing costs through more efficient dosing.
- A more efficient method of introducing oxygen into the CIL process has been decided and work has commenced on constructing a concentrate pre-oxidation circuit. The objective is to oxidize the refractory ore through oxygen injection into a high shear reactor which will improve the recovery of the sulphide ore and reduce costs.
- Planning work is ongoing on introducing a gravity concentrating circuit into the plant to concentrate free gold before leaching is initiated. This is in response to positive results received on the recovery of free gold from our existing ore resources.

The Company's current exploration program which covered 2012 and 2013 is effectively complete. The program is now moving to focus on identifying new high grade small deposits on the Company's existing mining licenses.

DISCUSSION OF OPERATIONS

For the three months ended March 31, 2014

The following is an analysis of the Company's operating results for the three months ended March 31, 2014 ("Q1 2014"). For mining operations, processing and financial information, comparisons with the three months ended March 31, 2013 ("Q1 2013") have been provided.

Operating activity:

Commentary regarding the Company's operating activity during Q1 2014 follows:

Mining

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

		2014	2013				2013
		Q1	Q4	Q3	Q2	Q1	
Tholo	Ore (t)	102,071	181,567	171,643	137,451	84,435	575,096
	Grade (g/t)	2.19	2.25	2.08	2.11	2.30	2.17
	Waste (t)	816,759	845,429	1,300,705	1,354,077	1,717,427	5,217,638
Golden Eagle	Ore (t)	1,106	-	5,483	85,959	47,267	138,709
	Grade (g/t)	1.58	-	1.50	1.41	1.58	1.47
	Waste (t)	369,729	62,523	6,856	847,311	902,695	1,819,385
High Grade Small Deposits and Tailings	Ore (t)	993	34,323	22,320	-	-	56,643
	Grade (g/t)	4.04	1.40	1.40	-	-	1.40
	Waste (t)	5,187	-	-	-	-	-

The Company has operated three mining operations at the Mupane Property during 2014. They are:

- Tholo - in Q1 2014, the volume of ore mined at Tholo increased to 102,071 tonnes at 2.19 grams per tonne ("g/t") (Q1 2013 – 84,435 tonnes at 2.30 g/t) and the stripping ratio decreased to 8.00 (Q1 2013 – 20.34). The stripping ratio should continue to decrease to the end of the Tholo pit mine plan in Q3 2014.

- Golden Eagle – during Q2 2013 the Company adopted a new mine plan reflective of a significantly reduced gold price and as a result mining at Golden Eagle was stopped consistent with the then previously disclosed business risk mitigation plan. Upon completion of its five year plan the Company recommenced mining in Q4 2013 on a reduced pit size to reflect the current gold price. The initial mining has concentrated on pre-stripping so that ore can be accessed in Q2 2014. In Q1 2013, total production for the quarter was affected by mining contractor availability as the mining was ramped up before the closure of the pit.

- High Grade Small Deposits – during Q1 2014 the Company used spare mining capacity to mine a small resource on its Shashe Mining License to increase the grade of the plant feed. No such mining was carried out in Q1 2013.

DISCUSSION OF OPERATIONS (continued…)

Processing

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

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Ore milled (000 t)	188	225	219	229	213
Head grade (g/t)	1.96	2.08	1.68	1.65	1.36
Recovery (%)	78.8%	78.8%	84.0%	78.0%	79.7%
Gold production (oz.)	9,346	11,853	9,941	9,530	7,430

Gold production in Q1 2014 was 9,346 ounces compared to 7,430 ounces in Q1 2013. The grade in Q1 2014 of 1.96 g/t was higher than the grade in Q1 2013 and the recovery similar in both quarters. In Q1 2014, a higher proportion of the ore milled was from Tholo which has a high grinding index. As a result, the amount of ore that could be milled was reduced.

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:

	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Revenue (000)	$ 12,437	$ 13,761	$ 13,848	$ 14,044
Gold sold (oz.)	9,596	10,789	10,310	10,405
Earnings (Loss) from mining operations (000)	$ 2,578	$ 4,694	$ (1,096)	$ (23,767)
Earnings from mining operations ($/oz.)(1)	$ 269	$ 435	$ -	$ -
Operating cash cost excluding royalties ($/oz.)(1)	$ 764	$ 786	$ 1,180	$ 1,449

	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Revenue (000)	$ 12,167	$ 14,208	$ 19,342	$ 22,451
Gold sold (oz.)	7,466	8,362	11,473	14,024
(Loss) Earnings from mining operations (000)	$ (4,113)	$ (2,033)	$ 6,320	$ 1,773
Earnings from mining operations ($/oz.)(1)	$ -	$ -	$ 551	$ 126
Operating cash cost excluding royalties ($/oz.)(1)	$ 1,643	$ 1,541	$ 980	$ 1,172

Note: (1) Earnings from mining operations per ounce and operating cash cost excluding royalties per ounce are non-GAAP measures.

DISCUSSION OF OPERATIONS (continued…)

In the three months ended March 31, 2014, the Company generated $12.4 million in revenue from the sale of 9,596 ounces of gold plus incidental silver at an average combined price of $1,296 per ounce and earnings from mining operations of $2.6 million. This compares to $12.2 million in revenue from the sale of 7,466 ounces of gold plus incidental silver at an average combined price of $1,630 per ounce and loss from mining operations of $4.1 million in Q1 2013.

The change in earnings from mining operations from Q1 2013 to Q1 2014 is a result of several factors:

- Gold sales for Q1 2014 were 2,130 ounces more than in Q1 2013. This was coupled with a reduction in the average gold price achieved between the two quarters of $334 per ounce. As a result revenue was $0.2 million more in Q1 2014. The increase in ounces sold is due to the increase in the average head grade milled from 1.36 g/t to 1.96 g/t in Q1 2014.
- Mining costs in Q1 2014 were $2.7 million compared to $5.7 million in Q1 2013. The variance is mainly due to the reduction in tonnes mined by over 50 per cent in line with the mine plans in operation during each quarter.
- Processing costs decreased to $4.9 million in Q1 2014 from $5.8 million in Q1 2013. The actual tonnes milled decreased from 213 thousand tonnes in Q1 2013 to 188 thousand tonnes in Q1 2014.
- General and administration costs in Q1 2014 were $1.1 million compared to $1.5 million in Q1 2013
- Depreciation and amortization of $1.1 million were also recognized in Q1 2014 compared to $3.3 million in Q1 2013. The reduction in depreciation and amortization was expected as during Q2 2013 the company impaired the carrying value of its assets to reflect the change in its value of the recoverable amount of its cash-generating unit due to the reduction in the gold price.

As a result of the above factors the operating cash cost per ounce (excluding royalties) in Q1 2014 was $764 compared to $1,643 per ounce in Q1 2013.

DISCUSSION OF OPERATIONS (continued…)

Non-Cash Costs:

Earnings

The earnings comprised of:

	Q1 2014	Q1 2013
Income from mining operations	$ 2,577,500	$(4,112,536)
Exploration costs	(33,013)	(39,839)
Corporate general and administrative costs	(441,091)	(559,913)
Stock-based compensation	(27,336)	(39,959)
Foreign exchange (loss) gain	163,795	281,948
Interest on long term debt	(36,259)	(50,190)
Other (expenses) income	(3,947)	(509,324)
Other financing income (costs)	(78,594)	843,709
	$ 2,121,055	$(4,186,104)

In Q1 2013 all outstanding warrants expired unexercised and the Company recorded financing income of $1.0 million on their expiration.

Included in Q1 2013 "other expenses" is a cost of $0.5 million for staff retrenchment costs in relation to the closure of the Company's in house open pit mining operations which were outsourced.

Corporate general and administration costs totaled $0.4 million for Q1 2014 (Q1 2013 - $0.6 million), and includes the following:

	Q1 2014	Q1 2013
Professional Fees	101,227	120,869
Management fees to officers	239,585	285,047
Investor relations	277	34,871
Corporate general and administration	100,002	119,126
	$ 441,091	$ 559,913

SUMMARY OF FINANCIAL POSITION

Selected Consolidated Statement of Financial Position Data:

	March 31, 2014 $	December 31, 2013 $	September 30, 2013 $	June 30, 2013 $	March 31, 2013 $	December 31, 2012 $
Total current assets	17,211,476	17,414,539	13,164,032	14,484,706	17,776,560	25,640,172
Total current liabilities	7,768,542	10,089,864	7,483,353	6,322,962	6,914,069	8,505,399
Working capital	9,442,934	7,324,675	5,680,679	8,761,742	10,862,491	17,134,774
Mining assets	25,115,168	23,815,440	24,856,263	25,410,700	44,300,330	44,363,820
Deferred Tax assets	-	-	-	-	1,809,000	1,809,000
Non-current liabilities	5,819,343	4,549,746	7,569,232	8,721,329	6,043,739	8,233,365
Total shareholders' equity	28,738,759	26,590,368	22,967,712	24,841,115	50,928,082	55,074,228

In Q1 2014, the Company increased working capital by $2.1 million from Q4 2013. This was mainly due to movements in total current liabilities:

- an increase in borrowings by $1.3 million to reflect the movement of the payment of $1.3 million due to IAMGOLD Corporation ("IAMGOLD") in February 2015 to current liabilities; and
- a decrease in trade accounts payable of $3.6 million caused by:
  - the movement of $2.5 million of deferred royalty payments to non-current liabilities to reflect that repayment of the outstanding amount will commence in June 2015.
  - a reduction in trade creditors of $1.1 million due to payment of trade creditors at the beginning of January rather than the end of December due to logistical issues.

Mining assets increased by $1.3 million with expenditure incurred of $2.0 million on pre-stripping at Golden Eagle and Tawana, $0.1 million on exploration and $0.7 million on work in progress, which includes the new screening plant and the infrastructure for Tau underground. This was offset by depreciation of $1.2 million in the quarter and a reduction in ore stockpiles of $0.3 million.

Non-current liabilities increased by $1.2 million with a $2.5 million increase for deferred royalties being offset by a $1.3 million reduction in long term borrowings.

Total shareholders' equity increased by $2.1 million as a result of the net earnings in the quarter of $2.1 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			
	March 31, 2014 $	December 31, 2013 $	September 30, 2013 $	June 30, 2013 $
Revenue	12,437,196	13,760,859	13,847,644	14,044,253
Mining costs				
- Cash	(8,704,905)	(9,648,688)	(13,669,853)	(15,723,290)
- Non-cash (depreciation, amortization and impairment)	(1,154,791)	581,593	(1,274,212)	(22,088,125)
Total mining costs	(9,859,696)	(9,067,095)	(14,944,065)	(37,811,415)
Non Mining Expenses	(456,445)	(1,328,114)	(779,048)	(507,436)
Earnings (loss)	2,121,055	3,365,621	(1,875,469)	(24,274,598)
Earnings (loss) per share				
- Basic	0.04	0.07	(0.04)	(0.51)
- Fully diluted	0.04	0.07	(0.04)	(0.51)
Total assets at end of quarter	42,326,644	41,229,978	38,020,296	39,895,406
Total liabilities at end of quarter	13,587,885	14,639,611	15,052,585	15,044,291
Total equity at end of quarter	28,738,759	26,590,368	22,967,711	24,841,115

	Three months ended			
	March 31, 2013 $	December 31, 2012 $	September 30, 2012 $	June 30, 2012 $
Revenue	12,166,886	14,207,894	19,342,231	22,450,684
Mining costs				
- Cash	(13,006,181)	(14,094,210)	(11,536,132)	(17,755,928)
- Non-cash (depreciation and amortization)	(3,273,241)	(2,147,918)	(1,485,727)	(2,921,369)
Total mining costs	(16,279,422)	(16,242,128)	(13,021,859)	(20,677,297)
Non Mining (Expenses) Income	(73,568)	(1,929,832)	135,646	(1,413,607)
Earnings (loss)	(4,186,104)	(2,145,066)	7,759,010	359,780
Earnings (loss) per share				
- Basic	(0.08)	(0.04)	0.16	0.08
- Fully diluted	(0.08)	(0.04)	0.15	0.08
Total assets at end of quarter	63,885,890	71,812,992	72,455,700	66,242,588
Total liabilities at end of quarter	12,957,808	16,738,763	17,852,160	19,398,057
Total equity at end of quarter	50,928,082	55,074,228	54,603,540	46,844,531

Note:

(1) Information for all periods is presented in accordance with IFRS and in U.S. dollars.

EXPLORATION

The Company is conducting a comprehensive exploration program over a large number of prospects contained within its mining leases and exploration tenements which cover the bulk of the Tati greenstone belt in Botswana. Exploration has covered the following areas during Q1 2014:

- Jim's Luck - During Q1 2014 work at Jim's Luck focused on exposures of the newly discovered Western Parallel (WP) in the trenches excavated and sampled (but not assayed) in 2013. Detailed geological mapping of the trenches and re-logging of the available drill core shows that the whole of the Jim's Luck mineralised system is a series of three parallel strata-bound gold reefs, two in Banded Ironstone horizons, a third (the WP) in a sheared quartz sericite schist bounded on one side by a marker limestone unit. The combined stratigraphic sequence has a total strike of some 12.5 km. Of the 873 samples collected from the trenches, 653 were submitted for gold and arsenic assays late in Q1 2014 and results are awaited.
- Central Complex - The above work on Jim's Luck revealed the possibility that the WP may extend southwards to the Central Complex where previous detailed soil sampling yielded a coherent anomaly covering some 1.5 km of strike. This has been located in the field and three trenches have been marked out for excavation early in Q2 2014.
- Tekwane - Work on the Tekwane gold in quartz rubble was completed with the return of assay results from the bedrock samples collected from the base of the pits. These show that the gold in bedrock is confined to narrow veinlets of quartz and is not distributed within the felsic rock itself.
- High Grade Small Deposits - Limited mining has been carried out on N24 at Map Nora and more broken ore remains to be collected and delivered to Mupane. A number of historic rock dumps around Map Nora have been identified and sampled and await delivery to Mupane. In addition a proposal is being compiled for the Government of Botswana on the treatment of the shaft water at Map Nora to enable dewatering of the old workings.
- Indexing of the archive material at the exploration office is nearing completion.

LIQUIDITY AND CAPITAL RESOURCES

The Company defines capital as consisting of shareholder's 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 March 31, 2014, the Company had $9.4 million in working capital and generated $3.2 million in cash flow from operations for the period ended March 31, 2014. A continuation of these results is expected to provide sufficient capital to the Company to fund annual operating expenses, capital commitments budgeted and the exploration program contemplated until the end of 2014.

The revenue of the Company is dependent upon the spot price of gold. At the current level of operating costs, the Company would continue to generate positive cash flow on an annual basis from operations even if there was a 20% reduction in the spot price of gold as at March 31, 2014.

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.

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 March 31, 2014, the amount reflected in the Company's restoration and rehabilitation provision is $3.2 million (on an undiscounted basis, the total payments are estimated at $3.8 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. The fair value of the Company's trade and other receivables, and accounts payable and accrued liabilities approximate their carrying value, which is the amount disclosed on the balance sheet dates due to their short-term maturities or ability of prompt liquidation. Cash, under the fair value hierarchy, is based on level-one quoted prices in active markets for identical assets or liabilities. The Company's other financial instruments, specifically interest bearing loans and borrowings are recorded at amortized cost using the effective interest rate method.

Strategic and operational risks are risks that arise if the Company fails to identify opportunities and/or threats arising from changes in the markets in which the Company operates. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory developments and competitor actions. These risk factors are more fully addressed under the "Risks and Uncertainties" section of this MD&A.

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.

FINANCIAL INSTRUMENTS (continued…)

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 March 31, 2014, the Company had a cash, gold inventory and receivables balance of $17,211,476 (December 31, 2013 - $17,414,539) to settle current liabilities of $7,768,542 (December 31, 2012 - $10,089,864). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient working capital to meet its short-term business requirements. 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. The Company's sensitivity to interest rates is currently immaterial.

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 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 or future cash flows of the Company 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 52,660,622 Common Shares are issued and outstanding as of the date of this MD&A. On a diluted basis, the Company has 56,695,622 Common Shares outstanding as of the date of this MD&A, assuming the exercise of 4,035,000 outstanding stock options pursuant to the Company's stock option plan.

The Company adopted the share purchase plan ("SPP"), which was approved by shareholders at the annual and special meeting of the Company 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 may be issued an aggregate of 439,328 deferred matching shares in three equal tranches over a three-year period.

On April 8, 2014 the Company issued an aggregate of 1,375,000 common shares to the former shareholders of The Northern Lights Exploration Company (Pty) Ltd. ("NLE"). The Company entered into an agreement (the "NLE Agreement") dated July 27, 2011 with the shareholders of NLE to acquire all of its issued and outstanding shares. NLE owns the rights to a number of exploration licenses near the Company's Mupane Property. On April 7, 2014, the independent members of the Board determined that the resource target for the first milestone in the NLE Agreement was met, waived the requirement to confirm the mineral resource by way of a NI 43-101 technical report and approved the issuance of 1,375,000 common shares by the Company.

On March 22, 2013, the Company issued an aggregate of 2,500,000 Common Shares to the Chairman and the former CEO of the Company pursuant to the terms of performance share agreements dated August 30, 2011.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2014, the following related party transactions occurred:

- Charles Byron, a director of the Company:
  - Mr Byron may be entitled to 4,200,000 of the 8,750,000 common shares that are payable pursuant to the NLE acquisition;
  - The Company paid rent of $1,464 for office premises to Great African Services (Pty) Ltd., a company owned by a consortium of individuals that includes Charles Byron (March 31, 2013 - $5,882);
- IAMGOLD, a shareholder with significant influence, by holding in excess of 20% of the common shares of the Company:
  - During the three months ended March 31, 2013 the Company paid $1,266,667 in cash representing the initial payment on the interest bearing note to IAMGOLD (March 31, 2014 - $nil);
  - The Company accrued $36,529 representing the interest payable on the interest bearing note to IAMGOLD (March 31, 2013 - paid $57,000 in cash).

FUTURE ACCOUNTING POLICIES

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. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015, but rather be left open pending the finalization of the impairment and classification and measurement requirements. 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.

NEW AND AMENDED ACCOUNTING POLICIES

IFRIC 21 – Levies

IFRIC 21 provides guidance on the accounting for levies in accordance with the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. The Company adopted IFRIC 21 in its financial statements for the period beginning January 1, 2014 and it did not have a material impact on the financial statements.

COMMITMENTS

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

(a) Royalty expenses

Production from the Company's Mupane operation is subject to third party royalties (included in mining costs) of 5% of revenues based on market prices at the date of shipment. For the three month period ended March 31, 2014, the Company accrued $623,514 in royalties (March 31, 2013 – paid $614,434).

(b) Operating contractual obligations

The Company has operating lease obligations which relate to obligations in 2014 for land operating lease agreements as follows:

- Incurred during the three month period ended March 31,2014 — $93,617
- To be incurred in the remainder of 2014 — $260,310
- To be incurred 2015-2018 — $1,290,060

(c) Claims

The Company is subject to two known employment-related litigation actions, and management with the assistance of outside legal advisors has assessed the potential outcome of the litigation. At this time it has been determined that any potential payment will not be material.

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 amounts have been provided for in the Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

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, 2013, 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 can be found on SEDAR at www.sedar.com.

SUPPLEMENTAL INFORMATION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash costs

The Company's MD&A often 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. This information is used 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, and attributable realized derivative gain or loss, but are exclusive of impairment, amortization, reclamation, and exploration and development costs. Cash cost excluding royalties is cash cost less royalties. Operating cash cost is the total cash cost less those costs capitalized as attributable to the removal of excess waste in developing new resources. Operating cash cost excluding royalties is operating cash cost less royalties. 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.

	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Mining costs excluding impairment, depreciation and amortization	$ 8,704,905	$ 9,648,688	$ 13,669,853	$ 15,723,290
Adjust for:				
Stock movement	(944,851)	359,154	(1,246,803)	(1,200,515)
Total operating cash cost	$ 7,760,054	$ 10,007,842	$ 12,423,050	$ 14,522,775
Royalties	(623,514)	(696,460)	(696,752)	(715,389)
Total operating cash cost excluding royalties	$ 7,136,540	$ 9,311,382	$ 11,726,298	$ 13,807,386
Gold production (ounces)	9,346	11,853	9,941	9,530
Total operating cash cost excluding royalties per oz.	$ 764	$ 786	$ 1,180	$ 1,449

	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Mining costs excluding depreciation and amortization	$ 13,006,181	$ 14,094,210	$ 11,536,132	$ 17,755,929
Adjust for:				
Stock movement	(185,531)	852,851	(269,690)	(2,972,526)
Total operating cash cost	$ 12,820,650	$ 14,947,061	$ 11,266,442	$ 14,783,403
Royalties	(614,434)	(722,794)	(945,261)	(1,164,703)
Total operating cash cost excluding royalties	$ 12,206,216	$ 14,224,266	$ 10,348,181	$ 13,618,700
Gold production (ounces)	7,430	9,233	10,563	11,621
Total operating cash cost excluding royalties per oz.	$ 1,643	$ 1,541	$ 980	$ 1,172