

**GALANE GOLD LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three months ended March 31, 2020**

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Dated: May 22, 2020.

**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 May 22, 2020. 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, 2020 (the "interim financial report"), as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 (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"). 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; 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 arising from the Company's fair value estimates with respect to the carrying amount of mineral interests; mining tax regimes; risks regarding mineral resources and reserves; 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,

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metallurgical recoveries and capital and operating costs of such projects; contests over title to properties, particularly title to undeveloped properties; risks and expenses related to reclamation costs and related liabilities; lack of infrastructure; employee relations, labour unrest or unavailability; health risks in Africa; supply chain disruptions, major health issues, pandemics, and COVID-19; the Company's interactions with surrounding communities and artisanal miners; extensive laws and regulations governing the environment, health and safety; the Company's ability to successfully integrate acquired assets; risks related to ramping-up 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; risks related to climate change; risks related to information security; risk of using derivative instruments including credit risk, market liquidity risk and unrealized mark-to-market risk; stock market volatility; conflicts of interest among certain directors and officers; lack of dividends; lack of liquidity for shareholders of the Company; risks related to the market perception of junior gold companies; litigation risk; and difficulties in bringing actions and enforcing judgments for foreign investors. See "Risk Factors" in the Company's annual information form for the year ended December 31, 2019, a copy of which is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). 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.

#### **MINERAL RESERVES AND RESOURCES**

Information of a technical and scientific nature that forms the basis of the disclosure in the MD&A has been approved by Kevin Crossling Pr. Sci. Nat., MAusIMM., Business Development Consultant for Galane Gold, and a "qualified person" as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

All mineral reserves and mineral resources have been estimated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101. All mineral resources are reported exclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no guarantee that any of the mineral resources disclosed in the MD&A will be converted to mineral reserves. There is also no guarantee that any of the inferred mineral resources will be upgraded to measured or indicated mineral resources. Information on data verification performed on the mineral properties mentioned in this MD&A that are considered to be material mineral properties to the Company are contained in the Company's most recent annual information form and the current technical report for each of those properties, all available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

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**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 in the process of restarting 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") are listed for trading on the TSX Venture Exchange (the "Exchange") under the symbol "GG" since September 6, 2011 and trades on the OTCQB in the United States under the trading symbol "GGGOF".

**OUTLOOK**

The extent and duration of impacts that COVID-19 may have on the Company's ability to ship and sell gold dore and gold concentrate, on our suppliers and employees and on global financial markets over the remainder of the year and going forward is not known at this time but could be material. As a result, the Company has suspended all previously issued 2020 annual guidance.

**Mupane**

The Company has been notified by the Republic of Botswana Government that, as a mining operation, Mupane is deemed an essential operation and was allowed to keep operating during the country's 28 day lockdown which commenced on April 2, 2020 and was subsequently extended to May 21, 2020. For Mupane to continue in operation it has been working closely with the Department of Mines to agree on protocols to manage the potential for spread of COVID-19 between its employees and in particular, in its underground operations. During this period Mupane production has been restricted, although approval was granted on April 28, 2020 to recommence operations while observing compliance with capacity and enhanced operating requirements. The Company will continue to assess the viability of operating at the government mandated levels and look to increase production in line with any further easing of operating restrictions.

**Galaxy**

The Galaxy project was placed on temporary care and maintenance in late March, as mandated by the government of South Africa. On April 23, 2020, the Company was notified that Galaxy had been designated as an essential service and can operate at 50% of its normal capacity, with the Company recommencing operations on May 4, 2020 in compliance with the capacity and enhanced operating requirements. The Company will continue to assess the viability of operating at the government mandated levels and look to increase production in line with any further easing of operating restrictions.

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**DISCUSSION OF OPERATIONS**

*For the three months ended March 31, 2020*

The following is an analysis of the Company's operating results for the three months ended March 31, 2020 ("Q1 2020").

**Operating activity:**

Commentary regarding the Company's operating activity during Q1 2020 follows:

**Mining**

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

		2020		2019				
		Q1	YTD	Q4	Q3	Q2	Q1	Total
Mupane (Tau)	Ore (t)	67,368	<b>67,368</b>	82,316	77,054	92,762	87,461	<b>339,593</b>
	Grade (g/t)	2.64	<b>2.64</b>	2.67	2.90	3.25	2.11	<b>2.74</b>
	Waste (t)	16,482	<b>16,482</b>	18,258	15,472	20,520	10,520	<b>64,770</b>
Dinokwe	Ore (t)	4,012	<b>4,012</b>	-	-	-	-	-
	Grade (g/t)	1.37	<b>1.37</b>	-	-	-	-	-
	Waste (t)	106,870	<b>106,870</b>	-	-	-	-	-
Low Grade Stockpiles	Ore (t)	1,527	<b>1,527</b>	37,110	62,010	30,719	71,263	<b>201,102</b>
	Grade (g/t)	1.74	<b>1.74</b>	0.77	0.75	0.77	0.77	<b>0.77</b>
Monarch Slimes Dump	Ore (t)	69,465	<b>69,465</b>	86,299	68,222	57,191	1,736	<b>213,448</b>
	Grade (g/t)	1.26	<b>1.26</b>	1.00	0.94	0.94	1.00	<b>0.96</b>

The Company continued to mine from the Tau deposit at the Mupane Property during Q1 2020, while commencing open cut mining operations at Dinokwe and the Monarch slimes dump:

- Tau – In Q1 2020, the Company continued mining in the main reef of the ore body with 67,368 tonnes at 2.64 g/t being mined (Q1 2019 – 87,461 tonnes at 2.11 g/t). The tonnes for Q1 2020 were lower than Q1 2019 with the depth of the mine increasing and lower truck availability during the quarter, and the grade impacted by mining of higher grade stopes in line with the mine plan for the quarter.
- Dinokwe – In Q1 2020, the Company commenced development of a small scale open pit mine at Dinokwe, approximately 7 kilometres from the Mupane processing plant, mining approximately 93,000 tonnes of ore at an average grade of 2.22 g/t over the life of the operation, with exploration having identified approximately 7,000 in situ ounces available from the open pit. The initial mining has been focused on stripping operations with 106,870 tonnes of waste mined, and 4,012 tonnes of ore at a grade of 1.37g/t for Q1 2020.
- Monarch – In Q1 2020, the Company transported 69,465 tonnes at an average grade of 1.26g/t, (Q1 2019 - 1,736 tonnes at 1.00 g/t) with the hauling of Monarch sands only commencing late in Q1 2019.

In addition, the Company is currently processing ore from its previously mined low-grade stockpiles, which are located next to the Golden Eagle mine located approximately 26 kilometres from the Mupane Property. In Q1 2020, it transported 1,527 tonnes at an average grade of 1.74 g/t (Q1 2019 – 71,263 tonnes at 0.77 g/t), compared to Q1 2019, when the Company was reclaiming from stockpiles located adjacent to the plant.

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*Processing*

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

		2020		2019				
		Q1	YTD	Q4	Q3	Q2	Q1	Total
Ore milled	t	144,853	<b>144,853</b>	187,548	205,000	178,918	161,323	<b>732,789</b>
Head grade	g/t	2.08	<b>2.08</b>	1.71	1.76	2.12	1.69	<b>1.72</b>
Recovery	%	70.4%	<b>70.4%</b>	82.8%	72.8%	71.4%	72.3%	<b>74.8%</b>
Gold production	oz	6,818	<b>6,818</b>	6,839	8,435	8,694	6,326	<b>30,294</b>

Gold production in Q1 2020 was 6,818 ounces compared to 6,326 ounces in Q1 2019. The ore milled for Q1 2020 of 145kt (Q1 2019 – 161kt) was lower than the preceding quarters as a result of a mill drive fault limiting the feed rate to the semi-autogenous grinding (“SAG”) mill during the quarter. The mill drive fault was ongoing throughout Q4 2019 as the Company waited for the arrival of long lead spares from overseas. The grade in Q1 2020 of 2.08 g/t was above the grade for Q1 2019 of 1.69 g/t and was reflective of the feedstock available. The recovery for Q1 2020 of 70.4% was below the recovery for Q1 2019 of 72.3%. The decreased recovery was reflective of the favourable mineralogy within the ore processed for Q1 2019.

*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 2020	Q1 2019
Revenue (000)	\$ 9,474	\$ 8,476
Gold sold (oz.)	6,105	6,565
Earnings (Loss) from mining operations (000)	\$ 871	\$ (823)
Operating cash cost excluding royalties (\$/oz.) <sup>(1)</sup>	\$ 1,037	\$ 1,189

Note:

- (1) Operating cash cost excluding royalties per ounce is a non-GAAP measure. See “Supplemental Information to Management’s Discussion and Analysis”.

In Q1 2020, the Company generated \$9.5 million in revenue from the sale of 6,105 ounces of gold plus incidental silver at an average combined price of \$1,552 per ounce and earnings from mining operations of \$0.9 million. This compares to \$8.5 million in revenue from the sale of 6,565 ounces of gold plus incidental silver at an average combined price of \$1,291 per ounce and a loss from mining operations of \$0.8 million in Q1 2019.

The revenue for Q1 2020 does not include the March 2020 month end gold sale of 1,356 ounces due to border closure and quarantine measures implemented as a result of COVID-19. Had the sale proceeded in the normal course of business, management expects revenue would have increased by \$2.3 million for the quarter.

The reason for the change in earnings from mining operations from Q1 2020 to Q1 2019 is a result of several factors:

- Gold sales for Q1 2020 were 460 ounces less than in Q1 2019. This decrease in ounces sold was offset by an increase in the average gold price achieved between the two quarters of \$261 per ounce resulting in a revenue increase of \$1.0 million compared to Q1 2019.

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- Mining costs in Q1 2020 were \$3.0 million compared to \$2.9 million in Q1 2019. The increase in cost is due mainly to increased cost from hauling Monarch slimes for the full quarter compared to Q1 2019 when hauling only commenced at the end of the quarter.
- Processing costs in Q1 2020 were \$3.4 million compared to \$4.3 million in Q1 2019. The actual tonnes milled decreased from 161,323 tonnes in Q1 2019 to 144,853 tonnes in Q1 2020. The decrease in costs for Q1 2020 is consistent with the reduced tonnage processed and also reflects processing a higher proportion of slimes for the quarter, with lower consumable consumption per tonne, when compared to Q1 2019.
- General and administration costs in Q1 2020 were \$0.9 million compared to \$0.8 million in Q1 2019.
- Depreciation and amortization expense was \$1.4 million in Q1 2020 compared to \$1.3 million in Q1 2019.

As a result of the above factors the operating cash cost per ounce excluding royalties in Q1 2020 was \$1,037 compared to \$1,189 per ounce in Q1 2019.

**Results**

The Company's earnings (loss) comprised of:

	Q1 2020	Q1 2019
Earnings (Loss) from mining operations	\$ 870,700	\$ (823,223)
Exploration costs	-	(4,111)
Corporate general and administrative costs	(496,502)	(640,187)
Stock-based compensation	(58,888)	(36,202)
Foreign exchange gain (loss)	1,227,339	(113,738)
Interest on long term debt	(160,004)	(140,950)
Galaxy on-going costs	(293,611)	(219,614)
Other income (expenses)	(35,778)	(26,302)
Other financing income (costs)	606,320	(243,778)
	\$ 1,659,576	\$ (2,248,105)

Other financing income for Q1 2020 increased by \$0.8 million compared to Q1 2019, with the increase primarily due to income from warrant revaluation of \$0.7 million compared to income of \$0.0 million in Q1 2019, and the impact of \$0.2 million in Barak facility fees incurred in Q1 2019.

Corporate general and administration costs are comprised of the following:

	Q1 2020	Q1 2019
Professional fees	\$ 110,280	\$ 163,760
Management fees to officers	169,865	283,213
Investor relations	46,552	42,986
Corporate general and administration	169,805	150,228
	\$ 496,502	\$ 640,187

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**SUMMARY OF FINANCIAL POSITION**

Selected Consolidated Statement of Financial Position Data:

	March 31, 2020 \$	December 31, 2019 \$	September 30, 2019 \$	June 30, 2019 \$
Total current assets	7,766,249	9,345,569	9,304,363	9,510,559
Total current liabilities	21,098,020	23,663,805	15,789,107	17,338,010
Working capital	(13,331,771)	(14,318,236)	(6,484,744)	(7,827,451)
Non-current assets	38,867,449	38,912,824	39,784,421	39,855,606
Non-current liabilities	10,898,590	11,675,964	19,790,681	19,056,410
Total shareholders' equity	14,637,088	12,918,624	13,508,996	12,971,745

	March 31, 2019 \$	December 31, 2018 \$	September 30, 2018 \$	June 30, 2018 \$
Total current assets	7,606,437	10,433,238	8,635,671	10,032,561
Total current liabilities	14,125,556	13,268,658	10,347,024	11,052,174
Working capital	(6,519,119)	(2,835,420)	(1,711,353)	(1,019,613)
Mining assets	38,705,198	35,921,949	35,608,850	36,366,842
Non-current liabilities	19,413,038	18,101,585	19,971,442	20,205,601
Total shareholders' equity	12,773,041	14,984,944	13,926,055	15,141,628

In Q1 2020 there was a working capital deficiency of \$13.3 million, a decrease of \$1.0 million from Q4 2019. The decrease in working capital deficiency was mainly due to the following movements in total current liabilities and cash balance:

- A cash balance decrease of \$1.1 million from Q4 2019.
- A decrease of \$0.4 million in trade and other receivables, with a decrease of \$0.2 million in trade receivables impacted by the delay in the second shipment of gold dore in March 2020, and a decrease of \$0.2 million in prepaid expenses.
- A decrease of \$0.1 million for inventories from Q4 2019, with ore stockpiles lower by \$0.2 million as the Company processed the low grade stockpiles, and a decrease of \$0.4 million in stores inventory as holdings were reduced following an increase at year end to manage the holiday season, offset by an increase of \$0.6 million in gold in process, including the gold dore in inventory with the delay of the second shipment of gold dore in March 2020.
- A decrease of \$1.7 million in accounts payable and accruals from Q4 2019, reflecting the decrease in stores inventory purchases, and lower activity in March 2020 with the impact of COVID-19 border closures and quarantine measures.
- A decrease of \$0.1 million in interest bearing loans and borrowings in Q1 2020, with current deferred royalties decreasing \$0.3 million consistent with the repayments made in Q1 2020, offset by an increase of \$0.2 million with the interest accrued on the Barak loan facility.

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In Q1 2020, non-current liabilities decreased by \$0.8 million, with a decrease of \$0.2 million in capital lease liabilities due to repayments during the quarter, as well as a decrease of \$0.6 million in rehabilitation provisions, primarily due to a \$0.7 million revaluation due to foreign currency movements offset by accretion of \$0.1 million for the quarter.

Total shareholders' equity in Q1 2020 increased by \$1.7 million primarily as a result of earnings for the quarter of \$1.7 million.

**LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN**

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 Mupane 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, subject to the Going Concern commentary below related to the current uncertain impact of COVID-19 on the operating environment. As described above under "Summary of Financial Position", at March 31, 2020, the Company had a working capital deficiency of \$13.3 million with cashflow from operations of \$0.8 million for the three months ended March 31, 2020.

The revenue of the Company is dependent upon the spot 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 spot 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***

The interim financial report was prepared using international financial reporting standards that are applicable to a going concern.

During the three months ended March 31, 2020, several measures have been implemented in Botswana, South Africa and the rest of the world in response to the increased impact from COVID-19. The Company was notified by the Republic of Botswana Government that, as a mining operation, Mupane is deemed an essential operation and is allowed to keep operating during the country's 28 day lockdown which commenced on April 2, 2020, and was subsequently extended to May 21, 2020. For Mupane to continue in operation it has been working closely with the Department of Mines to agree on protocols to manage the potential for spread of COVID-19 between its employees and in particular, in its underground operations. During this period Mupane production has been restricted, although approval was granted on April 28, 2020 to recommence operations while observing compliance with capacity and enhanced operating requirements. The Galaxy project was placed on temporary care and maintenance in late March, as mandated by the Government of South Africa. On April 23, 2020, the Company was notified that Galaxy had been designated as an essential service and can operate at 50% of its normal capacity, with the Company recommencing operations on May 4, 2020 in compliance with the capacity and enhanced operating requirements. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on our future production, cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on the Company's financial position, results of operation and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted.



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As at March 31, 2020, the Company had a working capital deficiency (current assets less current liabilities) of \$13.3 million compared to a deficiency of \$14.3 million at December 31, 2019.

During the three months ended March 31, 2020, the Company paid, on a timely basis, the 5% royalty to the Government of Botswana on all gold sales in accordance with the terms of the royalty. The royalty expense for the three months ended March 31, 2020 was \$0.5 million, which was funded from cash flows from operations, in addition to \$0.4 million repaid from deferred royalties in accordance with the proposal to reschedule deferred royalty payments presented to the Government of Botswana for the repayment of remaining deferred royalties. The working capital deficiency includes deferred royalties with a total outstanding balance of \$6.6 million now classified as a current liability. While management projects that the current gold price would allow the Company to repay the deferred royalties consistent with the payment schedule agreed with the Government of Botswana in 2018, the Company has entered into discussions with the Government of Botswana to reschedule the outstanding balance. However, with the current focus on the COVID-19 shutdown of non-essential services in the country, these discussions have now been put on hold.

The impact of the COVID-19 pandemic results in material uncertainties which may give rise to significant doubt as to the ability of the Company to continue as a going concern. Because of these uncertainties, there can be no assurance that the measures that management are taking to mitigate the impact of the COVID-19 pandemic will be successful.

The ongoing strength in gold prices and positive operating performance at the Mupane mine have resulted in earnings from mining operations of \$0.9 million for the three months ended March 31, 2020, compared to a loss from mining operations of \$0.8 million for the same period in 2019. In addition, cash flow generated from operations for the three months ended March 31, 2020 was \$0.8 million, after royalty payments made in the normal course of business, compared to a cash outflow from operations of \$0.9 million for the same period in 2019. The Company has no material commitments for capital expenditures at the Mupane mine as of March 31, 2020.

The current commodity price and exchange rate environment can be volatile, which may have an impact on the Company's cash flows. Despite the higher gold price currently being realized, the Company continues to review its near term operating plans and to take steps to reduce costs and maximize cash flow generated from operations.

The interim financial report does not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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**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, 2020 \$	December 31, 2019 \$	September 30, 2019 \$	June 30, 2019 \$
Revenue	9,473,565	9,038,969	12,462,310	11,424,704
Total mining costs	(8,602,865)	(9,778,762)	(10,888,260)	(10,603,441)
Non-mining expenses	788,876	(1,482,536)	(1,089,606)	(658,639)
(Loss) earnings	1,659,576	(2,222,329)	484,444	162,624
(Loss) earnings per share				
- Basic	0.01	(0.01)	0.00	0.00
- Fully diluted	0.01	(0.01)	0.00	0.00
Total assets at end of quarter	46,633,698	48,258,393	49,088,784	49,366,165
Total liabilities at end of quarter	31,996,610	35,339,769	35,579,788	36,394,420
Total equity at end of quarter	14,637,088	12,918,624	13,508,996	12,971,745

	Three months ended			
	March 31, 2019 \$	December 31, 2018 \$	September 30, 2018 \$	June 30, 2018 \$
Revenue	8,476,421	11,017,035	10,555,280	13,169,757
Total mining costs	(9,299,644)	(9,705,264)	(11,360,303)	(10,978,749)
Non-mining expenses	(1,424,882)	(1,301,258)	(453,744)	208,143
Earnings (loss)	(2,248,105)	10,513	(1,258,765)	2,399,151
Earnings (loss) per share				
- Basic	(0.01)	(0.00)	(0.01)	0.02
- Fully diluted	(0.01)	(0.00)	(0.01)	0.02
Total assets at end of quarter	46,311,635	46,355,187	44,244,521	46,399,403
Total liabilities at end of quarter	33,538,594	31,370,243	30,318,466	31,257,775
Total equity at end of quarter	12,773,041	14,984,944	13,926,055	15,141,628

**Note:**

(1) Information for all periods is presented in accordance with IFRS applicable to interim financial reporting and in U.S. dollars.

**GALANE GOLD LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three months ended March 31, 2020**

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**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 credit risk related to the trade receivable is considered minimal as gold and gold concentrate is sold to creditworthy major banks and offtake partners and settled promptly, usually within the following month, and the 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 March 31, 2020, the Company had current assets of \$7,766,249 (December 31, 2019 - \$9,345,569) to settle current liabilities of \$21,098,020 (December 31, 2019 - \$23,663,805). 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 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 223,400,910 Common Shares are issued and outstanding as of the date of this MD&A. The Company did not issue any Common Shares in Q1 2020.

The Company has 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 13,700,000 Common Shares are outstanding and options to purchase 8,640,091 Common Shares are available for grant.

**GALANE GOLD LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three months ended March 31, 2020**

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The Company has adopted a share purchase plan ("SPP"). 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, no deferred matching shares are owed to the participating officers, directors and employees of the Company.

The Company has adopted a deferred share unit plan (the "DSU Plan"). 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 7,170,046 Common Shares pursuant to outstanding deferred share units awarded under the DSU Plan and 1,125,782 Common Shares have been issued under the DSU Plan.

On October 2, 2018 the Company issued 54,000,000 common share purchase warrants ("2018 Warrants"), with each 2018 Warrant entitling the holder thereof to acquire one Common Share at an exercise price of C\$0.05 until October 1, 2020. The expiry date of the 2018 Warrants can be accelerated by the Company to the date that is 10 business days after the date where the closing price of the Common Shares on the Exchange is higher than C\$0.20 for 10 consecutive trading days. As of the date hereof 22,436,150 Common Shares have been issued pursuant to the exercise of the 2018 Warrants and 31,563,850 2018 Warrants are outstanding.

#### **DEBENTURES**

As part of the acquisition of the Galaxy Property in 2015, 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 Gold Mining (Pty) Limited (formerly Galaxy Gold Mining Limited, "Galaxy") and its subsidiary Galaxy Gold Reefs (Pty) Ltd. The original terms of the Galaxy Debentures were: (i) to mature on November 20, 2019, (ii) to bear 4% interest per annum, accrued and paid at maturity, (iii) to allow conversion of the principal at the option of the holder into Common Shares at a price of C\$0.58<sup>(1)</sup> per Common Share, based on a pre-determined exchange rate of \$1.00: C\$1.30, and (iv) to allow conversion of the interest at the option of the holder into Common Shares, based on a pre-determined exchange rate of \$1.00: C\$1.30, at a price per Common Share equivalent to the greater of C\$1.00 and the Discounted Market Price (as defined by the Exchange) at the time of conversion, subject to acceptance of the Exchange. On September 27, 2019, the Company prepaid \$728,000 of principal amount of the Galaxy Debentures. On September 30, 2019, the Company entered into an agreement with a requisite percentage of Galaxy Debenture holders to amend certain terms of the Galaxy Debenture. Under the terms of the amended Galaxy Debentures: (i) the maturity date is extended to November 20, 2021, (ii) the principal is convertible at the option of the holder into Common Shares at a price of C\$0.20 per Common Share, at a pre-determined exchange rate of \$1.00:C\$1.30, (iii) the interest is convertible at the option of the holder into Common Shares, based on a pre-determined exchange rate of \$1.00: C\$1.30, at a price per Common Share equivalent to the greater of C\$0.20 and the Discounted Market Price (as defined by the Exchange) at the time of conversion, subject to acceptance of the Exchange, and (iv) the Company has the right of forced conversion with respect the principal if the trading price of the Common Shares exceeds C\$0.20 for 10 consecutive trading days. On December 15, 2019, the Company prepaid an additional \$838,486 of the principal and \$12,517 of the interest on the Galaxy Debenture.

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 an unsecured convertible debenture of approximately \$3.2 million in aggregate principal (the "Traxys Debenture"). On June 29, 2018, the Company entered into an agreement with applicable

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Traxys parties to replace the existing Traxys Debenture with an amended and restated debenture (the "A&R Debenture"). Under the terms of the A&R Debenture: (i) the principal is repayable on November 20, 2021 and is convertible at the option of the holder into Common Shares at a price of C\$0.15 per share, based on a pre-determined exchange rate of \$1.00:C\$1.35; (ii) interest is convertible at the option of the holder into Common Shares, based on a pre-determined exchange rate of \$1.00:C\$1.35, at a price equivalent to the greater of C\$0.15 and the Discounted Market Price (as defined in the policies of the Exchange) at the time of conversion; (iii) the Company has a right of forced conversion with respect to the principal where the trading price of the Common Shares exceeds C\$0.15 for 10 consecutive trading days; (iv) commencing January 1, 2018, interest for a calendar year will be due and payable on March 31 of the subsequent year, with the first such payment being due on March 31, 2019. The first payment of interest under the rescheduled agreement was made in April 2019.

<sup>(1)</sup> The initial conversion price of the Galaxy Debentures was C\$1.00 per share. As a result of the completion of the rights offering of the Company in May 2016, the conversion price was adjusted downward to C\$0.58 per share.

**GALAXY SHARE DONATION**

On March 19, 2019, the Company donated 17% of the issued and outstanding shares of Galaxy to Phakamani Foundation Trust (operating as Phakamani Foundation NPC). The donation was made in relation to the terms of the *Mineral and Petroleum Resources Development Act, 2004* of South Africa, together with the *Broad-Based Social-Economic Empowerment Charter for Mining and Mineral Industry, 2018* and the requirement for Galaxy, as holder of existing gold mining rights, to be comprised, directly or indirectly, of at least a 20% shareholding by historically disadvantaged persons (the "BEE Requirement").

On March 19, 2019, 10% of the issued and outstanding shares of Galaxy Gold Reefs (Pty) Ltd, was donated to a South African community based trust and a South African local employee share scheme. The donation was also made in relation to the BEE Requirement.

**TRANSACTIONS WITH RELATED PARTIES**

During the quarters ended March 31, 2020 and 2019, there were no related party transactions other than key management compensation as disclosed in the Financial Statements.

**COMMITMENTS**

As at the date of this MD&A, the Company did not have any commitments.

**OFF-BALANCE SHEET ARRANGEMENTS**

Other than the low value operating lease arrangements not recognized on the initial adoption of the revised IFRS 16 Leases, the Company currently has no off-balance sheet arrangements.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three months ended March 31, 2020**

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**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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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The following tables provide a reconciliation of cash cost measures for the mine to the mining costs excluding impairment, depreciation and amortization reflected in the interim financial report.

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Mining costs excluding impairment, depreciation and amortization	\$ 7,215,634	\$ 8,243,831	\$ 9,617,217	\$ 8,934,073
Adjust for:				
Inventory movement	339,922	550,819	(222,748)	41,530
Total operating cash cost	\$ 7,555,556	\$ 8,794,650	\$ 9,394,469	\$ 8,975,603
Royalties	(484,419)	(457,142)	(631,199)	(579,792)
Total operating cash cost excluding royalties	\$ 7,071,137	\$ 8,337,508	\$ 8,763,270	\$ 8,395,811
Gold production (ounces)	6,818	6,839	8,435	8,694
Total operating cash cost excluding royalties per oz.	\$ 1,037	\$ 1,214	\$ 1,026	\$ 966

	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Mining costs excluding impairment, depreciation and amortization	\$ 8,030,333	\$ 8,321,085	\$ 9,963,751	\$ 9,460,240
Adjust for:				
Inventory movement	(82,961)	(28,678)	(763,182)	354,647
Total operating cash cost	\$ 7,947,372	\$ 8,292,407	\$ 9,200,569	\$ 9,814,887
Royalties	(427,112)	(562,172)	(557,603)	(686,653)
Total operating cash cost excluding royalties	\$ 7,520,260	\$ 7,730,235	\$ 8,642,966	\$ 9,128,234
Gold production (ounces)	6,326	9,245	8,545	10,088
Total operating cash cost excluding royalties per oz.	\$ 1,189	\$ 836	\$ 1,011	\$ 905

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company is responsible for designing internal controls over financial reporting or causing them to be designed under the supervision of the CEO and CFO in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's CEO and CFO are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis disclosure controls and procedures as well as internal controls over financial reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**GALANE GOLD LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three months ended March 31, 2020**

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**RISKS AND UNCERTAINTIES**

There are a number of risk factors that could cause future results to differ materially from those described herein. A discussion of the principal risk factors relating to the Company's operations and business appear in the Company's annual information form for the year ended December 31, 2019, which may be viewed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business.

**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, 2019, can be found on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).