GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended June 30, 2012

Dated: August 24, 2012

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 August 24, 2012. Throughout this MD&A, unless otherwise specified, "Galane", "the Company", "we", "us" or "our" refer to Galane Gold Ltd. and its subsidiaries and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2012 (the "interim financial report"), as well as the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2011 (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 filings 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 filings.

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; 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; 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. Since August 30, 2011, 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 located in the Republic of Botswana ("Botswana") through subsidiaries located in Botswana. GGM was incorporated under the laws of Ontario on November 15, 2010.

Effective August 30, 2011, GGM, concurrent with the closing of the Carlaw Acquisition referred to below, through its wholly-owned subsidiary, Mupane Gold Mines Limited, a Mauritius company, acquired all of the issued and outstanding shares of an Australian company, Gallery Gold Pty Ltd. from IAMGOLD Corporation ("IAMGOLD") (the "Gallery Acquisition"). The purchase price for such acquisition was paid by a combination of cash, shares, and the issuance of interest bearing debt.

Effective August 30, 2011, GGM closed a transaction with a capital pool company then named Carlaw Capital III Corp. ("Carlaw"), whereby Carlaw acquired (the "Carlaw Acquisition") all of the issued and outstanding shares of GGM by issuing an aggregate of 44,420,500 common shares from treasury in exchange for all of the issued and outstanding common shares of GGM. As a result of this share exchange, the former shareholders of GGM acquired control of Carlaw, and the Financial Statements reflect the results as a continuation of the business of GGM. Carlaw was incorporated under the *Business Corporations Act* (Ontario) on October 24, 2007, and on August 30, 2011 filed articles of amendment to change its name to Galane Gold Ltd. Since September 6, 2011, the common shares in the capital of the Company (the "Common Shares") have been listed for trading on the TSX Venture Exchange (the "Exchange") under the symbol "GG".

The Carlaw Acquisition was completed by way of a "three-cornered" amalgamation, whereby a wholly-owned subsidiary of Carlaw amalgamated with GGM. Through the amalgamation, shareholders of GGM received the 44,420,500 Common Shares. The resulting amalgamated entity, possessing the rights to the assets and business of GGM, is now the Company's wholly-owned subsidiary.

Financings

On August 5, 2011, GGM completed a brokered private placement (the "GGM Private Placement") of an aggregate of 20,545,500 subscription receipts (the "GGM Subscription Receipts") at a subscription price of CDN$0.80 per receipt for aggregate gross proceeds of $16,806,220 (CDN$16,436,400). Each GGM Subscription Receipt entitled the holder to receive one common share in the capital of GGM (a "GGM Share") and one-half of one common share purchase warrant of GGM (a "GGM Warrant"). Each whole GGM Warrant was exercisable for one GGM Share for a period of 18 months from the date of closing of the Carlaw Acquisition at a price of CDN$1.10 per share. The gross proceeds from the GGM Private Placement were held in escrow until immediately prior to the closing of the Gallery Acquisition on August 30, 2011.

The agent (the "Agent") retained by GGM pursuant to the GGM Private Placement received a cash commission of $1,545,186 (CDN$1,511,184) and was issued warrants ("GGM Agent Warrants") to purchase up to an aggregate of 1,888,980 GGM Shares with each GGM Agent Warrant being exercisable for one GGM Share for a period of 18 months from closing of the Acquisitions at a price of CDN$0.80 per share. Additional costs of $352,002 were incurred in connection with the financing.

Immediately prior to the closing of the Gallery Acquisition, the GGM Subscription Receipts converted into an aggregate of 20,545,500 GGM Common Shares and 10,272,750 GGM Warrants. At the effective time of the closing of the Carlaw Acquisition, the GGM Common Shares, GGM Warrants and GGM Agent Warrants were then exchanged for an equivalent number of Common Shares, warrants and agent warrants of the Company without payment of any additional consideration. Accordingly, at the closing of the Acquisitions, the Company issued an aggregate of 20,545,500 Common Shares, 10,272,750 warrants and 1,888,980 agent warrants in connection with the GGM Private Placement.

On the closing of the Carlaw Acquisition, the Company received working capital of $88,299 for consideration of the issuance of 687,500 Common Shares. On the closing of the Gallery Acquisition, the Company received working capital of $12.8 million plus producing mine assets valued at $21.7 million for total consideration of $34.5 million. Consideration included 21,875,000 Common Shares, a note payable of US$3.8 million, repayable every six months in three equal principal installments of $1,266,667 commencing February 28, 2013, and 1,265,253 warrants to purchase Common Shares exercisable until March 1, 2013 at CDN $1.10 per share.

Recent Developments

As described below, on July 27, 2011, the Company reached an agreement to acquire all of the issued and outstanding shares of The Northern Lights Exploration Company (Pty) Ltd. ("NLE"), which was completed on April 10, 2012 (the "NLE Acquisition").

Further details regarding the Carlaw Acquisition, the Gallery Acquisition and the NLE Acquisition are discussed in the "Acquisitions activity" section of the Company's annual management's discussion and analysis for the year ended December 31, 2011, available at www.sedar.com.

OUTLOOK

As discussed above under "Corporate Overview", the Company completed the Gallery Acquisition and the Carlaw Acquisition (collectively, the "Acquisitions") and the NLE Acquisition on April 10, 2012 and thereby took control of the mining operations of Mupane Gold Mining (Pty) Ltd. and the exploration operations of NLE in Botswana. Following such acquisitions, management of the Company immediately commenced the implementation of its improvement and exploration plan, with a focus on optimization of the mining operations and expansion of the mine-life resource base. While the Company is still in the early stages of the implementation of the plan, positive progress has thus far been achieved in the stabilization of operations, restructuring of the organization and recruitment of quality senior personnel. This progress has prepared the mining operation for the next phase of improvement, where the focus is on mining and processing efficiency improvement. A comprehensive exploration program, including 8,000 metres of near-mine drilling and an additional 8,000 metres on the Company's prospecting license areas, has been budgeted for 2012. This exploration program commenced at the end of March 2012 and the results will be released when they are received and analyzed after the Company has completed the current phase.

The transition from Signal Hill mine to Golden Eagle mine has progressed well during Q2 2012. Mining operations at Signal Hill will finish during Q3 2012 as planned, at which time it is anticipated that Golden Eagle will be producing approximately 50% of the run of mine ore being processed at the Mupane mill. The Tholo strip continues to progress as planned and is producing ore at progressively increasing rates. In addition, the Company has completed a revised mine plan that involves accelerated stripping of the Tholo pit cutback to make more ore available at a higher grade sooner. The board of directors has considered the financial implications of this accelerated stripping and approved the increase in expenditure rate. Company management and the board of directors have also considered the Company's improved liquidity position and prospects for additional future sources of ore and concluded that the Company would benefit materially by bringing forward the availability and subsequent processing of higher grade ore from the Tholo pit.

The acquisition of NLE was completed in April 2012 and as a result, the Company now has approximately 90% of the Tati greenstone belt area, an area exceeding 1,200 square km, under either exploration or mining license. This has allowed a portfolio-wide exploration approach that will bring efficiencies in exploration activity not possible with smaller tenement areas. The first review of the previous exploration database was completed during Q1 and Q2 2012 and included the re-interpretation of a previously generated aero-magnetic survey data utilising up-to-date software technology. This resulted in the confirmation of existing high priority targets and generated additional high priority targets. As a result of this updated review, including the aero-magnetic data, the Company has expanded the exploration budget for the remainder of 2012 and all of 2013 from $3.8 million to $7.8 million. An intense phase of drilling and pitting activity began in Q2 of 2012 and will continue well into 2013.

One of the Company's key post-acquisition activities has been the implementation of a comprehensive Operations Improvement Program ("OI Program" or "OIP"), which has continued to build momentum throughout Q2 2012. Some of the activities undertaken as part of the OI Program are achieving immediate results while others will require a longer time-period to achieve the desired outcomes. Certain outcomes of the OI Program have had a negative one-off impact, such as an adjustment to the gold in carbon ("GIC") inventory; however it is the intent of the program to identify and eliminate such items expediently and therefore further reduce business risk and improve management performance. Such OI Program developments are critical to the long-term success of the business. There remains considerable scope for additional improvement across the whole of the operation both in the short to medium term and on an ongoing basis. Further recruitment of high quality employees progressed during Q2 2012 and the positive impact of these professionals is being realised across the operations and exploration activities of the Company.

As an un-hedged gold production and exploration company, the Company's results are sensitive to the price of gold. The Company's average gold sale price for the three and six months ended June 30, 2012 was above the price used for internal planning purposes. Based on recent Company performance, it is management's view that the operation will continue to fund all of its planned capital requirements, including its exploration program, and generate additional free cash-flow for general working capital purposes.

DISCUSSION OF OPERATIONS

For the three and six months ended June 30, 2012

The following is an analysis of the Company's operating results for the three months ended June 30, 2012 ("Q2 2012") and six months ended June 30, 2012 ("YTD 2012"). As the financial results are reflected as a continuation of GGM, and GGM was incorporated on November 15, 2010 and its only operating activity in the second quarter and half of 2011 involved the raising of capital required to complete the Acquisitions, comparisons to the corresponding period in the previous year will be limited only to costs incurred in that capacity. For mining operations, comparisons with the immediately preceding quarters have been provided.

Financing activity:

The Company issued 63,130 Common Shares pursuant to the Employee Share Purchase Plan that was approved on June 12, 2012 for gross and net proceeds of $61,953 (CDN$62,500) in Q2 2012. In the six months ended June 30, 2011, the Company commenced seeking the capital required to complete the Acquisitions, and incurred $352,441 in professional fees related thereto.

Operating activity:

The Company commenced active mining operations on the closing of the Acquisitions on August 30, 2011.

Commentary regarding the Company's operating activity during Q2 2012 and YTD 2012 follows:

Mining:

- The revised mine plan at Tholo is progressing well and on schedule. Further optimisation of the mine plan has identified an opportunity to accelerate the stripping rate and thereby make available additional ore tonnes at higher grade sooner in 2013. The board has approved the additional expenditure rate associated with this higher stripping rate.
- Mining, drilling and blasting contracts have been reviewed with renewed contracts revised to include performance and efficiency requirements better aligned with the Company's objectives.
- Mine resource review is ongoing and is anticipated to be completed during Q4 2012.

Processing:

- Process water dam extension has been completed and will be commissioned prior to the end of Q3 2012. Following this commissioning, the original dam will be emptied, cleaned and re-commissioned. This will result in an approximate 200% increase on current process water storage capacity and thereby significantly reduce risk associated with process water supply shortages and associated production loss for current and increased planned milling tonnage amounts.
- Process instrumentation and control improvement program has begun with the aim of improving gold recovery. A SCADA system review has been completed and an upgraded process control system will be installed during Q3 2012. Concurrently, an instrumentation review is being conducted and will be finalised when the SCADA system upgrade is completed. Installation of instrumentation upgrades will occur progressively throughout Q3 and Q4, 2012.
- A review of the metal accounting system as used by the operations previously has been completed and has resulted in the identification of procedures that required improvement to ensure consistent and accurate metal accounting and reconciliation.
- Tonnage throughput increase studies are progressing with the initial crushing and milling circuit changes being designed and specified. Further detail modelling, design, specification and cost estimation is planned to be completed during Q3 2012. Additional alternatives shall also be examined to ensure modifications are optimal for the operation in both the medium and long term.

DISCUSSION OF OPERATIONS

For the three and six months ended June 30, 2012

Operating activity (continued…):

Early benefits of some of these programs have resulted in improved performance as planned for Q2 2012 such as improved tonnage throughput rates through the processing plant from 285,185 tonnes in Q1 2012 to 307,624 tonnes for Q2 2012. The combination of average gold ore grade of 1.46 g/t and 80% recovery for Q2 2012, and an average ore grade of 1.82 g/t and 85.6% recovery for the six months ended June 30, 2012, was anticipated and resulted in the total gold production, sales, and cash costs outlined in the Discussion of Operations section of this MD&A.

The second phase of the Company's OI Program has progressed well, resulting in a satisfactory performance for Q2 2012. Further opportunities for additional performance improvement have been identified, some of which have been implemented.

A component of the OI Program is a complete review of the systems previously used in managing the operations, which has resulted in an adjustment to the low grade ore stockpile and gold inventory quantities on hand at June 30, 2012 as discussed further under the section "OI Program Results".

The review of the metal accounting system identified possible inconsistencies in GIC at the end of May 2012, and an investigation was initiated immediately. Certain inconsistencies in inputs were identified, quantified, and rectified. These include over-estimation of the volume of loaded carbon in the CIL tanks (from both sample gathering and sample analysis techniques used) and incorrect density Specific Gravity factor, which resulted in an overestimation of the GIC by 3,380 ounces. Corrective measures have now been put in place that include: (i) a more representative sample gathering technique; (ii) an accurate estimate of contained carbon and associated assay of gold load; (iii) more accurate density factors being utilised and reviewed on an ongoing basis; and (iv) a rigorous monthly review of the end of month reconciliation of GIC.

Similarly, a review of the procedures used to quantify the gold content of the low grade stockpiles identified an error in conversion of surveyed volume to tonnage estimate. This had a positive impact with an upward adjustment to the quantity of ore contained therein by 3,139 ounces. The monthly reconciliation procedure on the low grade stockpile has now been modified to be driven by actual survey data carried out monthly, which will help to ensure that a regular and accurate estimate of low grade stockpile tonnage is maintained.

A discussion of the financial results for Q2 2012 and YTD 2012, with comparisons to the three months ended March 31, 2012 ("Q1 2012"), the four months ended December 31, 2011 ("FY 2011") and, in certain circumstances, since the Acquisitions were completed, follows.

DISCUSSION OF OPERATIONS

For the three and six months ended June 30, 2012

Operating results

OI Program Results:

As part of the post-acquisition OI Program objective, the Company has been and continues to evaluate all of the systems used previously. Based on such evaluation during Q2 2012, the Company has concluded that the variables used in the models for the purposes of calculating inventory quantities have differed slightly from actuals. This has affected the low-grade stockpile and the GIC inventory at June 30, 2012, and earnings for Q2 2012 and YTD 2012, as follows:

1. The quantity and average grade of ore contained in the low-grade stockpile has been adjusted upward, resulting in an increase of 3,139 ounces, and, based on the average cost of gold contained therein of $8.61 per ounce, by $0.8 million. This has decreased the mining cost of sales for the three and six months ended June 30, 2012 by an offsetting amount.
2. The variable which estimates the amount of gold contained in the processing line has been revised to more properly reflect the process, and as a result the GIC inventory has been reduced downward by 3,380 ounces ($2.9 million), and the processing costs of sales increased by the same amount in the three and six months ended June 30, 2012. The Company has also made the requisite adjustments to the model used to reflect the proper variables going forward.

The adjustments above (the "OIP Adjustments"), in the aggregate, had the effect of increasing mining costs and decreasing earnings in the Condensed Consolidated Interim Statement of Earnings and Comprehensive Earnings by $2.1 million. The OIP Adjustments have no effect on the Cash Costs defined in the Supplemental Information section of this MD&A.

Revenue and earnings from mining operations:

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

	Q2 2012 (before OIP Adjustments)(2)	Q1 2012	YTD 2012 (before OIP Adjustments)(2)	FY 2011(1)	Total since Acquisitions (after OIP Adjustments)(2)
Revenue (000)	$ 22,451	$ 25,936	$ 48,387	$ 28,607	$ 76,994
Gold sold (oz.)	14,024	15,155	29,179	16,853	46,032
Earnings from mining operations (000)	$ 3,844	$ 10,842	$ 14,687	$ 4,997	$ 17,612
Earnings from mining operations ($/oz.)	$ 274	$ 715	$ 504	$ 297	$ 383

Notes:

(1) FY 2011 results are for the four months from the date of acquisition of the Mupane mine (August 30, 2011 to December 31, 2011).

(2) As a result of the OI Program, a one-time net downward adjustment to inventory quantities and cost has been recognized in Q2 2012, as discussed in the OI Program Results section of this MD&A.

DISCUSSION OF OPERATIONS (continued…)

For the three and six months ended June 30, 2012 (continued…)

Revenue and earnings from mining operations (continued…):

In the three months ended June 30, 2012, the Company generated $22.5 million in revenue from the sale of 14,024 ounces of gold plus incidental silver at an average combined price of $1,601 per ounce and earnings from mining operations of $3.9 million and $274 per ounce ($1.8 million and $126 per ounce after the OIP Adjustments). This compares to $25.9 million in revenue from the sale of 15,155 ounces of gold plus incidental silver at an average combined price of $1,711 per ounce and earnings from mining operations of $10.8 million and $715 per ounce in Q1 2012. Since the date of the Acquisitions, the Company has generated $77.0 million in revenue on the sale of 46,032 ounces, for an average combined price of $1,673 per ounce, and earnings from mining operations of $17.6 million and $383 per ounce.

In the six months ended June 30, 2012, the Company generated $48.4 million in revenue from the sale of 29,179 ounces of gold plus incidental silver at an average combined price of $1,658 per ounce and earnings from mining operations of $14.7 million and $504 per ounce ($12.6 million and $432 per ounce after the OIP Adjustments). This compares to $28.6 million in revenue from the sale of 16,853 ounces of gold plus incidental silver at an average combined price of $1,697 per ounce and earnings from mining operations of $5.0 million and $297 per ounce in FY 2011, which comprised four months of operating mining operations.

Cash costs and key operating data:

Although cash costs are non-GAAP measures, they 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. Further discussion of cash costs is contained in the Supplemental Information section of this MD&A.

Further details of cash costs are as follows (in $millions):

		Q2 2012		Q1 2012		YTD 2012		FY 2011[2]		Total since Acquisitions
Mining and processing costs	$	15.634	$	14.823	$	30.457	$	18.768	$	49.225
Mine administration costs		1.699		1.414		3.113		2.181		5.294
Refining costs		0.034		0.036		0.070		0.035		.105
Total cash cost excluding royalties [1]	$	17.367	$	16.273	$	33.640	$	20.984	$	54.624
Capitalised mining costs		(3.748)		(4.185)		(7.933)		(1.784)		(9.717)
Total operating cash cost excluding royalties [1]	$	13.619	$	12.088	$	25.707	$	19.200	$	44.907
Royalties		1.165		1.277		2.442		1.442		3.884
Total operating cash cost [1]	$	14.784	$	13.365	$	28.149	$	20.642	$	48.791
Total cash cost [1]	$	18.532	$	17.550	$	36.082	$	22.426	$	58.508

Notes:

(1) Total cash cost excluding royalties and total operating cash cost excluding royalties are non-GAAP measures. Refer to the Supplemental Information section below for a reconciliation to measures reflected in the Financial Statements.
(2) FY 2011 results are for the four months from the date of acquisition of the Mupane mine (August 30, 2011 to December 31, 2011).
(3) Including the effects of a one-time net downward adjustment to inventory quantities and cost as discussed in the OI Program Results section of the MD&A

DISCUSSION OF OPERATIONS (continued…)

For the three and six months ended June 30, 2012 (continued…)

Key operating data:

	Q2 2012 (before OIP Adjustments)(2)	Q1 2012	YTD 2012 (before OIP Adjustments)(2)	FY 2011(3)	Total since Acquisitions (after OIP Adjustments)(2)
Total material mined (000 t)	3,641	4,329	7,970	5,500	13,470
Strip ratio	11.45	12.09	11.79	13.70	12.51
Operating strip ratio	6.26	4.75	5.46	8.37	6.55
Ore milled (000 t)	308	285	593	385	978
Ore mined (000 t)	292	331	623	374	997
Head grade (g/t)	1.46	2.18	1.82	1.86	1.82
Recovery (%)	80.0%	88.1%	85.6%	87.5%	85.6%
Gold production (oz.) (2)	11,621	17,523	29,144	20,193	45,957
Total cash cost excluding royalties ($/oz.)(1) (2)	1,494	929	1,154.25	1,039	1,188
Total operating cash cost excluding royalties ($/oz.)(1) (2)	1,172	689.84	882.06	950.90	977.18
Royalties ($/oz.)	$ 83.05	$ 84.29	$ 83.69	$ 85	$ 84

Notes:

(1) Total cash cost excluding royalties and total operating cash cost excluding royalties are non-GAAP measures. Refer to the Supplemental Information section below for a reconciliation to measures reflected in the Financial Statements.

(2) As a result of the OI Program, a one-time net downward adjustment to inventory quantities has been recognized in Q2 2012 as discussed in the OI Program Results section of this MD&A.

(3) FY 2011 results are for the four months from the date of acquisition of the Mupane mine (August 30, 2011 to December 31, 2011).

Total operating cash costs in Q2 2012 reflect the effect of two factors:

1. Lower grade ore (1.46 vs. 2.18 g/t in Q1 2012) was mined in the period; and
2. Higher stripping costs were experienced in Q2 2012, as the ore was mined from pits with stripping ratios more indicative of the mine, compared to Q1 2012, where the main source of ore was from one of the pits ("Signal Hill") at which the stripping ratio was reduced significantly as it was nearing the end of its economic life on the current mine plan.

Year-to-date the average grade is 1.82 g/t and the operating strip ratio is 5.46.

In future quarters, the Company anticipates fluctuating grades and stripping ratios causing cash costs to fluctuate as well. It is also anticipated that variations in the sulphide to oxide ore ratios in the feed will cause fluctuations in gold recovery.

As the mine was purchased on August 30, 2011, there are no comparable results for the corresponding periods in 2011.

As indicated previously, the OIP Adjustments had no effect on the cash cost. However, given that the number of ounces has been adjusted, it does have the effect of increasing the cash cost before royalties per ounce as follows:

- Total cash cost excluding royalties:
    - Since acquisition – increased by $82, from $1,107 to $1,189
- Total operating cash cost excluding royalties:
    - Since acquisition – increased by $67, from $910 to $977.

DISCUSSION OF OPERATIONS (continued…)

For the three and six months ended June 30, 2012 (continued…)

Non-Cash Costs:

- Non-cash costs (depreciation and amortization) of $2.92 million ($251 per ounce produced) were also recognized in Q2 2012 (Q1 2012 - $1.83 million; $104.41 per ounce produced), with the increase consistent with the effect of increased amortization due to capitalized stripping costs.
- Non-cash costs (depreciation and amortization) of $4.75 million ($163 per ounce produced) were also recognized in the six months ended June 30, 2012 (four months ended December 31, 2011 - $2.49 million; $123 per ounce produced), with the increase consistent with the combined effect of increased amortization due to capitalized stripping costs and the effect of the inventory adjustment described previously.

Non-mining related expenses and income:

Corporate general and administration costs totaling $612,570 for Q2 2012 (Q2 2011- $126,098), and $869,818 for YTD 2012 (six months ended June 30, 2011 - $352,441) include the following:

	Q2 2012	Q1 2012	YTD 2012	Q2 2011	Q1 2011	YTD 2011	FY 2011
Acquisition related costs	$ -	$ -	$ -	$ 131,345	$ 226,343	$ 357,688	$ -
Professional Fees	307,502	96,373	403,875		-		1,148,041
Management fees to officers	170,756	115,849	286,605	-	-	-	213,664
Investor relations	37,530	16,132	53,662	-	-	-	7,384
Corporate general and administration	96,782	28,894	125,676	-	-	-	135,416
Share based compensation	-	-	-	-	-	-	587,651
	$ 612,570	$ 257,248	$ 869,818	$ 131,345	$ 226,343	$ 357,688	$ 2,092,156

Professional fees and corporate general and administration costs increased in Q2 2012 to properly reflect the costs of running a growing publicly-listed company. Management fees paid to officers in Q2 2012 and YTD 2012 include an increase in compensation for such periods for the Company's Chief Financial Officer by $56,000, as a result of increased time requirements to fulfill this role.

Other notable non-mining related expenses (income) for Q2 2012 and YTD 2012, compared to Q1 2012, Q2 2011, Q1 2011, the six months ended June 30, 2011 and the totals for 2011 are as follows:

	Q2 2012	Q1 2012	YTD 2012	Q2 2011	Q1 2011	YTD 2011	FY 2011
(Gain) loss in foreign exchange	$ (317,874)	$ 103,639	$ (214,235)	$ -	$ -	$ -	$(583,720)
Movement in fair value of warrants	626,765	(1,236,201)	(609,436)	-	-	-	1,443,904
Interest on long term debt	57,467	58,018	115,485	-	-	-	79,241
Accretion on the Company's rehabilitation and restoration provision	130,568	127,357	257,925	-	-	-	174,425
Other expenses (income)	(6,145)	11,534	5,389	-	-	-	331,457
Total non-mining expenses (income)	$ 490,781	$ (935,653)	$ (444,872)	$ -	$ -	$ -	$1,445,307

DISCUSSION OF OPERATIONS (continued…)

For the three and six months ended June 30, 2012 (continued…)

Non-mining related expenses and income (continued…)

As a result of the movement of fair value of warrants, the Company recorded financing expense in Q2 2012 of $0.6 million, and income of $0.6 million for the six months then ended.

Earnings

The earnings for Q2 2012 and YTD 2012 were therefore comprised of:

	Q2 2012	Q1 2012	YTD 2012	Q2 2011	Q1 2011	YTD 2011
Income from mining operations	$ 1,773,387	$ 10,842,004	$ 12,615,391	$ -	$ -	$ -
Exploration costs	(310,256)	(73,061)	(383,317)	-	-	-
Corporate general and administrative costs	(612,570)	(257,248)	(869,818)	(131,345)	(226,343)	(357,688)
Stock-based compensation	-	-	-	-	-	-
Foreign exchange (loss) gain	317,874	(103,639)	214,235	-	-	-
Interest on long term debt	(57,467)	(58,018)	(115,485)	-	-	-
Other (expenses) income	6,145	(11,534)	(5,389)	-	-	-
Other financing income (costs)	(757,333)	1,108,844	351,511	-	-	-
	$ 359,780	$ 11,447,348	$ 11,807,128	$ (131,345)	$ (226,343)	$ (357,688)

Overall performance:

The operations of Q2 2012 resulted in the reduction of $1.9 million in working capital ($1.0 million less inventory adjustment of $2.9 million) as compared to $8.1 million generated in Q1 2012.

The operations of the six months ended June 30, 2012 resulted in the generation of $6.2 million in working capital ($9.1 million less the GIC portion of the OIP Adjustments of $2.9 million) as compared to $6,3 million generated in the four months ended December 31, 2011.

Events and conditions in the global financial markets impact gold prices, commodity prices, interest rates and currency rates. These conditions and market volatilities may have a positive or negative impact on the Company's revenues, operating costs, project development expenditures and project planning.

In the three months ended June 30, 2012, the gold price continued to display considerable volatility with spot daily closings between $1,678 and $1,540 per ounce from London Bullion Market Association. The range of gold prices in the six months ended June 30, 2012 was from a high of $1,781 to a low of $1,540 per ounce. The closing price of gold at June 30, 2012 was $1,598.50 per ounce.

EXPLORATION

Exploration activity for Q2 2012 has ramped up significantly as anticipated. Subsequent to the NLE Acquisition, as previously reported, a portfolio-wide exploration plan was developed and this extensive program is now underway. In Q2 2012 $310,256 was incurred in exploration costs. Prior to Q2 2012, only incidental costs were incurred on exploration activities.

The ongoing review of the exploration database generated through previous extensive exploration activity has resulted in confirmation of provisional exploration targets in the exploration plan as well as the identification of additional high priority targets. The review of previous aero-magnetic survey data with the most advanced interpretation technology has been a central and critical component of this process. As a result of these activities the Company's exploration program has been expanded to include the additional identified targets. The board has approved the expanded program which now extends out to the end of 2013 and allocated additional funding from $3.8 million for 2012 and 2013 to $7.8 million for the same period.

- Tau Deeps: The first phase of the deep drilling program has been completed with two diamond drill holes being drilled to an approximate vertical depth of 480m. Drill metre totals on the Tau Deeps project for Q2 2012 are 800m reverse circulation ("RC") drilling and 903m of diamond core drilling. It is anticipated that assay results from this drilling will be received in Q3 2012. An additional deeper diamond hole is expected to be completed in Q3 2012 down to a vertical depth of approximately 900m.
- Tekwane: An additional 45 pits have been completed. A third program of pits will now be planned and implemented during Q3 and Q4, 2012. The program is designed to progressively and cost effectively locate the source of the quartz rubbles and thereby any gold mineralisation contained.
- Jim's Luck: Drilling program is underway and progressing well. A total of six RC holes for 963m and one diamond core hole for 161 metres have been completed during Q2 2012. This program will continue on in Q3 2012 and beyond to define an initial NI43:101 compliant resource estimate and then on to strike extensions. Assay results on the completed drilling are anticipated to be received during Q3 2012.
- Matopi: The first phase of the Matopi drilling program has been completed. A total of 5 RC holes for 847m and 1 diamond hole for 300m have been completed. Assay results have been received from the RC holes which confirm the low-grade mineralization, consistent with the historic holes. Additionally, no new zone of mineralization was intersected.
- Fines Dumps: A program of auger sampling has been planned on a number of fines dumps from previous mining activity on the Company's properties including over 8 million tonnes of Mupane tailings. The objective is to determine the potential for economic retreatment of these dumps. This program will commence during Q3 2012 and will be ongoing until at least the end of 2012. The program is designed to progressively and cost effectively test the grade and economic gold recovery potential of the fines tailings materials.
- Orapa Road: A program of higher density soil sampling will be commenced during Q3 2012 on the northern part of the "Orapa Road" anomalies. Gold in soil had been previously identified and this combined with the reinterpretation of the aero-magnetic survey data has highlighted a number of areas of higher interest. The program is scheduled to be completed during Q3 and Q4 2012 with assays being progressively received during this period.
- Mupane: The sample preparation lab has been installed and commissioned. The lab is now handling all the sample preparation for the Galane Gold exploration program. It is anticipated that further sample preparation capacity will be required to service the Company's expanded exploration program.

UPDATE ON USE OF AVAILABLE FUNDS

The following table sets out a comparison of the disclosure regarding the Company's intended use of available funds as set out in in the filing statement of the Company dated August 25, 2011 (the "Filing Statement") and filed on SEDAR at www.sedar.com and the actual use of available funds as at June 30, 2012:

Anticipated Use of Funds	Estimated Use of Funds Over Next 18 Months (as of the date of the Filing Statement)		Actual Use of Funds (as at June 30, 2012)	
To finance production at the Mupane Property		-		-
To finance operations for 18 months		-		-
Initial principal and interest payment on the promissory note issued in connection with the Gallery Acquisition (payable 18 months after the closing of the Gallery Acquisition)	$	1,480,000	$	194,726
Total	$	1,480,000	$	194,726

There are no variances on uses of funds that have impacted the Company's ability to achieve its business objectives and milestones as outlined in the Filing Statement.

UPDATE ON OBJECTIVES

The following table sets forth the business objectives of the Company for the 2011 and 2012 calendar years as set forth in the Filing Statement and the current status of such objectives:

Objectives	Status
At the Mupane Property:	
• to continue gold production according to the mine plan out to 2016.	No change, in progress
At the NLE projects:	
• to complete the NLE Acquisition by the end of 2011 for consideration of 3,125,000 Common Shares (based on a share price of $0.80 per share); and	Completed on April 10, 2012
• to commence an 18 month exploration plan for the Jim's Luck project for a budgeted cost of a total of $1.52 million.	Exploration plan and budget for 2012 and 2013 have been completed and approved by the Company's Board of Directors, totaling $7.8 million until the end of 2013.

Certain information set out in the table above under "Status" is forward-looking information. Such forward-looking information is based on the assumptions and is subject to the material risks discussed above under "Forward-Looking Statements". Actual results may vary significantly from the forward-looking information in this MD&A.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's selected quarterly information for each of the quarters ended June 30, 2012 since the date of incorporation November 15, 2010:

	Three months ended[1][2]			
	June 30, 2012 $	March 31, 2012 $	December 31, 2011 $	September 30, 2011 $
Total Revenue	22,450,684	25,936,297	27,125,460	1,481,325
Mining cost of sales				
- Cash		(13,264,651)	(18,394,312)	(2,729,95
- Non-cash (depreciation and amortization)		(1,829,642)	(1,543,231)	(942,027)
Total mining cost of sales	(20,677,297)	(15,094,293)	(19,937,543)	(3,671,981)
Exploration costs	(310,256)	(73,061)	(35,251)	
Non mining income (expenses)	(1,103,351)	678,405	(1,476,115)	(1,703,660)
Profit (loss) from continuing operations attributable to owners of the parent[3]	359,780	11,447,348	5,676,551	(3,894,316)
Profit (loss) per share from continuing operations attributable to owners of the parent[3]				
- Basic	0.0075	0.254	0.126	(0.23)
- Fully diluted	0.0075	0.254	0.126	(0.23)
Total assets at end of quarter	66,242,588	61,561,936	53,033,974	49,654,410
Total liabilities at end of quarter	19,398,057	17,753,398	20,672,784	22,985,280
Total equity at end of quarter	46,844,531	43,808,538	32,361,190	26,669,130

	Three months ended		
	June 30, 2011 $	March 31, 2011 $	December 31, 2010 $
Revenue	-	-	-
Mining costs - Cash - Non-cash (depreciation)	-	-	-
Total mining costs	-	-	-
Exploration costs	-	-	-
Non mining income (expenses)	(131,345)	(226,343)	-
Profit (loss) from continuing operations attributable to owners of the parent[3]	(131,345)	(226,343)	-
Profit (loss) per share from continuing operations attributable to owners of the parent[3]			
- Basic	n/a	(0.09)	n/a
- Fully diluted	n/a	(0.09)	n/a
Total assets	254,498	256	320
Total liabilities	611,930	226,343	-
Total equity	(357,432)	(226,087)	320

Notes:

(1) GGM was incorporated on November 15, 2010 and inactive until the first quarter of 2011, therefore there are no results prior to that time.

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

(3) The Company does not have any discontinued operations.

SUMMARY OF QUARTERLY RESULTS (continued…)

The comparison on the Company's results for the three and six months ended June 30, 2012 with the immediately preceding quarters has been provided in the "Discussion of Operations" section of this MD&A.

SUMMARY OF FINANCIAL POSITION

<u>Selected Consolidated Statement of Financial Position Data:</u>

	June 30, 2012 $	March 31, 2012 $	December 31, 2011 $
Total current assets	31,124,524	32,733,758	26,431,189
Total current liabilities	5,675,372	5,402,316	7,196,711
Working capital	25,449,152	27,331,442	19,234,478
Mining assets	35,118,064	28,828,178	26,602,785
Non-current liabilities	13,722,685	12,351,082	13,476,073
Total shareholders' equity	46,844,531	43,808,538	32,361,190

As noted in the "Corporate Overview" section, the Company completed the Gallery Acquisition and the Carlaw Acquisition and operated the Mupane mine for the last four months of the year ended December 31, 2011, resulting in the acquisition and generation of working capital totaling $19,234,478.

In Q2 2012, the Company generated $3.1 million in working capital from its mining operations, made capital expenditures totaling $4.4 million and made expenditures on corporate operations totaling $0.6 million, resulting in a net decrease in working capital during the quarter of $1.9 million.

In the six months ended June 30, 2012, the Company generated $15.9 million in working capital from its mining operations, made capital expenditures totaling $8.8 million and made expenditures on corporate operations totaling $0.9 million resulting in a net increase in working capital during the six month period of $6.2 million.

As a result, the Company had working capital at June 30, 2012 of $25,449,152 to meet its ongoing obligations.

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 June 30, 2012, the Company had $25,449,152 in working capital and generated $18.0 million in cash flow from operations for the six months ended June 30, 2012. A continuation of these results is expected to provide sufficient capital to the Company to fund annual operating expenses, capital commitments budgeted at $6.0 million and the exploration program contemplated from the NLE Acquisition of $7.8 million until the end of 2013.

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 from operations even if there was a 20% reduction in the spot price of gold.

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 June 30, 2012, the amount reflected in the Company's restoration and rehabilitation provision is $5.2 million (on an undiscounted basis, the total payments are estimated at $6.9 million).

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

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, interest bearing loans and borrowing, and warrants denominated in foreign currencies. The fair value of the Company's trade and other receivables, and accounts payable and accrued liabilities approximate their carrying value, 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 and warrants denominated in foreign currency are valued 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 in the "Risks and Uncertainties" section of the annual MD&A for the year ended December 31, 2011, available at www.sedar.com.

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's current trade receivables are from a reputable customer for the purchase of the gold it produces, and other receivable balance consists of amounts outstanding on tax credits from governmental authorities, each of which are expected to be paid in the near term at face value. The Company's exposure to credit risk is minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2012, the Company had a cash, gold inventory and receivables balance of $31,124,524 (December 31, 2011 - $26,431,189) to settle current liabilities of $5,675,372 (December 31, 2011 - $7,196,711). 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 48,296,130 Common Shares are issued and outstanding as of the date of this MD&A. On a diluted basis, the Company has 66,974,118 Common Shares outstanding as of the date of this MD&A, assuming the exercise of 14,650,528 outstanding warrants, 1,888,980 outstanding agent's warrants, 2,127,500 outstanding stock options pursuant to the Company's stock option plan and 11,250 outstanding stock options issued to an eligible charitable organization.

The Company adopted an Employee Share Purchase Plan ("ESPP"), which was approved by shareholders at the annual and special meeting of the Company on June 12, 2012. Under the terms of the ESPP, 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 ESPP 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 63,130 deferred matching shares in three equal tranches over a three-year period.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended June 30, 2012 the following related party transactions occurred:

- Philip Condon, the Company's CEO and Miniera Group Limited (a consulting company owned by Philip Condon):
  - Management fees of $180,000 were paid in cash to Miniera Group Limited under its contract for the provision of the CEO services of Philip Condon;
  - Philip Condon subscribed for 12,626 Common Shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;
- Donald Cameron, the Company's CFO and InHouseCFO Inc. (a consulting company controlled by Donald Cameron):
  - Management fees of $103,090 and accounting fees of $11,895 were reflected in the period, $59,475 paid in cash, and $55,510 accrued and paid subsequent to the period end to InHouseCFO Inc. for the provision of the CFO services of Donald Cameron;
- Charles Byron, a director of the Company:
  - The Company paid salary in cash to Mr. Byron totaling $130,000 under his contract as Chief Geologist for the Company;
  - The Company paid rent of $10,217 for office premises to Great African Services (Pty) Ltd., a company owned by a consortium of individuals that includes Charles Byron;
  - The Company paid CDN$12,000 in cash and issued 1,500,000 Common Shares to Mr. Byron on the closing of the NLE Acquisition, as he was a shareholder of NLE;
  - Mr. Byron is entitled to receive CDN$190,000 in principal plus interest at 6% for his proportionate share of the note payable issued as part of the NLE Acquisition. Of this he has received CDN$120,000 plus interest of CDN$3,008.22 as at the date of this MD&A;
  - Mr. Byron is also entitled to 4,200,000 of the 8,750,000 Common Shares that are potentially issuable pursuant to the NLE Acquisition;
- Ravi Sood, a director of the Company subscribed for 12,626 Common Shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;
- Amar Bhalla, a director of the Company subscribed for 12,626 Common Shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;

TRANSACTIONS WITH RELATED PARTIES (continued…)

- Ian Egan, a director of the Company subscribed for 12,626 Common Shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;
- Richard Kimel, the corporate secretary of the Company subscribed for 12,626 Common Shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;
- IAMGOLD, a shareholder with significant influence, by holding in excess of 20% of the Common Shares:
    - The Company accrued and paid $115,485 in cash in interest on the interest bearing note to IAMGOLD;
    - The number of warrants held by IAMGOLD increased by 3,112,525 as a result of the closing of the NLE Acquisition.

At June 30, 2012, $17,907 (2011 $nil) was payable by the Company to Mr. Sood for reimbursement of out-of-pocket operating expenses he incurred during the second quarter of 2012.

The remuneration of directors and other members of key management personnel during the six months ended June 30, 2012 is as follows:

	Six months ended June 30, 2012	Six months ended June 30, 2011
Salaries	$ 130,000	-
Management fees	294,985	-
Share-based compensation	-	-
	$ 424,985	-

CHANGES IN ACCOUNTING POLICIES

Current accounting changes

Consolidated financial statements (Section 1601) and non-controlling interests (Section 1602)

There have been no changes in accounting policies during the six months ended June 30, 2012.

New Standards and Interpretations not yet adopted

There are a number of new standards and interpretations that the Company will be required to adopt. Details are as follows:

(a) IFRS 9 – Financial instruments

The IASB has issued IFRS 9, Financial Instruments, which is a four-part project proposed to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The first part of this project provides new guidance for the classification and measurement of financial assets and liabilities. The Company is in the process of evaluating the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments.

CHANGES IN ACCOUNTING POLICIES (continued…)

New Standards and Interpretations not yet adopted (continued…)

(b) IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements

(c) IFRIC 20 – Stripping costs in the production phase of a surface mine

IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 is applicable for annual periods beginning on or after January 1, 2013 and early application is permitted. The Company is in the process of evaluating the requirements of the new standard.

(d) IFRS 12 – Disclosure of Interests in Other Entities

The IASB issued IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. When applied, it is expected that the amendment to IFRS 12 will increase the current level of disclosure of interests in other entities.

(e) IFRS 13 – Fair Value Measurement

The IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises would be required to adopt IFRS for financial periods beginning on and after January 1, 2011. The Financial Statements include full disclosure of the Company's accounting policies in accordance with IFRS policies in Note 3 therein.

COMMITMENTS

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

Royalty expenses:

Production from the 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. During the six months ended June 30, 2012, the Company paid $2,442,134 in royalties (2011 - $nil).

Operating contractual obligations:

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

• Incurred during the six month period ended June 30, 2012	$185,784
• To be incurred in the remainder of 2012	$200,035
• To be incurred 2013-2016	$590,851

Claims:

The Company is subject to one known employment-related litigation action, and outside legal advisors have 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.

SUBSEQUENT EVENTS

On August 6, 2012, the Company received confirmation that its application for a listing on the Botswana Stock Exchange ("BSE") was approved and the Company's shares were listed for trading on the BSE on August 22, 2012.

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, 2011, 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 total cash cost per ounce, total cash cost excluding royalties per ounce, 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 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.

SUPPLEMENTAL INFORMATION TO MANAGEMENT'S DISCUSSION AND ANALYSIS (continued…)

Cash costs (continued…)

The following tables provide a reconciliation of cash cost measures for the mine to the mining costs excluding depreciation and amortization reflected in the Financial Statements.

	Q2 2012 (before OIP Adjustments) (2)	Q1 2012	YTD 2012 (before OIP Adjustments) (2)	FY 2011 (1)	Total since acquisition (after OIP Adjustments) (2)
Mining costs excluding depreciation and amortization	$ 17,755,929	$ 13,264,651	$ 31,020,580	$ 21,124,266	$ 52,144,846
Adjust for:					
Stock movement	(2,972,526)	100,920	(2,871,606)	(480,515)	(3,352,121)
Capitalized mining costs	3,747,977	4,184,789	4,184,789	1,783,766	9,716,532
Total cash cost	$ 18,531,380	$ 17,550,360	$ 36,081,740	$ 22,427,517	$ 58,509,257
Royalties	(1,164,703)	(1,277,431)	(2,442,134)	(1,442,264)	(3,884,398)
Total cash cost excluding royalties	$ 17,366,677	$ 16,272,929	$ 33,639,606	$ 20,985,253	$ 54,624,859
Capitalized cash costs	(3,747,977)	(4,184,789)	(7,932,766)	(1,783,766)	(9,716,532)
Total operating cash cost excluding royalties	$ 13,618,700	$ 12,088,140	$ 25,706,840	$ 19,201,487	$ 44,908,237
Gold production (ounces)	11,621	17,523	29,144	20,193	45,957
Total cash cost per oz.	$ 1,594.65	$ 1,001.56	$ 1,238.05	$ 1,110.65	$ 1,273.13
Total cash cost excluding royalties per oz.	$ 1,494.42	$ 928.66	$ 1,154.25	$ 1,039.23	$ 1,188.61
Total operating cash cost excluding royalties per oz.	$ 1,171.90	$ 689.84	$ 882.06	$ 950.89	$ 977.18

(1) FY 2011 results are for the four months from the date of acquisition of the Mupane mine (August 30, 2011 to December 31, 2011).
(2) The amounts and calculations since the date of the Acquisitions include the effects of a one-time downward adjustment to inventory quantities discussed in the "OI Program Results" section of this MD&A.