

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

Dated: March 22, 2013.

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 March 22, 2013. 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 audited consolidated financial statements and notes thereto for the year ended December 31, 2012 (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 Financial Statements 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 Financial Statements together with the other financial information included in the Financial Statements 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 Financial Statements.

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

FORWARD-LOOKING STATEMENTS

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

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to: the Company's dependence on a single mineral project; gold price volatility; risks associated with the conduct of the Company's mining activities in Botswana; regulatory, consent or permitting delays; risks relating to the Company's exploration, development and mining activities being situated in a single country; risks relating to reliance on the Company's management team and outside contractors; risks regarding mineral resources and reserves; the Company's inability to obtain insurance to cover all risks, on a commercially reasonable basis or at all; currency fluctuations; risks regarding the failure to generate sufficient cash flow from operations; risks relating to project financing and equity issuances; risks arising from the Company's fair value estimates with respect to the carrying amount of mineral interests; mining tax regimes; risks arising from holding derivative instruments; the Company's

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FORWARD-LOOKING STATEMENTS (continued...)

need to replace reserves depleted by production; risks and unknowns inherent in all mining projects, including the inaccuracy of reserves and resources, metallurgical recoveries and capital and operating costs of such projects; contests over title to properties, particularly title to undeveloped properties; laws and regulations governing the environment, health and safety; operating or technical difficulties in connection with mining or development activities; lack of infrastructure; employee relations, labour unrest or unavailability; health risks in Africa; the Company's interactions with surrounding communities and artisanal miners; the Company's ability to successfully integrate acquired assets; the speculative nature of exploration and development, including the risks of diminishing quantities or grades of reserves; development of the Company's exploration properties into commercially viable mines; stock market volatility; conflicts of interest among certain directors and officers; lack of liquidity for shareholders of the Company; risks related to the market perception of junior gold companies; and litigation risk. See "Risks and Uncertainties" below. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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

CORPORATE OVERVIEW

The Company's principal business activities are the exploration for, development of, and operation of gold mining properties. 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.

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FINANCINGS

During the year ended December 31, 2011, the Company was actively involved in raising the capital required to complete the Gallery Acquisition and the Carlaw Acquisition (collectively, the "Acquisitions"), and provide the Company with the necessary working capital to fund its ongoing operations after the completion of the Acquisitions.

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 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 Shares and 10,272,750 GGM Warrants. At the effective time of the closing of the Carlaw Acquisition, the GGM 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. All of such warrants expired in accordance with their terms on March 1, 2013.

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.

In June 2012, the Company issued 63,130 Common Shares pursuant to the Employee Share Purchase Plan (the "ESPP") that was approved on June 12, 2012 for gross and net proceeds of \$62,238 (CDN\$62,500).

In December 2012, the Company issued 85,615 Common Shares pursuant to the ESPP for gross and net proceeds of \$62,500 (CDN\$62,500).

ACQUISITIONS

Gallery Acquisition

On August 30, 2011, the Company acquired from IAMGOLD 100% of the outstanding shares of Gallery Gold Pty Ltd. ("Gallery"), an Australian company that, through its subsidiaries, holds the rights to conduct activities prescribed under mining and prospecting licenses at the Mupane gold mine, located in Botswana (the "Mupane Property"). As consideration for the purchase of the shares of Gallery, IAMGOLD received 21,875,000 Common Shares, 1,265,253 warrants to purchase Common Shares and a promissory note in the amount of \$3,800,000. Each warrant was exercisable into one Common Share on or before March 1, 2013 at a price of \$1.10 per share.

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ACQUISITIONS (continued...)

Gallery Acquisition (continued...)

As a result of the closing of the NLE Acquisition (as discussed below), the number of warrants issued to IAMGOLD pursuant to the Gallery Acquisition was adjusted from 1,265,253 warrants to 4,377,778 warrants to purchase Common Share exercisable on or before March 1, 2013 at a price of CDN\$1.10 per share. All of such warrants expired unexercised.

The fair values of identifiable assets and liabilities of Gallery as at the date of acquisition were:

	Fair value
Mining properties	\$14,574,736
Plant and Equipment	4,984,330
Ore Stockpiles	7,078,579
Inventory	10,479,500
Other Current Assets	1,977,930
Cash and Cash Equivalents	5,946,998
Trade and Other Payables	(5,563,668)
Restoration and rehabilitation provision	(4,971,445)
Net assets	\$34,506,960

The Gallery Acquisition was accounted for using the acquisition method in accordance with IFRS 3 with the results of operations consolidated with those of the Company effective August 30, 2011.

Carlaw Acquisition

On August 30, 2011, Carlaw acquired 100% of the outstanding shares of GGM by way of a "three-cornered amalgamation" pursuant to section 174 of the *Business Corporations Act* (Ontario). As the former shareholders of GGM acquired control of Carlaw, the Carlaw Acquisition is reported for accounting purposes as if GGM acquired Carlaw. As a result, the results of Carlaw are reflected only since the date of acquisition. Immediately after the Carlaw Acquisition, Carlaw's name was changed to Galane Gold Ltd.

The fair values of identifiable assets and liabilities of Carlaw as at the date of acquisition were:

	Carrying Fair value
Other current assets	\$ 9,180
Cash and cash equivalents	179,678
Trade and other payables	(100,559)
Net assets	\$ 88,299
Goodwill	nil
Total consideration	\$ 88,299

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ACQUISITIONS (continued...)

NLE Acquisition

In addition to the Acquisitions, the Company entered into an agreement dated July 27, 2011 with the shareholders of the Northern Lights Exploration Company (Pty) Ltd. ("NLE") to acquire all of its issued and outstanding shares (the "NLE Acquisition"). NLE owns the rights to a number of exploration licenses near the Mupane Property (the "NLE Properties"). The NLE Acquisition was completed on April 10, 2012.

As consideration for all of the issued and outstanding shares of NLE, the Company issued 3,125,000 Common Shares to the shareholders of NLE and promissory notes in the aggregate principal amount of CDN\$400,000, bearing interest at 6% per annum with principal payments as follows:

- Paid on closing CDN\$100,000
- On the 2nd, 4th, and 6th month anniversary after closing CDN\$100,000

The final payment of principal and accrued interest on the notes was completed on October 10, 2012.

The agreement also provides for the issuance of up to an additional 8,750,000 Common Shares upon the achievement of the following exploration milestones on NLE's mineral properties on or prior to the date which is seven years from the date of the closing of the NLE Acquisition. The milestones set forth below are cumulative:

Milestone	Consideration	Cumulative Consideration
Exploration work on the mineral properties of NLE confirms by way of a NI 43-101 report a measured mineral resource containing at least 100,000 ounces of gold or the number of ounces of contained gold that is mined exceeds 100,000 ounces (or any combination thereof without duplication)	1,375,000 Common Shares	1,375,000 Common Shares
Exploration work on the mineral properties of NLE confirms by way of a NI 43-101 report a measured mineral resource containing at least 250,000 ounces of gold or the number of ounces of contained gold that is mined exceeds 250,000 ounces (or any combination thereof without duplication)	1,750,000 Common Shares	3,125,000 Common Shares
Exploration work on the mineral properties of NLE confirms by way of a NI 43-101 report a measured mineral resource containing at least 500,000 ounces of gold or the number of ounces of contained gold that is mined exceeds 500,000 ounces (or any combination thereof without duplication)	3,125,000 Common Shares	6,250,000 Common Shares
Exploration work on the mineral properties of NLE confirms by way of a NI 43-101 report a measured mineral resource containing at least 1,000,000 ounces of gold or the number of ounces of contained gold that is mined exceeds 1,000,000 ounces (or any combination thereof without duplication)	2,500,000 Common Shares	8,750,000 Common Shares
Total	8,750,000 Common Shares	8,750,000 Common Shares

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OUTLOOK

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

The mine plan/resource review was finished in Q4 2012 and the Company plans to mine or utilize the following resources in 2013:

- Tholo Pit – the accelerated stripping program has commenced as planned and it is anticipated that it will be providing a higher proportion of ore feed requirements for the mill to approximately 50% in Q2 2013. This ore is at higher grade than Golden Eagle or other ore sources available to the Company at this time and thus will have the anticipated effect of averaging up the process plant head grade progressively as more ore volume is produced from Tholo. Mining activity from the Tholo pit is anticipated to finish at the end of 2013 but due to the high volumes of ore mined at the end of the year it is expected that some of the ore mined in 2013 will be stockpiled for feed in 2014.
- Golden Eagle – as stated above the grade at Golden Eagle is less than that at Tholo therefore the decision has been made to reduce the mining rate and prioritize Tholo. The mining rate will be sustained at such a level that the main ore pit can be accessed in 2014 as Tholo is completed. It is anticipated that as we progress with Golden Eagle the grades mined will improve with depth.
- Stockpiles – the Company has a stockpile of ore from previous mining next to the processing plant. The decision has been made to utilize this resource as it provides a source of low grade ore, at no mining cash cost to the Company, which can be mixed with the high grade ore from Tholo. This has also enabled us to reduce the mining rate at Golden Eagle. This will be predominately utilized in the first six months of 2013.

For 2014, as discussed above, the Company plans to mine predominantly at Golden Eagle as the main ore pit will be accessed and the grades achieved are anticipated to improve. In addition the Tholo ore stockpiled during the last quarter of 2013 will be used to supplement ore feed to the processing plant. The Company has also commenced a feasibility study to determine if it can economically access the Tau pit resources during the second half of 2014 using underground mining methods.

The Company's processing plant continues to focus on on-going stabilisation and optimisation of the processing operations consistent with the Operational Improvement (OI) program. Particular areas of focus include:

- A review of the metal accounting system as used by the operations previously was completed in 2012 and it resulted in the identification of procedures that required improvement to ensure consistent and accurate metal accounting and reconciliation. This has been converted into an implementation plan for 2013 commencing with the construction of a weigh bridge where the ore is received at the plant in Q1 2013. It is anticipated that the introduction of a robust metal accounting system will result in the identification of additional opportunities for on-going stabilization and optimization.
- Tonnage throughput increase studies have progressed with the first stage now completed. The most significant of the opportunities is the addition of a secondary crushing circuit. The engineering design and specification of this circuit has been completed and it is anticipated that the total cost of the installation will be approximately three million dollars for a tonnage throughput increase in capacity from 140t/hr to 160t/hr or approximately 14.2% on an hourly processing capacity basis. The Company is currently reviewing the optimum time to implement the secondary crushing.
- It is anticipated that installation of a water tapping point on an existing water supply pipeline, in anticipation of higher tonnage throughput rates and associated higher water consumption volumes that may be required in the future (as well as risk reduction for water supply on the current production rate requirements) is expected to be completed in Q1 2013.

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OUTLOOK (continued...)

- Investigations are currently underway to identify a more accurate system of quantifying blast induced movement so that this gets factored into the grade control modelling system and reduces dilution. A service provider has been identified and work is expected to start in Q1 2013.
- Application for the establishment of an extension of the existing tailings storage facility has been initiated. Tender process to select suitable service provider to carry out the Environmental Impact Assessment ("EIA") as requested by the department of environment is already underway and the plan is for the EIA work to start in Q1 2013.

The Company's exploration program for 2013 is focused on extending the mine life by defining depth extensions for potential underground mining of both operating and mined-out open pits, and by following up on targets generated by the 2012 work. There is also an element of "blue sky" work planned on new prospects like "Orapa Road" where the 2012 soil geochemistry survey has yielded distinct anomalies that look encouraging.

DISCUSSION OF OPERATIONS

For the three months and the year ended December 31, 2012

The following is an analysis of the Company's operating results for the three months ended December 31, 2012 ("Q4 2012") and the year ended December 31, 2012 ("2012"). For mining operations, processing and financial information comparisons with the immediately preceding quarters have been provided. It is considered by management that the fourth quarter of 2011 is not reflective of the continuing operations as it was the first quarter in which the Company operated the mine. Where it is believed relevant and comparable the Company has provided comparisons to Q4 2011. Commencing in 2013, the Company will be in a position to compare a quarter in the current year with a quarter in the previous year.

Operating activity:

The Company commenced active mining operations on the closing of the Acquisitions on August 30, 2011 (the "Acquisition Date").

Commentary regarding the Company's operating activity during Q4 2012 and 2012 follows:

Mining

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

		2012				2012	2011	Since Acquisition
		Q1	Q2	Q3	Q4			
Mupani (Tholo&Kwena)	Ore(t)	42,623	61,269	69,632	98,212	271,737	86,511	358,248
	Grade(g/t)	1.36	1.94	2.00	2.11	1.92	1.38	1.79
	Waste(t)	2,869,349	2,151,585	2,591,967	2,040,171	9,653,073	2,725,462	12,378,534
Signal Hill	Ore(t)	233,020	158,193	67,178	10,549	468,939	358,818	827,757
	Grade(g/t)	2.29	1.83	1.61	1.37	2.02	1.69	1.88
	Waste(t)	986,826	633,497	387,870	86,602	2,094,796	2,080,259	4,175,055
Golden Eagle	Ore(t)	6,870	44,043	64,551	50,029	165,493	-	165,493
	Grade(g/t)	0.65	1.38	1.33	1.64	1.41	-	1.41
	Waste(t)	99,642	622,810	1,153,194	748,176	2,623,822	-	2,623,822

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DISCUSSION OF OPERATIONS (continued...)

Mining (continued...)

The Company has operated several mining operations at the Mupane Property during 2012. The operations included:

- Tholo - in Q1 2012, the Company reviewed the mine plan at its Tholo pit. As a result the Company completed a revised mine plan that involved accelerated stripping of the Tholo pit cutback to make more ore available at a higher grade sooner. The Company considered the 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 accelerated stripping program was approved by the Board of Directors and commenced in Q2 2012. In Q3 2012 a water aquifer was encountered earlier than anticipated, causing a temporary delay in mining. During Q4 2012, mining has proceeded as planned although mining fleet availability has caused problems in producing the required volumes of ore to the processing plant. As the program has progressed, more ore of better grade has been mined with a resulting positive impact on the average grade of total ore mined.
- Signal Hill – in Q1 2012, Signal Hill provided the majority of the ore to the processing plant as the stripping reduced and the Company reached the bottom of the pit. Although Signal Hill was planned originally to close in Q1 2012 it continued to provide gold ore for a longer duration than anticipated with some remaining ore still to be moved at the end of the rainy season when it can be accessed.
- Golden Eagle – the Company commenced mining at Golden Eagle in Q2 2012 as planned. Production during Q3 2012 increased to providing over 50% of the ore to the processing plant. In Q4 2012, production was hampered by the poor safety and productivity performance of the mining contractor who was suspended twice for poor safety performance and then finally terminated in December. This impacted negatively on production and mining stopped in the latter part of December and continued again in late January. The Company is currently going through a tender process to install a new contractor for the remaining two year mine life of the Golden Eagle open cast pit.

As part of the Company's previously disclosed Operational Improvement Program (the "OI Program") the Company has implemented various reviews and implemented the recommendations of such reviews in 2012:

- Mine plan/resource review was completed in Q4 2012 and a new plan has been implemented for 2013 and 2014 as discussed above under Outlook.
- Blasting designs have been revised, improving fragmentation and ore dilution levels.
- More frequent real-time mine geology updates of the mine plan have been implemented, allowing further refinement of the mine plan as mining activity progresses.
- 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.
- The Company commenced a review of its own mining fleet to improve efficiency in terms of costs on a dollar per tonne basis and operating availability. As a result in 2013 the decision was made to outsource the mining fleet and a retrenchment process for the employees affected has commenced.

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DISCUSSION OF OPERATIONS (continued...)

Processing

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

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2012	FY 2011	Total since Acquisition Date
Ore milled (000 t)	246	245	308	285	1,084	385	1,469
Head grade (g/t)	1.49	1.60	1.46	2.18	1.70	1.86	1.75
Recovery (%)	78.2%	84.0%	80.0%	88.1%	82.6%	87.5%	83.7%
Gold production (oz.)	9,234	10,562	11,621	17,523	48,940	20,193	69,133

Highlights of the Company's processing operations during 2012 included:

- The processing plant maintenance program was established in Q1 2012 and has progressed well during 2012. Meaningful condition monitoring programs have been introduced and have benefitted operations personnel in preparing planned maintenance programs. As a result a major shutdown was completed on the SAG mill in September 2012 that required significant downtime to complete. The scope of work was mainly on the mill power train and included changing the drive pinion, reversing the mill girth gear, replacing drive couplings and reinstating the drive speed reduction gearbox mounting. In Q4 2012, plant availability was affected by a planned shutdown to reline the feed end of the SAG Mill and repair work on the mill feed chute. Further significant work is scheduled to be carried out on the processing plant during the first half of 2013. It is anticipated that this work will be carried out during planned shutdowns to minimise production disruption.
- In Q1 2012, tailings deposition method has been revised to reduce risk and improve water recovery. This was implemented successfully and it resulted in the improvement of water recovery from about 5% to about 20%. This reduced the Company's water supply risk and operating costs due to lower water consumption and decreased environmental impact.
- Process water dam extension was commissioned during Q3 2012, which has resulted in an increased process water storage capacity of approximately 200% as previously reported.
- A program of cleaning the original process water dam was commenced in Q3 2012. Completion of the process water storage capacity is expected in Q1 2013 and should at a maximum be providing capacity with the ability to store more than seven days' of processing requirements. This work was planned to be completed in Q4 2012 but problems were experienced with the initial cleaning method therefore access to allow cleaning with a front end loader, which was not planned for, was made in order to successfully clean the pond of the silt. This is now progressing well and repairs are planned to commence as soon as cleaning is completed.
- Process control (SCADA) system upgrade has been installed providing more reliable and refined dynamic control of the ore processing plant. The review of the process instrumentation has been carried out and installation of some upgraded instrumentation has commenced and progressed through Q4 2012. A further extension of this program is anticipated to be started in Q1 2013 which will include additional control systems in some areas of the plant that are aimed at improving production efficiency and plant equipment reliability.
- 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. The benefits of which have been discussed in Outlook above.

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DISCUSSION OF OPERATIONS (continued...)

Processing (continued...)

- Tonnage throughput increase studies have progressed with the first stage being completed in Q3 2012. For further information on the outcome please see Outlook above. As a result of the ore sulphide/oxide ratio increasing as expected, the flotation circuit in the processing plant was invoked during Q3 2012. This resulted in an improved and stabilised recoveries however significant variations in the sulphide/oxide ratio continued into Q4 2012 and are expected to continue in Q1 2013, causing recoveries and tonnage throughput fluctuations.
- In Q3 2012, the tonnage throughput capacity was reduced as a result of a higher ratio of harder sulphide ore. A total of 244,688 tonnes were processed during Q3 2012 as anticipated, and various measures were implemented to minimise this impact as previously discussed in future periods.
- In Q4 2012, the mine suffered problems with the supply of liquid oxygen. The mine relies on supplies from South Africa which were interrupted significantly by industrial strikes involving transporters in October 2012. In addition the plant ran for at least the last two weeks of December with low dissolved oxygen concentrations because of inadequate liquid oxygen supply and very limited PSA plant oxygen productivity. Both suppliers of liquid oxygen went down and at the same time the mine's PSA plant was under major maintenance work with the installation of a new molecular sieve. As a result the process plant recoveries were affected because of inadequate oxygen dozing in the plant. With this work on the PSA plant and the introduction of new suppliers it is expected that this issue will be eased in 2013.

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

The review of the metal accounting system identified possible inconsistencies in gold in carbon ("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 carbon in leach ("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.

Management's review of the Company's systems and procedures continues as well as ongoing scrutiny of previously reviewed procedures and systems such as the metal accounting in contained gold in process and low grade stock piles. No further areas requiring correction have been identified to date.

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DISCUSSION OF OPERATIONS (continued...)

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:

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2012	FY 2011 ⁽²⁾	Total since Acquisitions
Revenue (000)	\$ 14,208	\$ 19,342	\$ 22,451	\$ 25,936	\$ 81,937	\$ 28,607	\$ 110,544
Gold sold (oz.)	8,362	11,473	14,024	15,155	49,014	16,853	65,867
Earnings from mining operations (000)	\$ (2,033)	\$ 6,320	\$ 1,773	\$ 10,842	\$ 16,902	\$ 4,997	\$ 21,899
Earnings from mining operations (\$/oz.)	\$ -	\$ 551	\$ 126	\$ 715	\$ 345	\$ 297	\$ 332
Operating cash cost excluding royalties (\$/oz.) ⁽¹⁾⁽²⁾	\$ 1,541	\$ 980	\$ 1,172	\$ 690	\$ 1,027	\$ 951	\$ 1,005

Notes:

(1) Total operating cash cost excluding royalties is a non-GAAP measure.

(2) Results in 2011 are for the four months from the date of acquisition of the Mupane mine (August 30, 2011 to December 31, 2011).

In the three months ended December 31, 2012, the Company generated \$14.2 million in revenue from the sale of 8,362 ounces of gold plus incidental silver at an average combined price of \$1,699 per ounce and a loss from mining operations of \$(2.0) million. This compares to \$19.3 million in revenue from the sale of 11,473 ounces of gold plus incidental silver at an average combined price of \$1,686 per ounce and earnings from mining operations of \$6.3 million in Q3 2012. In Q4 2011 there was \$27.1 million in revenue from the sale of 16,203 ounces of gold plus incidental silver at an average combined price of \$1,674 per ounce and earnings from mining operations of \$5.7 million.

The reason for the reduction in performance in Q4 2012 is a result of several factors:

- Poor performance of the mining contractor at Golden Eagle which resulted in the suspension of its services twice in Q4 2012 and then the cancellation of its contract in December 2012. This resulted in almost three weeks of lost production in the quarter and a necessity to source lower grade ore from the Company's stockpiles.
- Although the Tholo mine plan continues as planned the volume of ore extracted was less than expected due to the existence of more dyke intrusions than originally expected. With the lack of ore from Tholo during Q4 2012, the average feed grade to the mill was reduced.
- The use of stockpile resources in the process plant caused issues as we were using Tau ore which has a significantly higher grinding index and reduced the milling rate and thus reduced the capacity of the plant.
- The mix of three different ore resources coupled with issues regarding oxygen supply has meant that the recovery rate in the plant has reduced from 84.0% in Q3 2012 to 78.2% in Q4 2012.

As a result of the above factors the operating cash cost per ounce (excluding royalties) in Q4 2012 was \$1,541 compared to \$980 per ounce in Q3 2012 and \$910 per ounce in Q4 2011. The reduced production resulted in higher costs due to the fixed nature of some of the Company's expenditures. The Company has commenced a review of these costs and as discussed under mining operations it has already outsourced its own mining fleet to reduce the fixed component of the costs, as well as to increase production efficiency.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

DISCUSSION OF OPERATIONS (continued...)

The operating cash cost per ounce for the year is \$1,027 compared to an average of \$1,005 since the Acquisition Date.

In the year ended December 31, 2012, the Company generated \$81.9 million in revenue from the sale of 49,014 ounces of gold plus incidental silver at an average combined price of \$1,672 per ounce and earnings from mining operations of \$16.9 million or \$345 per ounce. 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 or \$297 per ounce in FY 2011, which comprised four months of operating mining operations.

Non-Cash Costs:

- Non-cash costs (depreciation and amortization) of \$2.1 million were also recognized in Q4 2012 (Q3 2012 - \$1.5 million), with the increase consistent with the effect of increased amortization due to capitalized stripping costs.
- Non-cash costs (depreciation and amortization) of \$8.4 million were also recognized in the year ended December 31, 2012 (four months ended December 31, 2011 - \$2.5 million), 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.

Earnings

The earnings for Q4 2012 and 2012 were comprised of:

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2012	2011
Income from mining operations	\$ (2,034,234)	\$ 6,320,372	\$ 1,773,387	\$ 10,842,004	\$ 16,901,528	\$ 4,997,261
Exploration costs	(105,876)	(34,274)	(310,256)	(73,061)	(523,467)	(35,250)
Corporate general and administrative costs	(478,496)	(437,648)	(612,570)	(257,248)	(1,785,962)	(1,504,506)
Stock-based compensation	(2,563,254)	-	-	-	(2,563,254)	(587,651)
Foreign exchange (loss) gain	32,869	(35,643)	317,874	(103,639)	211,460	583,720
Interest on long term debt	(57,738)	(56,976)	(57,467)	(58,018)	(230,199)	(79,241)
Other (expenses) income	(44,504)	22,601	6,145	(11,534)	(27,290)	(331,457)
Other financing income (costs)	1,287,165	1,980,578	(757,333)	1,108,844	3,619,254	(1,618,329)
	\$ (3,964,068)	\$ 7,759,010	\$ 359,780	\$ 11,447,348	\$ 15,602,071	\$ 1,424,547

Stock based compensation charges of \$2,563,254 in Q4 2012, and for 2012, were incurred related to

- the issuance of 2,500,000 performance shares to the Chairman and CEO of the Company pursuant to the terms of performance share agreements entered into on August 30 2011;
- the grant of options to purchase up to 1,120,000 Common Shares to the Board of Directors which vested immediately; and
- the grant of options to purchase up to 450,000 Common Shares issued to an officer of the Company which vest over 3 years.

The charge of \$587,651 in 2011 related to the issuance of options to purchase up to 1,565,000 Common Shares to the directors and officers of the Company which vested immediately.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

DISCUSSION OF OPERATIONS (continued...)

Non-mining related expenses and income

As a result of the movement of fair value of warrants, the Company recorded financing income in Q4 2012 of \$1,506,929 and \$4,148,272 for 2012.

Corporate general and administration costs totaling \$478,496 for Q4 2012 (Q4 2011- \$790,040), and \$1,785,962 for 2012 (2011 - \$1,504,506) include the following:

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2012	2011
Professional Fees	76,542	178,671	307,502	96,373	659,088	1,148,041
Management fees to officers	229,548	190,813	170,756	115,849	706,966	213,664
Investor relations	58,636	34,931	37,530	16,132	147,229	7,384
Corporate general and administration	101,767	33,233	96,782	28,894	260,676	135,416
	\$ 478,496	\$ 437,648	\$ 612,570	\$ 257,248	\$ 1,785,961	\$ 1,504,506

- The reduction in professional fees to \$76,542 in Q4 2012 from \$178,671 in Q3 2012 was as a result of a review of the expenditure provisioned in previous quarters for professional fees that were reduced on finalization of the work carried out.
- The increase in management fees from \$190,813 in Q3 2012 to \$229,548 in Q4 2012 was as a result of the employment of a new CFO.
- The increase in corporate general and administration to \$101,767 in Q4 2012 compared to \$33,233 in Q3 2012 was as a result of the Company's annual board meeting in Botswana, additional marketing and the employment of a new CFO.

SUMMARY OF FINANCIAL POSITION

Selected Consolidated Statement of Financial Position Data:

	December 31, 2012 \$	September 30, 2012 \$	June 30, 2012 \$	March 31, 2012 \$	December 31, 2011 \$
Total current assets	25,640,172	30,442,487	31,124,524	32,733,758	26,431,189
Total current liabilities	8,505,399	8,437,299	5,675,372	5,402,316	7,196,711
Working capital	17,134,774	22,005,188	25,449,152	27,331,442	19,234,478
Mining assets	44,363,820	42,013,213	35,118,064	28,828,178	26,602,785
Deferred Tax assets	1,809,000	-	-	-	-
Non-current liabilities	8,233,365	9,414,861	13,722,685	12,351,082	13,476,073
Total shareholders' equity	55,074,228	54,603,540	46,844,531	43,808,538	32,361,190

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

SUMMARY OF FINANCIAL POSITION (continued...)

As noted under the heading "Corporate Overview" above, 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 Q4 2012, the Company decreased working capital by \$4.9 million which was the result of a reduction in trade debtors in the quarter of \$5.1 million as all gold shipped before the month end was paid for. The mining assets increased by \$1.8 million due to capitalised pre-stripping costs of \$2.2 million, capitalised exploration costs of \$2.3 million offset by depreciation of \$2.6 million. Non-current liabilities decreased by \$1.2 million due to movement in the fair market value of the warrants. The Company also recognized deferred tax assets of \$1.8m in relation to historic tax losses incurred as it is now considered more likely than not that the tax asset will be utilized. As a result, overall total shareholders' equity increased by \$0.5 million.

For the year ended December 31, 2012, the Company decreased working capital by \$2.1 million which was the result of a reduction in trade debtors of \$6.6 million as all gold shipped before 2012 year end was paid for, a decrease in inventory of \$2.9 million in relation to gold in circuit, a decrease in trade creditors of \$1.3 million and a movement of \$2.6 million of long term debt to current. The mining assets increased by \$17.8 million due to capitalised pre-stripping costs of \$16.6 million, capitalised exploration costs of \$3.6 million, NLE acquisition cost of \$3.5 million, sustaining capital expenditure of \$2.1 million offset by depreciation of \$8.4 million. Non-current liabilities decreased by \$5.1 million due to movement in the fair market value of the warrants of \$3.3 million, the movement of long term debt to current liabilities of \$2.6 million in line with the debt requirements offset by rehabilitation accretion. The Company also recognized deferred tax assets of \$1.8m in relation to historic tax losses incurred as it is now considered more likely than not that the tax asset will be utilized. As a result, overall total shareholders' equity increased by \$22.7 million

SELECTED ANNUAL INFORMATION

	December 31, 2012	December 31, 2011 ⁽¹⁾
Mining Revenue:	\$ 81,937,106	\$ 28,606,785
Mining Costs:		
- Cash	(56,650,922)	(21,124,266)
- Non-Cash - Depreciation	(8,384,656)	(2,485,258)
	(65,035,578)	(23,609,524)
Corporate General and administration:		
- Cash	(1,785,962)	(1,504,506)
- Share-based compensation	(2,563,254)	(587,651)
	(4,349,216)	(2,092,157)
Earnings from operations	\$ 12,552,312	2,905,104
Other expenses	3,049,759	(1,480,557)
Net earnings before taxation	\$ 15,602,071	1,424,547
Per share		
- Basic	\$ 0.3673	0.0862
- Fully diluted	\$ 0.3352	0.0860

Note:

(1) The figures in this column represent the period from August 30, 2011 to December 31, 2011.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

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			
	December 31, 2012 \$	September 30, 2012 \$	June 30, 2012 \$	March 31, 2012 \$
Revenue	14,207,894	19,342,231	22,450,684	25,936,297
Mining costs				
- Cash	(14,094,210)	(11,536,132)	(17,755,928)	(13,264,651)
- Non-cash (depreciation and amortization)	(2,147,918)	(1,485,727)	(2,921,369)	(1,829,642)
Total mining costs	(16,242,127)	(13,021,859)	(20,677,297)	(15,094,293)
Non Mining (Expenses) Income	(1,929,832)	135,646	(1,413,607)	605,344
Earnings (loss)	(2,145,066)	7,759,010	359,780	11,447,348
Earnings (loss) per share				
- Basic	(0.04)	0.16	0.08	0.25
- Fully diluted	(0.04)	0.15	0.08	0.25
Total assets at end of quarter	71,812,992	72,455,700	66,242,588	61,561,936
Total liabilities at end of quarter	16,738,763	17,852,160	19,398,057	17,753,398
Total equity at end of quarter	55,074,228	54,603,540	46,844,531	43,808,538

	Three months ended			
	December 31, 2011 \$	September 30, 2011 \$	June 30, 2011 \$	March 31, 2011 \$
Revenue	27,125,460	1,481,325	-	-
Mining costs				
- Cash	(18,394,312)	(2,729,954)	-	-
- Non-cash (depreciation and amortization)	(1,543,231)	(942,027)	-	-
Total mining costs	(19,937,543)	(3,671,981)		
Non Mining Expenses	(1,511,366)	(1,703,660)	(357,688)	-
Earnings (loss)	5,676,551	(3,894,316)	(357,688)	-
Earnings (loss) per share				
- Basic	0.126	(0.23)	n/a	n/a
- Fully diluted	0.126	(0.23)		
Total assets at end of quarter	53,033,974	49,654,410	254,498	256
Total liabilities at end of quarter	20,672,784	22,985,280	611,930	-
Total equity at end of quarter	32,361,190	26,669,130	(357,432)	256

Notes:

- (1) GGM was incorporated on November 15, 2010 and inactive until the first quarter of 2011.
- (2) Information for all periods is presented in accordance with IFRS and in U.S. dollars.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

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 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 December 31, 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 December 31, 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	\$	309,440
Total	\$	1,480,000	\$	309,440

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.

GALANE GOLD LTD.
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MINERAL RESOURCE UPDATE

On March 18, 2013, the Company issued an update to the mineral resources in respect of the Mupane Property with an effective date of December 31, 2012 (the "Resource Update"). The following table summarises the results of the Resource Update:

Galane Gold Mineral Resource Statement
Effective Date: December 31, 2012

Category	Cutoff grade (g/t)	Measured			Indicated			Measured and Indicated			Inferred		
		Tons (000)	AU (g/t)	Au (000 oz)	Tons (000)	AU (g/t)	Au (000 oz)	Tons (000)	AU (g/t)	Au (000 oz)	Tons (000)	AU (g/t)	Au (000 oz)
Deposit													
Jims Luck	0.50	859	1.05	29.0	1,659	1.20	64.0	2,518	1.15	93.0	1,337	1.08	46.4
Tholo	0.50	20	1.14	0.7	926	2.28	67.8	945	2.26	68.6	61	1.53	3.0
Golden Eagle	0.50	516	1.45	24.1	1,087	1.48	51.7	1,603	1.47	75.8	1,637	1.56	82.1
Kwena	0.50	266	0.98	8.4	535	1.19	20.5	801	1.12	28.8	1,642	1.11	58.6
Tau	0.80	578	3.00	55.7	824	2.75	72.8	1,402	2.85	128.6	723	3.05	70.9
Mupane Stockpiles		702	0.97	21.9	-	-	-	702	0.97	21.9	-	-	-
Total		2,941	1.48	139.8	5,030	1.71	276.9	7,971	1.63	416.6	5,401	1.50	261.1

Category	Cutoff grade (g/t)	Measured			Indicated			Measured and Indicated			Inferred		
		Tons (000)	AU (g/t)	Au (000 oz)	Tons (000)	AU (g/t)	Au (000 oz)	Tons (000)	AU (g/t)	Au (000 oz)	Tons (000)	AU (g/t)	Au (000 oz)
Dump													
Mupane Slimes Dump	0.30	7,195	0.40	91.8	-	-	-	7,195	0.40	91.8	-	-	-
Total		7,195	0.40	91.8	-	-	-	7,195	0.40	91.8	-	-	-

Resource tonnages and gold grades were reported at a 0.5 g/t Au cut-off grade. Resources from contiguous portions of the mineralisation outside of the optimized pit shell, and potentially amenable to underground mining methods, were reported at a cut-off grade of 0.8 g/t Au. A cut-off grade of 0.3g/t Au was used for the slimes dump due to the possible need for a different processing method. All resources were modelled using a 0.5 g/t Au grade cut-off for each mineralised zone, except Tau where a 0.8 g/t Au grade shell was used. A gold price of \$1,700 was used. The full text of the Resource Update is available on the Company's SEDAR profile at www.sedar.com.

Mineral resources are not mineral reserves and 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 of a technical and scientific nature that forms the basis of the disclosure in the MD&A has been approved by Charles Byron Pr. Sci. Nat., MAusIMM., MGSSA and Chief Geologist for Galane Gold, and a "qualified person" as defined by National Instrument 43-101.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

EXPLORATION

The Company is conducting a comprehensive exploration program over a large number of prospects contained within its mining leases and exploration tenements which cover the bulk of the Tati greenstone belt in Botswana. Exploration has covered the following areas during 2012:

- **Tau Deeps.**
 - Diamond core drilling continued with five holes for 2,210m completed by the end of Q4 2012. Complications caused by numerous younger, cross-cutting dykes continue to frustrate with only narrow 'slivers' of mineralised material being intersected between the dykes. To confirm whether that the ore body extends at depth deep drilling will continue to 1,000m depth aimed at the projected down plunge extension of the Tau ore-body beyond the dyke interference.
- **Jim's Luck.**
 - The infill reverse circulation drilling program was completed at the end of Q4 2012 with 31 holes for 4,986m during the period. This makes a total for the 2012 program of 68 holes for 12,755m. Significant assay results have been realized and even more significant extensions/additions have been discovered – (i) the "Western Parallel" is a new zone of gold mineralization occurring in a sheared package comprising quartz sericite schist (not ironstone like the others), and (ii) a "Southern Extension" which adds some 200m of strike.
 - The geological continuity of the mineralised zone was confirmed by the drilling. Of the 68 holes drilled, seven were stopped in dyke, two returned assays below cut-off grade, while 59 returned assay grades over intervals of 1.0m and above.
 - The balance of results is expected during Q1 2013 and the reserve and resource for Jim's Luck is expected to be completed during 2013 – this will also incorporate the historic drill data. Step out drilling in 2013 will continue on the project with the Southern Extension and the Western Parallel being targeted.
- **Tekwane.**
 - The fourth and final phase of the preliminary, wide spaced, pitting was completed by the end of 2012 resulting in 186 pits for 288 samples in Q4 2012 and 518 pits for 804 samples for the entire 2012 program. During Q1 2013, it is expected that work will commence on infill pitting in selective areas.
 - The auriferous quartz rubble horizon, within the soil profile, continues to be exposed and sampled with encouraging results. For more information regarding the Tekwane prospect, please see the Corporation's press release dated December 3, 2012 which is available under the Corporation's profile on SEDAR at www.sedar.com.
- **Tailings Dumps.**
 - Tailings dump auger drilling, sampling and surveying was completed during Q4 and all assay results received. In total 681 holes were drilled for 3,448 samples collected for gold assay of which 253 holes for 2,418 samples were from the Mupane tailings dump.
 - Excluding the Mupane tailings dump, there are 14 historic tailings dumps in the area suited to retreatment which are estimated to amount to approximately 780,000 tonnes.
 - Only selective metallurgical test work in respect of the tailings dumps remains to be done in 2013.
- **Orapa Road.**
 - Results from all 9,500 soil samples were received during Q4 2012 and significant gold in soil anomalism has been detected. This program on a 200m X 20m grid was a follow up to the previous regional soil program conducted by a predecessor to the Company in 1997, which was on a grid of 400m X 40m. Traverse lines from the previous program were at a different orientation, while the lines from this survey were oriented normal (90 degrees) to the structure and geology, which is much more desirable and effectual, resulting in the generation of anomalies that were missed by the old survey.

GALANE GOLD LTD.
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

EXPLORATION (continued...)

- There is gold in soil anomalism along 10km of a 17km long structural aeromagnetic feature picked up on the reinterpretation of the old airborne magnetic data, the most significant of which measures 2.5km of strike and is outlined by the 100 – 150 ppb contours with maximum values >450ppb. There are no known old gold workings in this area.
- The other elements assayed were arsenic, copper, lead, zinc, and nickel and none of these supports the gold. Arsenic especially is a common ‘supporter’ on the Tati belt so this is unusual. The only other similar situation is on the old Monarch mine structural trend, which is located 5.0km to the East and is parallel to this anomaly.
- Matopi.
 - Preliminary drilling was completed on this project in June 2012 amounting to 847m of reverse circulation (five holes) and 300m of diamond core (one hole) drilling. The known low grade gold mineralisation was confirmed, but the targeted higher grade shear hosted material postulated by previous workers to be in the footwall was not encountered.

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:	
<ul style="list-style-type: none"> • to continue gold production according to the mine plan out to 2016. 	No change, in progress
At the NLE projects:	
<ul style="list-style-type: none"> • 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 • to commence an 18 month exploration plan for the Jim’s Luck project for a budgeted cost of a total of \$1.52 million. 	Completed on April 10, 2012
	A new exploration plan and budget for 2012 and 2013 have been completed (which includes Jim’s Luck) 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.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

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 December 31, 2012, the Company had \$17.1 million in working capital and generated \$31.1 million in cash flow from operations for the year ended December 31, 2012. A continuation of these results is expected to provide sufficient capital to the Company to fund annual operating expenses, capital commitments budgeted and the exploration program contemplated 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 on an annual basis 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 December 31, 2012, the amount reflected in the Company's restoration and rehabilitation provision is \$5.7 million (on an undiscounted basis, the total payments are estimated at \$7.2 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.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

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 under the "Risks and Uncertainties" section of this MD&A.

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

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 December 31, 2012, the Company had a cash, gold inventory and receivables balance of \$25,640,172 (December 31, 2011 - \$26,431,189) to settle current liabilities of \$8,508,398 (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.

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ISSUED AND OUTSTANDING SHARE CAPITAL

The Company's authorized capital consists of an unlimited number of Common Shares, of which 50,881,745 Common Shares are issued and outstanding as of the date of this MD&A. On a diluted basis, the Company has 54,474,245 Common Shares outstanding as of the date of this MD&A, assuming the exercise of 3,581,250 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 the 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 148,745 deferred matching shares in three equal tranches over a three-year period.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2011 and 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 \$381,711 were paid in cash to Miniera Group Limited under its contract for the provision of the CEO services of Philip Condon (2011 - \$134,454);
 - In 2012 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 and 17,123 Common Shares at CDN\$0.73 per share for a total subscription price of CDN\$12,500;
 - In 2011 Miniera Group Limited subscribed for and purchased 120,000 Common Shares and warrants to purchase up to 60,000 Common Shares as part of the GGM Private Placement, at a cost of CDN\$0.80 per share and warrant;
- Charles Byron, a director of the Company:
 - The Company paid salary in cash to Mr. Byron totaling \$260,000 under his contract as Chief Geologist of the Company;
 - The Company paid rent of \$22,850 for office premises to Great African Services (Pty) Ltd., a company owned by a consortium of individuals that includes Charles Byron (2011 - \$6,100);
 - 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 received CDN\$192,000 in principal plus interest at 6% for his proportionate share of the note payable issued as part of the NLE Acquisition;
 - Mr. Byron may be entitled to 4,200,000 of the 8,750,000 Common Shares that are potentially issuable pursuant to the NLE Acquisition;

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TRANSACTIONS WITH RELATED PARTIES (continued...)

- Ravi Sood, the Chairman of the Company:
 - Mr. Sood 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 and 17,123 Common Shares at CDN\$0.73 per share for a total subscription price of CDN\$12,500;
 - In 2011 Mr. Sood subscribed for and purchased 1,250,000 Common Shares and warrants to purchase up to 625,000 Common Shares as part of the GGM Private Placement, at a cost of CDN\$0.80 per share and warrant;
- Amar Bhalla, a director of the Company:
 - Mr. Bhalla 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 and 17,123 Common Shares at CDN\$0.73 per share for a total subscription price of CDN\$12,500;
 - In 2011 through Capit Investment Corp. (a company controlled by Mr Bhalla) he subscribed for and purchased 468,750 Common Shares and warrants to purchase up to 234,375 Common Shares as part of the GGM Private Placement, at a cost of CDN\$0.80 per share and warrant;
- Ian Egan, a director of the Company:
 - Mr. Egan 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 and 17,123 Common Shares at CDN\$0.73 per share for a total subscription price of CDN\$12,500;
 - In 2011 through Nagermir Pty Ltd. (a trust of which Ian Egan is a beneficiary) he subscribed for and purchased 125,000 Common Shares and warrants to purchase up to 62,500 Common Shares as part of the GGM Private Placement, at a cost of CDN\$0.80 per share and warrant;
- 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 and 17,123 Common Shares at CDN\$0.73 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 of the Company:
 - The Company accrued and paid \$229,273 representing interest on the interest bearing note to IAMGOLD (2011 - \$79,241); and
 - The number of warrants held by IAMGOLD increased by 3,112,525 as a result of the closing of the NLE Acquisition.
 - In 2011 the Company had the following transactions with IAMGOLD as a result of the Gallery Acquisition:
 - Issued 21,875,000 Common Shares and 1,265,253 warrants;
 - Issued an interest bearing note (Note 12) of \$3,800,000; and
 - Paid cash of \$6,559,462 (net of amount acquired from Gallery).
- In 2011 Management fees of \$55,750 were paid to RKG Consulting Ltd. under its contract for the provision of CFO services for the former CFO, Rajat Ganguly.
- Donald Cameron, the Company's former CFO and InHouseCFO Inc. (a consulting company controlled by Donald Cameron):
 - Management fees of CDN\$112,800 and accounting fees of CDN\$20,000 were paid in cash in the period to InHouseCFO Inc. for the provision of the CFO services of Donald Cameron (2011 - management fees of CDN\$23,460 and accounting fees of CDN\$5,865).

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FUTURE ACCOUNTING POLICIES

(a) IFRS 9 – Financial instruments

The IASB has issued IFRS 9, Financial Instruments, which is a four-part project proposing to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning 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 and will consider the instruments outstanding as of the date of adoption.

(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 does not expect IFRIC 20 to have a material impact on the statements.

(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.

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COMMITMENTS

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

(a) Royalty expenses

Production from the Mupane operation is subject to third party royalties (included in mining costs) of 5% of revenues based on market prices at the date of shipment. For the year to December 31, 2012, the Company paid \$4,110,189 in royalties (2011 - \$1,442,264).

(b) Operating contractual obligations

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

• Incurred in 2013	\$382,190
• To be incurred in 2014	\$192,615
• To be incurred 2015-2017	\$107,157

(c) Claims

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

There are a number of risk factors that could cause future results to differ materially from those described herein. The risks and uncertainties described herein are not the only ones the Company faces. 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.

Risk Factors relating to the Business of Galane

Galane depends on a single mineral project

The Mupane Property is Galane's only material property and accounts for all of Galane's current mineral resources and reserves and the potential for the future generation of revenue under the current work program. Any adverse development affecting the progress of the Mupane Property such as, but not limited to, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, hiring suitable personnel and engineering contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on the Company's financial performance and results of operations.

Gold price volatility may affect the future production, profitability, financial position and financial condition of the Company

The development and success of the Mupane Property is primarily dependent on the future price of gold.

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Gold prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold and other precious metals has fluctuated widely in recent years, and future serious price declines could cause continued development of, and commercial production from, the Company's properties to be impracticable or uneconomic. Depending on the price of gold, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue development and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on gold prices that are adequate to make these properties economically viable.

Furthermore, reserve calculations and life-of-mine plans using significantly lower gold prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges. In addition to adversely affecting the Company's mineral reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Fluctuations in gold prices may materially adversely affect the Company's financial performance or results of operations. If the world market price of gold was to drop and the prices realized by the Company on gold sales were to decrease significantly and remain at such a level for any substantial period, the profitability of the Company and cash flow would be negatively affected. The world market price of gold has fluctuated widely during the last several years. If the market price of gold falls significantly from its current level, the mine development projects may be rendered uneconomic and the development of the mine projects may be suspended or delayed.

Foreign investments and operations are subject to numerous risks associated with operating in foreign jurisdictions

The Company conducts its mining, development and exploration activities in Botswana. The Company's foreign mining investments are subject to the risks normally associated with the conduct of business in foreign countries. The occurrence of one or more of these risks could have a material and adverse effect on the Company's profitability or the viability of its affected foreign operations, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Risks may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war (including in neighbouring states), civil disturbances and terrorist actions, arbitrary changes in laws or policies of particular countries, the failure of foreign parties to honour contractual relations, corruption, foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by the government of Botswana or by its court system. These risks may limit or disrupt the Company's operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

The economy and political system of Botswana should be considered by investors to be less predictable than those in countries in which the majority of investors are likely to be resident. The possibility that the

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current, or a future, government may adopt substantially different policies, take arbitrary action which might halt production, extend to the re-nationalization of private assets or the cancellation of contracts, the cancellation of mining and exploration rights and/or changes in taxation treatment cannot be ruled out, the happening of any of which could result in a material and adverse effect on the Company's results of operations and financial condition.

The Company may experience regulatory, consent or permitting delays

The business of mineral exploration, project development, mining and processing is subject to various national and local laws and plans relating to: permitting and maintenance of title; environmental consents; taxation; employee relations; heritage/historic matters; health and safety; royalties; land acquisition; and other matters.

There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, project development, or mining may not be obtained under conditions or within time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

The Company's exploration, development and mining activities are situated entirely in a single country

The Company conducts its exploration, development and mining activities entirely in Botswana. Galane believes that the Government of Botswana supports the development of natural resources. There is no assurance that future political and economic conditions in Botswana will not result in the Government of Botswana adopting different policies respecting foreign development and ownership of mineral resources. Any such change in policy may result in changes in laws affecting ownership of assets, land tenure and mineral concessions, taxation, royalties, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the Company's ability to undertake exploration and development activities in respect of future properties as well as its ability to continue to explore, develop and mine those properties in respect of which it has obtained mineral exploration rights to date.

The Company relies on its management team and outside contractors, and the loss of one or more of these persons may adversely affect Galane

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management and outside contractors. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors. Galane does not have in place formal programs for succession of management and training of management, nor does it hold key person insurance on these individuals. The loss of one or more of these key employees or contractors, if not replaced, could adversely affect the Company's profitability, results of operations and financial condition.

Inferred mineral resources are uncertain and their economic viability cannot be assured

Inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

Galane's insurance coverage does not cover all of its potential losses, liabilities and damages related to its business and certain risks are uninsured or uninsurable

Galane's business is subject to a number of risks and hazards generally, including adverse environmental

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conditions, industrial accidents, labour disputes or slowdowns, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment or laws, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Galane's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover certain risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Galane or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, labour force disruptions, unavailability of materials and equipment, weather conditions, pit wall failures, rock bursts, groundfalls, slope failures, cave-ins, flooding, seismic activity, water conditions and gold bullion losses and other natural or man-provoked incidents that could affect the mining of ore, most of which are beyond the Company's control. These risks and hazards could result in: damage to, or destruction of, mineral properties or production facilities; personal injury or death; environmental damage; delays in mining; and monetary losses and possible legal liability. As a result, production may fall below historic or estimated levels and the Company may incur significant costs or experience significant delays that could have a material adverse effect on the Company's financial performance, liquidity and results of operations. To minimize risks in these areas, the Company provides training programs for employees and has joint management-worker committees to review work practices and environment.

Currency fluctuations may affect the costs that the Company incurs in its operations

The revenue from financing activities will be received in Canadian dollars while a significant portion of its operating expenses will be incurred in United States dollars, Botswana Pulas and other foreign currencies. From time to time, the Company will borrow funds and will incur capital expenditures that are denominated in foreign currency. Gold is sold throughout the world, based principally on a U.S. dollar price, but as stated above, a portion of the Company's operating expenses are incurred in non-U.S. dollar currencies. The appreciation of non-U.S. dollar currencies in those countries where the Company has mining, exploration and/or development operations against the U.S. dollar would increase the costs of gold production at such operations which could materially and adversely affect the Company's profitability, results of operation and financial position.

Failure to generate sufficient cash flow from operations to fund the Company's capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production.

To fund growth, Galane may depend on securing the necessary capital through loans or other forms of permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company and its projects. In addition, a portion of Galane's activities is directed to the search for and the development of new mineral deposits. The Company may be required to seek additional financing to maintain its capital expenditures at planned levels. Galane will also have additional capital requirements to the extent that it decides to expand its present operations and exploration activities or construct additional new mining and processing operations or take advantage of opportunities for

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acquisitions, joint ventures or other business opportunities that may arise. Financing may not be available when needed or, if available, may not be available on terms acceptable to the Company. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production.

In order to finance future operations and development efforts, Galane expects to have sufficient cash flow from operations, but may raise funds through project financing or the issue of Common Shares or the issue of securities convertible into Common Shares.

The constating documents of Galane allow it to issue, among other things, an unlimited number of Common Shares for such consideration and on such terms and conditions as may be established by the directors of the Company, in many cases, without the approval of shareholders. The Company cannot predict the size of future issues of Common Shares or the issue of securities convertible into Common Shares or the effect, if any, that future issues and sales of the Common Shares will have on the market price of the Common Shares. Due to recent market volatility, there may be an increased risk of dilution for existing shareholders should Galane need to issue additional Common Shares at a lower share price to meet its capital requirements. Any transaction involving the issue of previously authorized but unissued Common Shares or securities convertible into Common Shares, would result in dilution, possibly substantial, to the then current shareholders.

The Company's fair value estimates with respect to the carrying amount of mineral interests (including goodwill) are based on numerous assumptions and may differ significantly from actual fair values.

Periodically, the Company evaluates the carrying amount of mineral interests (including goodwill) to determine whether the effect of current events and circumstances indicate such carrying amount may no longer be supportable, which becomes more of a risk in the global economic conditions that exist currently. The fair values of its reporting units are based, in part, on certain factors and assumptions that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair value of the Company's reporting units to their carrying values. The Company's fair value estimates are based on numerous assumptions and may differ from actual realizable values and these differences may be significant and could have a material effect on the Company's financial position and/or results of operation. If the Company fails to achieve its valuation assumptions or if any of its reporting units experiences a decline in its fair value, then this may result in an impairment charge, which would reduce the Company's earnings.

Mining tax regimes in foreign jurisdictions are subject to differing interpretations and may be vulnerable to sudden changes.

Mining tax regimes in foreign jurisdictions may be subject to different interpretations and may be subject to sudden changes. In some cases, fiscal stability guarantees are in place which provide a measure of protection. Galane's interpretation of taxation law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and the Company's operations may be assessed, which could result in significant additional taxes, penalties and interest.

The use of derivative instruments involves certain inherent risks including credit risk, market liquidity risk and unrealized mark-to-market risk.

Galane may from time to time employ hedge (or derivative) products in respect of commodities, interest rates and/or currencies. Hedge (or derivative) products are generally used to manage the risks associated with, among other things, mineral price volatility, changes in commodity prices, interest rates, foreign currency exchange rates and energy prices. Where Galane will hold such derivative positions, the Company will deliver into such arrangements in the prescribed manner. The use of derivative instruments involves certain inherent risks including: (a) credit risk — the risk of default on amounts owing to the Company by

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the counterparties with which the Company has entered into such transactions; (b) market liquidity risk — the risk that Galane has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and (c) unrealized mark-to-market risk — the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in Galane incurring an unrealized mark-to-market loss in respect of such derivative products.

In the case of a gold option based forward sales program, if the metal price rises above the price at which future production has been committed under an option based forward sales hedge program, Galane may have an opportunity loss. If the metal price falls below that committed price under an option based forward sales hedge program, revenues will be protected to the extent of such committed production. There can be no assurance that the Company will be able to achieve future realized prices for metal prices that may exceed the option based forward sales hedge program.

Galane's mineral reserves and mineral resources are estimates, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of gold will be produced.

Reserves are statistical estimates of mineral content and ore based on limited information acquired through drilling and other sampling methods and require judgmental interpretations of geology. Successful extraction requires safe and efficient mining and processing. Galane's mineral reserves and mineral resources are estimates, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of gold will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or formations may be different from those predicted. Further, it may take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a discovery may change. Mineral resource estimates for properties that have not commenced production are based, in many instances, on limited and widely spaced drill hole information, which is not necessarily indicative of the conditions between and around drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained. It cannot be assumed that all or any part of Galane's mineral resources constitute or will be converted into reserves. Market price fluctuations of gold, as well as increased production and capital costs or reduced recovery rates, may render Galane's proven and probable reserves unprofitable to develop at a particular site or sites for periods of time or may render mineral reserves containing relatively lower grade mineralisation uneconomic. Moreover, short-term operating factors relating to the mineral reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause mineral reserves to be reduced or Galane to be unprofitable in any particular accounting period. Estimated reserves may have to be recalculated based on actual production experience. Any of these factors may require the Company to reduce its mineral reserves and resources, which could have a negative impact on the Company's financial results. Failure to obtain necessary permits or government approvals could also cause Galane to reduce its reserves. There is also no assurance that Galane will achieve indicated levels of gold recovery or obtain the prices for gold production assumed in determining the amount of such reserves. Level of production may also be affected by weather or supply shortages.

The Company must continually replace reserves depleted by production to maintain production levels over the long term.

Galane must continually replace reserves depleted by production to maintain production levels over the long term. The life-of-mine estimate for the Mupane Property is based on a number of factors and assumptions and may prove to be incorrect. In addition, mine life would be shortened if production is expanded. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions. Exploration is highly speculative in nature. The Company's exploration projects involve many risks and may be unsuccessful. Once a site with mineralisation is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of

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production may change. Substantial expenditures are required to establish proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base of Galane may decline if reserves are mined without adequate replacement and the Company may not be able to sustain production beyond the current mine life, based on current production rates.

Feasibility studies may be used to determine the economic viability of a deposit. Many factors are involved in the determination of the economic viability of a deposit including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and the estimate of future gold prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the gold from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result the Company cannot give assurance that its development or exploration projects will become operating mines. If a mine is developed, actual operating results may differ from those anticipated, thereby impacting on the economic viability of the project.

The ability of the Company to sustain or increase its present levels of gold production is dependent in part on the success of its projects, which are subject to numerous known and unknown risks.

The ability of Galane to sustain or increase its present levels of gold production is dependent in part on the success of its projects. Risks and unknowns inherent in all projects include: the accuracy of reserve estimates; metallurgical recoveries; capital and operating costs of such projects; and the future prices of the relevant minerals. Projects have no operating history upon which to base estimates of future cash flow. The capital expenditures and time required to develop new mines or other projects are considerable and changes in costs or construction schedules can affect project economics. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated. Actual costs and economic returns may differ materially from the Company's estimates or the Company could fail to obtain the governmental approvals necessary for the operation of a project, in which case, the project may not proceed, either on its original timing, or at all.

The validity of mining interests held by Galane can be uncertain and may be contested, and there can be no assurance that Galane will continue to be able to compete successfully with its competitors in acquiring such properties and assets or in attracting and retaining skilled and experienced employees.

The validity of mining interests held by Galane can be uncertain and may be contested. Acquisition of title to mineral properties is a very detailed and time-consuming process, and the Company's title to its properties may be affected by prior unregistered agreements or transfers, or undetected defects. Several of the Company's licenses will need to be renewed, and on renewal the license may cover a smaller area. There is a risk that Galane may not have clear title to all of its mineral property interests, or they may be subject to challenge or impugned in the future. Although the Company has attempted to acquire satisfactory title to its properties, some risk exists that some titles, particularly title to undeveloped properties, may be defective. A successful challenge to Galane's title to its properties could result in the Company being unable to operate on its properties as anticipated or being unable to enforce its rights with respect to its properties which could have a material and adverse effect on the Company. Galane competes with other mining companies and individuals for mining interests on exploration properties and the acquisition of mining assets, which may increase its cost of acquiring suitable claims, properties and assets, and the Company also competes with other mining companies to attract and retain key executives and employees. There can be no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties and assets or in attracting and retaining skilled and experienced employees. The mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tires and skilled labour and these shortages have caused unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital

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expenditures and production schedules.

Galane is subject to risks and expenses related to reclamation costs and related liabilities.

Galane is generally required to submit for governmental approval a reclamation plan (some of which are reassessed on regular basis) and to pay for the reclamation of its mine sites upon the completion of mining activities. The Company estimates the net present value of future cash outflows reclamation costs at all properties under IFRS at approximately \$5.7 million as at December 31, 2012 based on information available as of that date. Any significant increases over the current estimates of these costs could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

The operations of Galane are carried out in geographical areas which lack adequate infrastructure and are subject to various other risk factors.

Mining, processing, development, and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, and water supply are important determinants which affect capital and operating costs. Lack of such infrastructure or unusual or infrequent weather phenomena, sabotage, terrorism, government, or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition, and results of operations.

Galane is dependent on its workforce to extract and process minerals, and is therefore sensitive to a labour disruption at the Mupane Property.

Galane is dependent on its workforce to extract and process minerals. The Company has programs to recruit and train the necessary manpower for its operations and endeavours to maintain good relations with its workforce in order to minimize the possibility of strikes, lock-outs and other stoppages at its work sites. Relations between the Company and its employees may be impacted by changes in labour relations which may be introduced by, among other things, employee groups, unions, and the relevant governmental authorities in whose jurisdictions the Company carries on business. Labour disruptions at the Mupane Property could have a material adverse impact on Galane's business, results of operations and financial condition. Some of the Company's employees are represented by labour unions under various collective labour agreements. Galane may not be able to satisfactorily renegotiate its collective labour agreements when they expire. In addition, existing labour agreements may not prevent a strike or work stoppage at the Company's facilities in the future, and any such work stoppage could have a material adverse effect on the Company's earnings and financial condition.

There are health risks associated with the mining work force in Africa.

Malaria and other diseases such as HIV/AIDS represent a serious threat to maintaining a skilled workforce in the mining industry throughout Africa and are a major healthcare challenge faced by Galane's operations in Africa. There can be no assurance that the Company will not lose members of its workforce or see its workforce man-hours reduced or incur increased medical costs as a result of these health risks, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Surrounding communities may affect mining operations through the restriction of access of supplies and workforce to the mine site or through legal challenges asserting ownership rights.

Surrounding communities may affect the mining operations through the restriction of access of supplies and workforce to the mine site. Certain of the properties of the Company may be subject to the rights or asserted rights of various community stakeholders. Active community outreach and development programs are maintained to mitigate the risk of blockades or other restrictive measures by the communities.

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Artisanal miners make use of some or all of the Company's properties. This condition may interfere with work on Galane's properties and present a potential security threat to the Company's employees. There is a risk that Galane's operations may be delayed, or interfered with, due to the use of the properties by artisanal miners. The Company uses its best efforts to maintain good relations with the local communities in order to minimize such risks.

Galane's mining and processing operations and exploration activities are subject to extensive laws and regulations governing the environment, health and safety.

Galane's mining and processing operations and exploration activities are subject to extensive laws and regulations governing the protection of the environment, exploration, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine and worker safety, protection of endangered and other special status species and other matters. The Company's ability to obtain permits and approvals and to successfully operate in particular communities may be adversely impacted by real or perceived detrimental events associated with the Company's activities or those of other mining companies affecting the environment, human health and safety of the surrounding communities. Delays in obtaining or failure to obtain government permits and approvals may adversely affect Galane's operations, including its ability to explore or develop properties, commence production or continue operations. Failure to comply with applicable environmental and health and safety laws and regulations may result in injunctions, fines, suspension or revocation of permits and other penalties. The costs and delays associated with compliance with these laws, regulations and permits could prevent Galane from proceeding with the development of a project or the operation or further development of a mine or increase the costs of development or production and may materially adversely affect the Company's business, results of operations or financial condition. The Company may also be held responsible for the costs of addressing contamination at the site of current or former activities or at third party sites. Galane could also be held liable for exposure to hazardous substances. The costs associated with such responsibilities and liabilities may be significant.

Measures required to address effluent compliance, fines and costs and/or the effluent quality may have a negative impact on Galane's financial condition or results of operations. The Company may also incur significant costs in connection with reclamation activities for its mining sites, which may materially exceed the provisions the Company has made for such reclamation. In addition, the unknown nature of possible future additional regulatory requirements and the potential for additional reclamation activities create further uncertainties related to future reclamation costs, which may have a material adverse effect on the Company's financial condition, liquidity or results of operations. Various environmental incidents can have a significant impact on operations.

Any acquisition that Galane may choose to complete may be of a significant size, may change the scale of Galane's business and operations and may expose Galane to new geographic, political, operating, financial and geological risks.

Galane may pursue the acquisition of producing, development and/or advance stage exploration properties and companies. The search for attractive acquisition opportunities and the completion of suitable transactions are time consuming and expensive, divert management attention away from the Company's existing business and may be unsuccessful. Any acquisition that Galane may choose to complete may be of a significant size, may change the scale of Galane's business and operations and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after Galane has committed to complete the transaction and established the purchase price or share exchange ratio; a material orebody may prove to be below expectations; Galane may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined

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enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, Galane may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Risk Factors Relating to the NLE Properties

Precious metal exploration projects may not be successful and are highly speculative in nature

The exploration for and development of precious metals involves significant risks which even a combination of careful evaluation, experience and knowledge cannot eliminate. While the discovery of a precious metal deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a precious metal deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of precious metals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the Company towards the search and evaluation of precious metal deposits will result in discoveries of commercial quantities of such metals.

The development of the NLE Properties into commercially viable mines cannot be assured

Gold development projects, such as the NLE Properties in Botswana, have no operating history upon which to base estimates of future commercial viability. Estimates of mineral resources and mineral reserves are, to a large extent, based on the interpretation of geological data obtained from drillholes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost and operating costs based upon anticipated tonnage and grades of gold to be mined and processed, the configuration of the mineral resource, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that differences from the estimates calculated could have a material adverse effect on Galane's business, financial condition, results of operations and prospects. There can be no assurance that the Company will be able to complete development of its mineral projects, or any of them, at all or on time or to budget due to, among other things, and in addition to those factors described above, changes in the economics of the mineral projects, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Should any of these events occur, it could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Additional Risk Factors

Galane's share price will fluctuate.

The trading price of the Common Shares is subject to change and could fluctuate significantly in the future. The fluctuations could be in response to numerous factors beyond the Company's control, including: quarterly variations in results of operations; changes in the price of gold; changes in securities analysts' recommendations; announcements of acquisitions; changes in earnings estimates made by independent

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analysts; general fluctuations in the stock market; or revenue and results of operations below the expectations of public market securities analysts or investors. Any of these could result in a sharp decline in the market price of the Common Shares.

With the advent of the Internet, new avenues have been created for the dissemination of information. Galane has no control over the information that is distributed and discussed on electronic bulletin boards and investment chat rooms. The intention of the people or organizations that distribute such information may not be in the Company's best interest and the best interests of its shareholders. This, in addition to other forms of investment information including newsletters and research publications, could result in a sharp decline in the market price of the Common Shares. In addition, stock markets have occasionally experienced extreme price and volume fluctuations. These broad market fluctuations may cause a decline in the market price of the Common Shares.

Conflicts of interest may affect certain directors and officers of Galane.

Senior officers and directors of the Company own or control approximately 10.6% of the outstanding Common Shares. Certain conflicts may arise between such individuals' interests as members of the management team and their interests as shareholders. Such conflicts could arise, for example, with respect to the payment of salaries and bonuses and similar matters. The Company's directors and officers are subject to fiduciary obligations to act in the best interest of the Company.

Dividends

To date, Galane has not paid any dividends on the Commons Shares. The Company does not currently intend to pay any cash dividends on the Common Shares in the foreseeable future and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The Company's current policy is to retain earnings to finance its exploration and development activities and to otherwise reinvest in the Company. The Company's dividend policy will be reviewed from time to time by the Board of Directors of the Company in the context of its earnings, financial condition and other relevant factors. Until Galane pays dividends, which it may never do, its shareholders will not be able to receive a return on its Common Shares unless they sell them.

Lack of Liquidity; Concentration of Holdings

Persons purchasing Common Shares may not be able to resell the shares and may have to hold the shares indefinitely. In addition, purchasers may not be able to use their shares for collateral for loans and may not be able to liquidate at a suitable price. Further, IAMGOLD holds almost 50% of the outstanding Common Shares and therefore may have an influence on the trading price of the Common Shares.

Market Perception

Market perception of junior gold companies such as the Company may shift such that these companies are viewed less favourably. This factor could impact the value of investors' holdings and the ability of the Company to raise further funds, which could have a material adverse effect on the Company's business, financial condition and prospects.

Galane is subject to the risk of litigation, the causes and costs of which cannot be known.

Galane may be involved in disputes with other parties in the future which may result in litigation. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations.

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In the event of a dispute involving the foreign operations of the Company, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Galane's ability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

Difficulties for investors in foreign jurisdictions in bringing actions and enforcing judgments

The majority of Galane's directors and officers reside outside of North America, and all or a substantial portion of their assets, and a substantial portion of Galane's assets, are located outside of North America. As a result, it may be difficult for investors in Canada to bring an action against directors or officers who are not resident in Canada. It may also be difficult for an investor to enforce a judgment obtained in a Canadian court or a court of another jurisdiction of residence predicated upon the civil liability provisions of federal or provincial securities laws or other laws of Canada or the equivalent laws of other jurisdictions outside Canada against those persons.

APPROVAL

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

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com

SUPPLEMENTAL INFORMATION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash costs

The Company's MD&A often refers to operating cash cost per ounce, and operating cash cost excluding royalties per ounce, all non-GAAP performance measures, in order to provide investors with information about measures used by management to monitor performance. This information is used to assess how well the producing gold mines are performing compared to plan and prior periods, and also to assess the overall effectiveness and efficiency of gold mining operations. Cash cost figures are calculated in accordance with a standard developed by the Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is still an accepted standard of reporting cash costs of gold production in North America. Adoption of the standard is voluntary, and the cost measures presented herein may not be comparable to other similarly titled measures of other companies. Cash cost includes mine site operating costs such as mining, processing, administration, and attributable realized derivative gain or loss, but are exclusive of 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.

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

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2012	FY 2011 ⁽¹⁾	Total since acquisition
Mining costs excluding depreciation and amortization	\$ 14,094,210	\$ 11,536,132	\$ 17,755,929	\$ 13,264,651	\$ 56,650,922	\$ 21,124,266	\$ 77,775,188
Adjust for:							
Stock movement	852,851	(269,690)	(2,972,526)	100,920	(2,288,445)	(480,515)	(2,768,960)
Total operating cash cost	\$ 14,947,061	\$ 11,266,442	\$ 14,783,403	\$ 13,365,571	\$ 54,362,477	\$ 20,643,751	\$ 75,006,228
Royalties	(722,794)	(945,261)	(1,164,703)	(1,277,431)	(4,110,189)	(1,442,264)	(5,552,453)
Total operating cash cost excluding royalties	\$ 14,224,266	\$ 10,348,181	\$ 13,618,700	\$ 12,088,140	\$ 50,252,288	\$ 19,201,487	\$ 69,453,775
Gold production (ounces)	9,233	10,563	11,621	17,523	48,940	20,193	69,133
Total operating cash cost excluding royalties per oz.	\$ 1,541	\$ 980	\$ 1,172	\$ 690	\$ 1,027	\$ 951	\$ 1,005

(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).