

Condensed Consolidated Interim Financial Statements
(In U.S. dollars) (Unaudited)

GALANE GOLD LTD.

For the three and six month periods ended June 30, 2021

GALANE GOLD LTD.

Condensed Consolidated Interim Statement of Financial Position
(In U.S. dollars) (Unaudited)

As at June 30, 2021 and December 31, 2020

	Notes	June 30, 2021	December 31, 2020
Assets			
Current assets:			
Cash		\$ 2,772,246	\$ 4,971,880
Trade receivables and other assets	7	2,725,276	1,990,702
Inventories	8	4,535,793	4,597,504
		10,033,315	11,560,086
Non-current assets:			
Mining and exploration properties and plant and equipment	9	55,047,676	41,418,257
Other receivables	7	1,228,800	1,168,648
		56,276,476	42,586,905
		\$ 66,309,791	\$ 54,146,991

Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities	11	\$ 11,779,021	\$ 9,301,744
Interest bearing loans and borrowings	12	11,348,585	14,695,062
		23,127,606	23,996,806
Non-current liabilities:			
Interest bearing loans and borrowings	12	654,745	956,338
Warrants denominated in a foreign currency	14	4,455,836	-
Restoration and rehabilitation provision	10	5,622,963	5,379,417
		10,733,544	6,335,755
Shareholders' equity:			
Share capital	14	\$ 54,860,734	\$ 46,215,643
Reserves	14	2,873,273	2,848,215
Deficit		(25,285,366)	(25,249,428)
Equity attributable to Galane Gold Ltd. Shareholders		32,448,641	23,814,430
		\$ 66,309,791	\$ 54,146,991

Going concern (note 2)

Approved and authorized by the Board for issue on August 26, 2021:

“Ravi Sood” Director “Dino Titaro” Director

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

Condensed Consolidated Interim Statement of Earnings (Loss) and Comprehensive Earnings (Loss)
(In U.S. dollars) (Unaudited)

Three and six month periods ended June 30, 2021 and 2020.

	Note	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Mining Revenue		\$ 10,454,982	\$ 10,375,274	\$ 20,524,722	\$ 19,848,840
Mining Costs	15	8,970,572	8,395,220	18,149,752	16,998,085
Earnings from mining operations		\$ 1,484,410	\$ 1,980,054	\$ 2,374,970	\$ 2,850,755
Expenses:					
Foreign exchange (gain) loss		212,041	(109,399)	84,113	(1,336,739)
Corporate general and administration	15	715,038	510,258	1,500,624	1,065,648
Financing (income) costs	15	(209,549)	1,788,310	(17,715)	1,341,995
Other expenses	15	433,925	181,639	843,886	511,029
		\$ 1,151,455	\$ 2,370,808	\$ 2,410,908	\$ 1,581,933
Earnings (loss) and comprehensive earnings (loss) for the period before taxation		\$ 332,955	\$ (390,754)	\$ (35,938)	\$ 1,268,822
Taxation	13	\$ -	\$ -	\$ -	\$ -
Net earnings (loss) and comprehensive earnings (loss) for the period		\$ 332,955	\$ (390,754)	\$ (35,938)	\$ 1,268,822
Basic (loss) earnings per common share	14	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ 0.01
Diluted (loss) earnings per common share	14	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ 0.01
Weighted average number of common shares- basic	14	285,799,969	223,400,910	270,467,544	223,400,910
Weighted average number of common shares - diluted	14	299,885,074	223,400,910	270,467,544	247,093,916

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

Condensed Consolidated Interim Statement of Changes in Equity
(In U.S. Dollars) (Unaudited)

Six month periods ended June 30, 2021 and 2020

	Notes	Capital Stock		Reserves	Deficit	Total
		Number	Amount	Stock based payments		
Balance as at December 31, 2019		223,400,910	39,975,999	2,626,081	(29,683,456)	12,918,624
Stock-based compensation	14	-	-	136,938	-	136,938
Net loss and comprehensive loss for the period		-	-	-	1,268,822	1,268,822
Balance as at June 30, 2020		223,400,910	\$39,975,999	\$2,763,019	\$(28,414,634)	\$14,324,384
Balance as at December 31, 2020		254,964,760	46,215,643	2,848,215	(25,249,428)	23,814,430
Common shares issued – private placement	14	44,028,700	3,806,444	-	-	3,806,444
Common shares issued – Summit acquisition	14	16,000,000	3,175,916	-	-	3,175,916
Stock-based compensation	14	-	-	25,058	-	25,058
Debenture Conversion		12,328,184	1,662,731	-	-	1,662,731
Net loss and comprehensive loss for the period		-	-	-	(35,938)	(35,938)
Balance as at June 30, 2021		327,321,644	\$54,860,734	\$2,873,273	\$(25,285,366)	\$32,448,641

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

Condensed Consolidated Interim Statement of Cash Flows
(In U.S. Dollars) (Unaudited)

Six month periods ended June 30, 2021 and 2020

	Notes	2021	2020
Cash flows from operating activities:			
Net earnings (loss) for the period		\$ (35,938)	\$ 1,268,822
Items not involving cash:			
Depreciation and amortization	9	1,436,167	2,893,086
Share based compensation	15	25,058	136,938
Accretion - ARO	15	170,660	140,933
Interest expense	15	305,334	230,444
Foreign exchange loss (gain)		31,615	(1,052,471)
Change in fair value of warrants	15	(1,187,986)	970,618
Deferred financing charges		54,708	54,706
Other income		(597)	
Working capital adjustments:			
Change in trade and other receivables		(758,246)	(462,391)
Change in inventories		67,985	729,059
Change in trade and other payables		2,463,559	(441,170)
Cash flows from operating activities		\$ 2,572,319	\$ 4,468,574
Cash flows from investing activities:			
Mining assets acquired	9	(13,777,607)	(3,457,341)
Capitalised concentrate sales	9	3,594,414	1,522,051
Cash flows used in investing activities		\$ (10,183,193)	\$ (1,935,290)
Cash flow from financing activities:			
Private placement		8,011,177	-
Deferred royalty paid		(557,389)	(314,778)
Deferred royalty interest paid		(42,611)	(85,221)
Barak facility repayment		(1,594,914)	(134,030)
Barak royalties paid		(14,884)	-
Capital lease obligations		(402,970)	(552,820)
Cash flows from financing activities		\$ 5,398,409	\$ (1,086,849)
(Decrease) Increase in cash		\$ (2,212,465)	\$ 1,446,435
Effect of unrealized foreign exchange gain on cash		12,831	(45,140)
Cash, at January 1		4,971,880	2,201,853
Cash, at June 30		\$ 2,772,246	\$ 3,603,148

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
(in U.S. Dollars)

For the three and six months ended June 30, 2021 and 2020

1. Corporate Information

Galane Gold Ltd. (the “Company”) operates through its wholly owned subsidiary, Galane Gold Mines Ltd., which was incorporated under the *Business Corporations Act* (Ontario) on November 15, 2010 and whose principal business activities are the exploration for, development of, and operation of gold mining properties. The Company’s registered and head office is located at Suite 1800, 181 Bay St., Toronto, Ontario, Canada.

2. Going Concern

The condensed consolidated interim financial statements were prepared using international financial reporting standards that are applicable to a going concern.

During the six months ended June 30, 2021, several measures continue to be in place in Botswana, South Africa and the rest of the world in response to the increased impact from COVID-19. The Company continues to operate while observing compliance with capacity and enhanced operating requirements as mandated by the Republic of Botswana Government and Republic of South Africa Government, including but not limited to social distancing, wearing of face masks, provision of hand sanitizer for employees and visitors, registration upon entry to site and temperature checks. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts on our business operations, including the duration and impact on our future production, cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on the Company's financial position, results of operation and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted.

As at June 30, 2021, the Company had a working capital deficiency (current assets less current liabilities) of \$13.1 million compared to a deficiency of \$12.4 million at December 31, 2020.

The working capital deficiency includes deferred royalties of \$4.9 million classified as a current liability. During 2020, the Company entered into discussions with the Government of Botswana to reschedule the repayment of the outstanding balance, however, with the current focus on the COVID-19 shutdown of non-essential services in the country, these discussions have not yet concluded.

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

The ongoing strength in gold prices and positive operating performance at the Mupane mine have resulted in earnings from mining operations of \$2.4 million for the six months ended June 30, 2021, compared to \$2.9 million for the same period in 2020, with cashflow from operating activities of \$2.6 million for the six months ended June 30, 2021, compared to \$4.5 million for the same period in 2020. The Company has no material commitments for capital expenditures at the Mupane or Galaxy mine as of June 30, 2021.

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

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

3. Basis of preparation

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the “Financial Statements”) of the Company as at and for the three and six months ended June 30, 2021 have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

(b) Significant accounting judgments, estimates and assumptions

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The particular areas of estimation uncertainty and critical judgments are outlined in detail in the annual audited consolidated financial statements for the year ended December 31, 2020 (the “Annual Financial Statements”).

(c) Functional and presentation currency

The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Company and each of its subsidiaries. All amounts are in U.S. dollars, except where otherwise indicated.

4. Significant Accounting Policies

These Financial Statements have been prepared following the same accounting policies and methods of computation as the Annual Financial Statements.

5. Accounting standards issued not yet adopted during the year

IAS 16 – Property Plant and Equipment

On May 14, 2020, the International Accounting Standard Board (IASB) published the narrow scope amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related costs in profit and loss. The effective date is for annual periods beginning on or after January 1, 2022. Management is of the opinion that this change will have a material impact on the reporting of 2021 comparative information, as the Company currently capitalises the proceeds from sale of gold concentrates during the commissioning phase and associated pre-production expenditure for its Galaxy operation.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

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6. Summit Acquisition

On May 19, 2021 the Company completed the acquisition (the “Summit Acquisition”) of the Summit Mine and the infrastructure constituting the Banner Mill in New Mexico (the “Assets”) from Pyramid Peak Mining, LLC, a wholly owned subsidiary of Waterton Precious Metals Fund II Cayman, LP (the “Seller”).

The aggregate consideration to be paid for the Assets is \$17.0 million, consisting of (i) cash consideration of \$6.0 million paid on closing of the acquisition; (ii) the issuance to the Seller on closing of the acquisition of 16 million common shares of the Company at a deemed issuance price of C\$0.22 per common share and warrants to purchase up to 16 million common shares of the Company exercisable at a price of C\$0.30 per common share for a period of three years from closing; and (iii) cash consideration of \$8.2 million upon commencement of production at the mine.

On initial recognition of the Summit Acquisition the Company recognised a total of \$11.2 million in property plant and equipment, with \$6.0 million paid in cash, \$3.2 million attributable to the issuance of common shares, \$1.4 million attributable to warrants, and \$0.6 million attributable to transaction costs. The \$8.2 million payment due upon commencement of production at the mine is being treated as contingent consideration in an asset acquisition and will be recognised once production has commenced.

7. Trade receivables and other assets

	June 30, 2021	December 31, 2020
Trade receivables	\$ 647,893	\$ 509,422
Taxes recoverable	1,246,636	814,918
Prepaid expenses	546,296	381,119
Other receivables	284,451	285,243
	\$ 2,725,276	\$ 1,990,702
Non-Current:		
Other receivables	\$ 1,228,800	\$ 1,168,648
	\$ 1,228,800	\$ 1,168,648

8. Inventories

The amount of inventories recognized as an expense during the period is included in mining costs in the condensed consolidated interim statement of earnings and comprehensive earnings. The carrying values at the end of the respective periods are:

	June 30, 2021	December 31, 2020
Gold in process	\$ 804,963	\$ 612,395
Supplies	3,659,125	3,928,697
Ore Stockpiles	71,705	56,412
	\$ 4,535,793	\$ 4,597,504

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9. Mining assets

The continuity of mining assets for the six months ended June 30, 2021 is as follows:

	Construction in Progress	Mining and Exploration Properties	Plant and Equipment	Total
Cost at December 31, 2020	\$ 11,890,761	\$ 93,482,856	\$ 7,890,685	\$ 113,264,302
Additions:				
Additions ⁽¹⁾	1,594,859	13,464,613	6,114	15,065,586
Cost at June 30, 2021	\$ 13,485,620	\$ 106,947,469	\$ 7,896,799	\$ 128,329,888
Accumulated depreciation and amortization at December 31, 2020	\$ -	\$ (65,532,652)	\$ (6,313,393)	\$ (71,846,045)
Depreciation and amortization	-	(1,015,602)	(420,565)	(1,436,167)
Accumulated depreciation and amortization at June 30, 2021	\$ -	\$ (66,548,254)	\$ (6,733,958)	\$ (73,282,212)
Net book value, June 30, 2021	\$ 13,485,620	\$ 40,399,215	\$ 1,162,841	\$ 55,047,676

(1) The additions for the current year include capitalised interest of \$267,386 related to the Barak facility that was utilised to fund the restart of the Galaxy mine (note 11).

10. Restoration and rehabilitation provision

At December 31, 2020	\$ 5,379,417
Revaluation	72,886
Accretion	170,660
At June 30, 2021	\$ 5,622,963

11. Trade accounts payable and accrued liabilities

	June 30, 2021	December 31, 2020
Trade accounts payable	\$ 10,103,922	\$ 7,929,054
Accrued liabilities	1,675,099	1,372,690
	\$ 11,779,021	\$ 9,301,744

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12. Loans and borrowings

	June 30, 2021	December 31, 2020
Current		
Debtures (1)	\$ 2,809,939	\$ 4,376,512
Mining Royalties (2)	4,889,914	5,319,473
Lease liabilities (3)	540,955	686,004
Barak loan facility (4)	2,978,056	4,250,876
Barak royalty (4)	129,721	62,197
	<u>\$ 11,348,585</u>	<u>\$ 14,695,062</u>
Non-Current		
Lease liabilities (3)	599,150	818,336
Barak royalty (4)	55,595	138,002
	<u>\$ 654,745</u>	<u>\$ 956,338</u>

- (1) The Company issued unsecured debtures to certain loan holders of Galaxy and other parties as settlement of amounts previously due on the acquisition of Galaxy in 2015. The original principal amount of the debtures was \$5,650,269 and was originally due on November 20, 2019. The debtures have a fixed interest rate of 4% per annum, compounded annually. \$728,000 of such principal was repaid on September 27, 2019.

In accordance with an amended and restated debenture agreed to between the Company and a debenture holder in the second quarter of 2018: (i) \$3,249,433 of the principal amount of debentures is repayable on November 20, 2021 and is convertible into common shares at a price of C\$0.15 per common share, based on a pre-determined exchange rate; (ii) interest is convertible into common shares, based on a pre-determined exchange rate, at a price equivalent to the greater of C\$0.15 and the Discounted Market Price (as defined by the TSX Venture Exchange) at the time of conversion; (iii) the Company has a right of forced conversion for the principal where the trading price of the common shares exceeds C\$0.15 for 10 consecutive trading days; and (iv) commencing January 1, 2018, interest for a calendar year is due and payable on March 31 of the subsequent year.

Pursuant to an amending instrument dated September 30, 2019: (i) \$1,672,836 of the principal amount of the debtures is now repayable on November 20, 2021, (ii) such amount of principal is convertible into common shares at a price of C\$0.20 per common share, based on a pre-determined exchange rate, with interest on such principal convertible into common shares, based on a pre-determined exchange rate, at a price equivalent to the greater of C\$0.20 and the Discounted Market Price at the time of conversion, subject to acceptance of the TSX Venture Exchange, and (iii) the Company has a right of forced conversion for such principal where the trading price of the common shares exceeds C\$0.20 for 10 consecutive trading days. On December 15, 2019 the Company prepaid an additional \$838,486 of the principal and \$12,517 of interest on the debtures.

Prior to the date of these financial statements, the trading price of the common shares exceeded both C\$0.15 and C\$0.20 thresholds for 10 consecutive trading days and, as a result, the Company has a right to force conversion of the principal amount of the outstanding debtures at any time prior to maturity.

On May 27, 2021, a debenture holder converted (i) \$600,000 of principal amount of debenture into 5,400,000 common shares at a price of C\$0.15 per common share and at a pre-determined exchange rate of \$1.00:C\$1.35 and (ii) \$29,195 of interest payable on such principal into 210,200

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common shares at a price of C\$0.1875 per common share, being the Discounted Market Price as of the date of the notice of conversion, and at a pre-determined exchange rate of \$1.00:C\$1.35.

On June 16, 2021, the Company exercised its right to force the conversion of (i) \$834,350 of principal amount of debenture into 5,423,275 common shares at a price of C\$0.20 per common share and at a pre-determined exchange rate of \$1.00:C\$1.30 and (ii) \$199,186 of interest payable on such principal into 1,294,709 common shares at a price of C\$0.20 per common share and at a pre-determined exchange rate of \$1.00:C\$1.30.

- (2) The Government of Botswana royalties were all recorded as current liabilities at June 30, 2021. However on March 19, 2018 an agreement was reached with the government regarding royalties payable on the sale of gold and subsequent repayment thereof under the following terms:
- \$8,398,709 of royalties deferred at December 2017 were to be repaid as follows:
 - principal repayments of \$21,593 per month for ten months commencing March 2018 (all paid);
 - principal repayments of \$101,593 per month for 12 months commencing January 2019 (all paid); and
 - the remaining balance to be repaid in 12 equal monthly payments commencing January 2020;
 - interest to be charged at Bank of Botswana commercial bank prime lending rate plus 5%, applied on a simple interest basis, equating to \$28,407 per month over the 34 month repayment period; and
 - the deferral amount is unsecured.

The Company is currently engaging with the Government of Botswana to negotiate a rescheduling of the repayments that were due in 2020. As yet no agreement has been reached between the parties, however the Company made payments of \$1,800,000 for the year ended December 31, 2020. The Company has repaid \$600,000 for the six months ended June 30, 2021.

- (3) The lease liabilities include leases for equipment and property.
- (4) On October 2, 2018, the Company entered into a loan agreement with Barak Fund SPC Limited (“Barak”) with respect to a \$5,000,000 secured loan facility (the “Barak Facility”), for a term ending three years from the date of the first drawdown and bearing interest at a rate of 14% per annum. The funds have been used towards the refurbishment and expansion of the processing facilities and restarting underground mining operations at the Galaxy gold mine in Barberton, South Africa. The Company has agreed to pay to Barak, or its nominee, 0.75% of the net proceeds accruing to Galaxy under an off-take agreement covering the annual gold concentrate production of the Agnes gold mine in Barberton owned and operated by Galaxy, after taking into account all attributable logistics and freight costs, State Royalties (as defined in the Barak Facility) and value-added tax (if applicable). The Company received the funds from drawdown requests totalling \$5,000,000 under the Barak Facility before December 31, 2019. As the Company was in breach of the current ratio covenant at June 30, 2021, the entire outstanding balance of the loan facility has been classified as a current liability.

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Contractual Repayment Schedule

	2021	2022	2023 onwards	Total
	\$	\$	\$	\$
Debentures	2,809,939	-	-	2,809,939
Mining royalties	4,889,914	-	-	4,889,914
Lease liabilities	391,804	530,686	287,304	1,209,794
Barak loan facility	3,179,075	-	-	3,179,075
Barak royalty	64,860	120,456	-	185,316
Total	11,335,592	651,142	287,304	12,274,038

13. Income and Mining Taxes

The Company estimates the effective tax rate expected to be applicable for the full fiscal year and uses that rate to provide for income taxes in interim reporting periods. The Company also recognizes the tax impact on certain discrete (unusual or infrequently occurring) items, including changes in judgment concerning the probable realization of losses and effects of changes in tax laws or rates, in the interim period in which they occur.

As a result of the effect of utilization of loss carry forwards available to the Company, the Company reported no income tax expense for the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 - \$nil). The effective income tax rates vary from the combined Canadian federal and provincial statutory income tax rate of 26.50% for the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 – 26.50%) due to the geographical distribution of earnings, which are subject to different tax rates, fluctuations in exchange rates and other non-deductible expenses.

14. Share Capital

(a) Authorized share capital:

As at June 30, 2021, the authorized share capital of the Company consisted of an unlimited number of common shares. All issued shares are fully paid.

(b) Issued share capital:

As at June 30, 2021, 327,321,644 common shares are issued and outstanding.

On April 8, 2021 the Company completed a private placement of 44,028,700 subscription receipts at a price of C\$0.22 per subscription receipt. Upon completion of the Summit Acquisition on May 19, 2021, each subscription receipt holder received one common share and one common share purchase warrant of the Company (a “SR Warrant”). Each SR Warrant entitles the holder thereof to purchase one common share at a price of C\$0.30, for a period of three years following the closing of the Summit Acquisition. As partial consideration for the Summit Acquisition, the Company issued an additional 16,000,000 common shares at a deemed issue price of C\$0.22 per common share, and warrants to purchase up to 16,000,000 common shares on the same terms as the SR Warrants.

On May 27, 2021, the Company issued 5,610,200 common shares pursuant to the conversion of \$600,000 of principal amount of debenture and \$29,195 of interest payable on such principal. See Note 12.

On June 16, 2021, the Company issued 6,717,984 common shares pursuant to the forced conversion of \$834,350 of principal amount of debenture and \$199,186 of interest payable on such principal. See Note 12.

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The Company did not issue any common shares during the six month period ended June 30, 2020.

(c) Stock Options:

The Company has a stock option plan whereby options may be granted to directors, officers, employees and consultants. As at June 30, 2021, a maximum of 32,732,164 options to purchase common shares were issuable under the Company's stock option plan, of which 20,032,164 remained available for issuance.

The following is a summary of stock options outstanding as at June 30, 2021 and December 31, 2020 along with changes during the periods then ended:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Balance December 31, 2019	12,700,000	\$ 0.10
Options granted	1,000,000	0.10
Options forfeited	(1,000,000)	0.10
Balance December 31, 2020 and June 30, 2021 ⁽¹⁾⁽²⁾	12,700,000	\$ 0.10

⁽¹⁾ The weighted average time to expiration for outstanding options is 1.4 years.

a. The range of exercise price is Cdn.\$0.085 to Cdn.\$0.125.

⁽²⁾ As at June 30, 2021, 8,700,000 options were exercisable (December 31, 2020 – 8,537,500).

(d) Earnings (loss) per share:

The calculation of earnings (loss) per share is based on the following data:

	Three months ended June 30, 2021	Six months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2020
Earnings (loss) attributable to Galane shareholders	\$ 332,955	\$ (35,938)	\$ (390,754)	\$ 1,268,822
Weighted average number of common shares outstanding for purposes of basic earnings per share	285,799,969	270,467,544	223,400,910	223,400,910
Dilutive options, warrants and DSUs	14,085,105	-	-	23,693,006
Weighted average number of common shares outstanding for the purpose of diluted earnings per share	299,885,074	270,467,544	223,400,910	247,093,916
Earnings (loss) per share				
Basic	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ 0.01
Diluted	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ 0.01

Basic earnings (loss) per share is computed by dividing the earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of outstanding deferred share units, warrants and stock options in the weighted average number of common shares outstanding during the period, if dilutive. For the three months ended June 30, 2021, the dilutive impact of these instruments has been recognised and for the six months ended June 30, 2021, all instruments were anti-dilutive, while for the three months ended June 30, 2020 all instruments were anti-dilutive, and for the six months ended June 30, 2020, the dilutive impact of these instruments has been recognised.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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(e) Deferred Share Units

The Company has established a deferred share unit plan whereby deferred share units (“DSUs”) may be granted to directors, officers, employees and consultants. As at June 30, 2021, a maximum of 13,262,888 DSUs were issuable under the Company’s deferred share unit plan, of which 4,967,060 remained available for issuance.

During the three and six month periods ended June 30, 2021, the Company did not issue any shares under the Company’s deferred share unit plan.

(f) Warrants:

The following is a summary of warrants outstanding as at June 30, 2021 and changes during the periods then ended:

	Number of Warrants	Weighted Average Exercise Price (CDN\$)
Balance, December 31, 2019	31,563,850	0.05
Exercised	(31,563,850)	0.05
Balance, December 31, 2020	-	-
Issued April 8, 2021 ⁽¹⁾	3,048,602	0.22
Issued May 19, 2021 ⁽²⁾	60,028,700	0.30
Balance, June 30, 2021	63,077,302	0.30

(1) The outstanding warrants have an expiry date of May 19, 2023.

(2) The outstanding warrants have any expiry date of May 19, 2024.

The following is a summary of the value of the warrants outstanding as at June 30, 2021 and changes during the periods then ended:

	Warrants denominated in a foreign currency (\$)
Balance, December 31, 2019	1,228,626
Exercised	(5,052,305)
Revaluation at exercise date	3,823,679
Balance, December 31, 2020	-
Issued	5,643,822
Revaluation at balance date	(1,187,986)
Balance, June 30, 2021	4,455,836

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15. Breakdown of costs

(a) Mining costs

	Three months ended June 30, 2021	Six months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2020
Mining and production	\$ 7,693,971	\$ 15,106,010	\$ 6,166,316	\$ 12,511,416
Administrative	777,396	1,607,575	723,050	1,593,583
Total	\$ 8,471,367	\$ 16,713,585	\$ 6,889,366	\$ 14,104,999
Depreciation and amortization	499,205	1,436,167	1,505,854	2,893,086
	\$ 8,970,572	\$ 18,149,752	\$ 8,395,220	\$ 16,998,085

(b) Corporate and General Administration

	Three months ended June 30, 2021	Six months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2020
Professional Fees	\$ 165,526	\$ 497,916	\$ 236,578	\$ 346,858
Share Based Compensation	12,529	25,058	78,051	136,938
Corporate Administration	536,983	977,650	195,629	581,852
	\$ 715,038	\$ 1,500,624	\$ 510,258	\$ 1,065,648

(c) Financing (income) costs

	Three months ended June 30, 2021	Six months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2020
Interest on long term debt	\$ 199,791	\$ 305,334	\$ 70,440	\$ 230,444
(Decrease)/increase in fair value of warrants denominated in foreign currency	(1,187,986)	(1,187,986)	1,651,333	970,618
Other finance costs	694,277	694,277	-	-
Accretion	84,369	170,660	66,537	140,933
	\$ (209,549)	\$ (17,715)	\$ 1,788,310	\$ 1,341,995

(d) Other expenses

	Three months ended June 30, 2021	Six months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2020
Other expenses (income)	\$ 25,799	\$ 50,386	\$ 32,007	\$ 67,786
Galaxy on-going costs	408,126	793,500	149,632	443,243
	\$ 433,925	\$ 843,886	\$ 181,639	\$ 511,029

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements
(In U.S. Dollars)

For the three and six months ended June 30, 2021 and 2020

16. Related party transactions

The remuneration of directors and other members of key management personnel during the six months ended June 30, 2021 are as follows:

	Six months ended June 30, 2021	Six months ended June 30, 2020
Salaries	\$ 760,214	\$ 365,817
Management fees ⁽¹⁾	91,964	90,121
Directors fees	58,971	62,661
Share-based compensation ⁽²⁾	25,028	136,938
	\$ 936,177	\$ 655,537

(1) Management fees represent compensation paid to officers of the Company pursuant to contracts for services.

(2) Share-based compensation is the fair value of options and deferred share units granted and vested with key management personnel.

17. Segmented information

The Company operates in one reportable segment, being the exploration, development and operation of gold mining properties. All of the Company's equipment and mining assets are located in the Republic of Botswana, South Africa and in the United States of America, and all revenues of the Company are earned in the Republic of Botswana. A breakdown of the total assets by geographic segment is as follows:

	North America	South Africa	Botswana	Total
Cash	\$ 266,774	\$ 92,272	\$ 2,413,200	\$ 2,772,246
All other assets	11,261,445	29,327,933	22,948,167	63,537,545
Balance, June 30, 2021	\$ 11,528,219	\$ 29,420,205	\$ 25,361,367	\$ 66,309,791

18. Subsequent Event

Subsequent to June 30, 2021, the Company issued 5,200,000 common shares pursuant to the exercise of stock options at C\$0.12 per common share for gross proceeds of C\$624,000.