

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

GALANE GOLD LTD.

For the three and six month periods ended June 30, 2018

Note to Reader:

The accompanying unaudited condensed consolidated interim financial statements of Galane Gold Ltd. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these financial statements.

GALANE GOLD LTD.

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

As at June 30, 2018 and December 31, 2017

	Notes	June 30, 2018	December 31, 2017
Assets			
Current assets:			
Cash		\$ 3,685,433	\$ 2,550,701
Trade and other receivables	6	1,705,474	1,582,958
Inventories	7	4,641,654	4,772,353
		10,032,561	8,906,012
Non-current assets:			
Mining and exploration properties	8	34,387,794	35,231,615
Plant and equipment	8	1,979,048	2,414,229
		36,366,842	37,645,844
		\$ 46,399,403	\$ 46,551,856
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	10	\$ 10,038,036	\$ 10,921,451
Loans and borrowings	11	1,014,138	8,862,616
		11,052,174	19,784,067
Non-current liabilities:			
Loans and borrowings	11	13,758,284	6,114,155
Warrants denominated in a foreign currency	13	31,309	31,402
Restoration and rehabilitation provision	9	6,416,008	6,530,831
		20,205,601	12,676,388
Shareholders' equity:			
Share capital	13	\$ 37,348,880	\$ 37,348,880
Reserves	13	2,404,586	2,280,668
Deficit		(24,611,838)	(25,538,147)
		15,141,628	14,091,401
		\$ 46,399,403	\$ 46,551,856

Commitments and contingencies (Note 15)

Approved and authorized by the Board for issue on August 15, 2018:

"Ravi Sood" Director "Ian Egan" Director

The notes on pages 5 to 13 are an integral part of these 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, 2018 and 2017.

	Note	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Mining Revenue		\$ 13,169,757	\$ 8,212,225	\$ 23,077,706	\$ 14,939,924
Mining Costs	14	10,978,749	8,126,615	20,613,030	17,387,597
Earnings (Loss) from mining operations		\$ 2,191,008	\$ 85,610	\$ 2,464,676	\$ (2,447,673)
Expenses:					
Exploration costs		57,809	50,442	117,985	85,226
Foreign exchange (gain) loss		(1,228,870)	53,041	(633,655)	466,894
Corporate general and administration	14	646,560	469,035	1,296,795	955,668
Financing costs (income)	14	152,594	534,409	304,203	1,023,735
Other expenses (income)	14	163,764	308,118	453,039	613,590
		\$ (208,143)	\$ 1,415,045	\$ 1,538,367	\$ 3,145,113
(Loss) earnings and comprehensive (loss) earnings for the period before taxation		\$ 2,399,151	\$ (1,329,435)	\$ 926,309	\$ (5,592,786)
Taxation	12	\$ -	\$ -	\$ -	\$ -
Net (loss) earnings and comprehensive (loss) earnings for the period		\$ 2,399,151	\$ (1,329,435)	\$ 926,309	\$ (5,592,786)
Basic (loss) earnings per common share	13	\$ 0.02	\$ (0.01)	\$ 0.01	\$ (0.04)
Diluted (loss) earnings per common share	13	\$ 0.02	\$ (0.01)	\$ 0.01	\$ (0.04)
Weighted average number of common shares- basic	13	146,804,760	146,285,529	146,806,760	146,010,708
Weighted average number of common shares - diluted	13	146,804,760	146,285,529	146,806,760	146,010,708

The notes on pages 5 to 13 are an integral part of these 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, 2018 and 2017

	Notes	Capital Stock		Reserves	Deficit	Total
		Number	Amount	Stock based payments		
Balance as at December 31, 2016		145,088,978	\$ 37,139,370	\$2,077,781	\$(23,195,178)	\$ 16,021,973
Stock-based compensation	13	-	-	131,948	-	131,948
Deferred Share Units issued	13	965,782	164,431	(164,431)	-	-
Options exercised	13	750,000	45,079	(17,329)	-	27,750
Net loss and comprehensive loss for the period		-	-	-	(5,592,786)	(5,592,786)
Balance as at June 30, 2017		146,804,760	\$ 37,348,880	\$2,027,969	\$(28,787,964)	\$ 10,588,885
Balance as at December 31, 2017		146,804,760	37,348,880	2,280,668	(25,538,147)	14,091,401
Stock-based compensation	13	-	-	123,918	-	123,918
Net earnings and comprehensive earnings for the period		-	-	-	926,309	926,309
Balance as at June 30, 2018		146,804,760	\$ 37,348,880	\$2,404,586	\$ 24,611,838	\$ 15,141,628

The notes on pages 5 to 13 are an integral part of these consolidated financial statements

GALANE GOLD LTD.

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

Six month periods ended June 30, 2018 and 2017

	Notes	2018	2017
Cash flows from operating activities:			
Net earnings (loss) for the period		\$ 926,309	\$ (5,592,786)
Items not involving cash:			
Change in fair value of warrants	14	(93)	4,857
Deferral of royalties	11	-	1,110,535
Depreciation and amortization	8	2,901,662	2,856,158
Share based compensation	14	123,918	131,948
Accretion	14	185,746	560,988
Interest expense	14	118,550	457,890
Foreign exchange (gain) loss		(505,799)	81,010
Working capital adjustments:			
Change in trade and other receivables		(180,833)	250,349
Change in inventories		130,699	1,867,942
Change in trade and other payables		(505,575)	363,635
Cash flows from operating activities		\$ 3,194,584	\$ 2,092,526
Cash flows from investing activities:			
Mining assets acquired	8	(1,622,660)	(1,197,002)
Cash flows used in investing activities		\$ (1,622,660)	\$ (1,197,002)
Cash flow from financing activities:			
Short term note		-	499,888
Deferred royalties		(200,000)	-
Options exercised	13	-	27,750
Repayment of loans		-	(831,000)
Capital lease obligations		(230,054)	(217,729)
Cash flows from financing activities		\$ (430,054)	\$ (521,091)
(Decrease) Increase in cash		\$ 1,141,870	\$ 374,433
Effect of unrealized foreign exchange gain on cash		(7,138)	1,381
Cash, at January 1		2,550,701	823,741
Cash, at June 30		\$ 3,685,433	\$ 1,199,555

The notes on pages 5 to 13 are an integral part of these 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, 2018 and 2017

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. Liquidity Risk

As at June 30, 2018, the Company had a working capital deficiency of \$1.0 million compared to a deficiency of \$10.9 million at December 31, 2017. Included in working capital as at December 31, 2017 was \$8.4 million due to the government of Botswana relating to outstanding royalty payments, the majority of which has been transferred to long term liabilities based on an agreement with the government of Botswana.

The strength in gold prices and improved operating performance at the Mupane mine have had a positive impact on the Company’s operating results, resulting in earnings from mining operations of \$2.5 million for the period ended June 30, 2018, compared to a loss of \$2.4 million for the same period in 2017. Cash flow generated from operations for the six months ended June 30, 2018 was \$3.2 million and the Company expects to be able to meet its obligations as they fall due for at least the next 12 months from cash generated from operations.

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.

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 six months ended June 30, 2018 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, 2017 (the “Annual 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, 2018 and 2017

(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, except as set out below.

- (a) IFRS 9 Financial Instruments - The Company adopted IFRS 9 on a retrospective basis effective January 1, 2018. The adoption of this standard did not have any measurement impact on prior period financial results or financial position.

Financial instruments are recognized on the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial assets at amortized cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company's receivables, which are not provisionally priced, consist of fixed or determined cash flows related solely to principal and interest amounts. The Company's intent is to hold these receivables until cash flows are collected. Receivables are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest rate method. The Company recognizes a loss allowance, as appropriate, for expected credit losses on a financial asset that is measured at amortized cost.

Financial liabilities at amortized cost – Financial liabilities are measured at amortized cost using the effective interest rate method, unless they are required to be measured at fair value through profit and loss. Interest bearing loans and borrowings, including mining royalties payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

- (b) IFRS 15 Revenue from contracts with customers - The Company adopted IFRS 15 on a retrospective basis effective January 1, 2018. The adoption of this standard did not have any measurement impact on prior period financial results or financial position and accordingly no restatement of prior periods was required.

5. Future Accounting Policies

The following new standards and amendments to standards and interpretations which were issued but not yet effective for the quarter ended June 30, 2018, have not been applied in preparing these Financial Statements. They are summarized as follows:

- (a) **IFRS 16 – Leases**

In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 requires lessees to recognize assets and liabilities for most leases, in particular those treated as operating leases under existing IFRS. The Company is in the process of determining the impact of IFRS 16 on its 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, 2018 and 2017

6. Trade and other receivables

	June 30, 2018	December 31, 2017
Trade receivables	\$ 483,945	\$ 501,890
Other receivables	94,414	380,431
Taxes recoverable	566,461	616,807
Prepaid expenses	560,654	83,830
	\$ 1,705,474	\$ 1,582,958

7. 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, 2018	December 31, 2017
Gold in process	\$ 922,409	\$ 855,376
Supplies	3,152,430	3,062,476
Ore Stockpiles	566,815	854,501
	\$ 4,641,654	\$ 4,772,353

8. Mining assets

The continuity of mining assets for the six months ended June 30, 2018 is as follows:

	Construction in Progress	Mining and Exploration Properties	Plant and Equipment	Total
Cost at December 31, 2017	\$ 2,503,251	\$ 84,282,797	\$ 7,034,231	\$ 93,820,279
Additions:				
Additions	544,440	987,817	90,403	1,622,660
Cost at June 30, 2018	\$ 3,047,691	\$ 85,270,614	\$ 7,124,634	\$ 95,442,939

Accumulated depreciation and amortization at December 31, 2017	\$ -	\$ (51,554,433)	\$ (4,620,002)	\$ (56,174,435)
Depreciation and amortization	-	(2,376,078)	(525,584)	(2,901,662)

Accumulated depreciation and amortization at June 30, 2018	\$ -	\$ (53,930,511)	\$ (5,145,586)	\$ (59,076,097)
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Net book value, June 30, 2018	\$ 3,047,691	\$ 31,340,103	\$ 1,979,048	\$ 36,366,842
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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, 2018 and 2017

9. Restoration and rehabilitation provision

	Restoration and rehabilitation provision
At December 31, 2017	\$ 6,530,831
Revaluation	(300,569)
Accretion	185,746
At June 30, 2018	\$ 6,416,008

10. Trade accounts payable and accrued liabilities

	June 30, 2018	December 31, 2017
Trade accounts payable	\$ 8,245,432	\$ 8,761,301
Accrued liabilities	1,792,604	2,160,150
	\$ 10,038,036	\$ 10,921,451

11. Loans and borrowings

	June 30, 2018	December 31, 2017
Current		
Mining Royalties ⁽²⁾	\$ 739,116	\$ 8,398,709
Capital lease obligation ⁽³⁾	275,022	463,907
	\$ 1,014,138	\$ 8,862,616
Non-Current		
Debentures ⁽¹⁾	\$ 6,185,064	\$ 6,072,987
Mining Royalties ⁽²⁾	7,573,220	-
Capital lease obligation ⁽³⁾	-	41,168
	\$ 13,758,284	\$ 6,114,155

⁽¹⁾ The Company issued unsecured debentures to certain Galaxy loan holders and other parties as settlement of amounts previously due on the acquisition of Galaxy in 2015. The current terms of the debentures are as follows:

- initial principal amount - \$5,650,269;
- interest rate - fixed rate of 4% per annum, compounded annually;
- \$2,400,836 of such principal is repayable on November 20, 2019 and is convertible into common shares at a price of Cdn.\$0.58 per share, based on a pre-determined exchange rate, with interest convertible into common shares, based on a pre-determined exchange rate, at a price equivalent to the greater of Cdn.\$1.00 and the Discounted Market Price (as defined by the TSX Venture Exchange) at the time of conversion, subject to acceptance of the TSX Venture Exchange; and
- 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 such principal is repayable on November 20, 2021 and is convertible into common shares at a price of Cdn.\$0.15 per 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 Cdn.\$0.15 and the Discounted Market Price 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 Cdn.\$0.15 for 10 consecutive trading days; (iv) the accrued interest to December 31, 2017 becomes payable 7 days after the Company first draws down on the proposed loan facility to be provided to the Company by Barak Fund SPC Limited; and (v) commencing January 1, 2018, interest for a calendar year will be due and payable on March 31 of the subsequent year, with the first such payment being due on March 31, 2019.

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, 2018 and 2017

- (2) The Government of Botswana royalties were all recorded as current liabilities at December 31, 2017, 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 to December 2017 will commence repayment in March 2018 over 34 months as follows:
 - principal repayments of \$21,593 per month for ten months commencing March 2018,
 - principal repayments of \$101,593 per month for 12 months commencing January 2019, 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.
- (3) The Company acquired a Komatsu Dozer in March 2015 and financed \$535,000 of the acquisition costs. The lease term is 48 months with monthly payments of approximately \$13,500 per month principal and interest. In December 2016, the Company acquired an Atlas Copco Simba drilling machine and financed \$617,000 of the acquisition cost. The lease term is 24 months with monthly payments of approximately \$28,616 in principal and interest.

12. 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, 2018 (three and six months ended June 30, 2017 - \$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, 2018 (three and six months ended June 30, 2017 – 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.

13. Share Capital

(a) Authorized share capital:

As at June 30, 2018, 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, 2018, 146,804,760 common shares are issued and outstanding.

The Company did not issue any common shares during the six month period ended June 30, 2018.

The Company issued a total of 1,715,782 common shares during the six month period ended June 30, 2017. The Company issued 965,782 common shares pursuant to the Company's deferred share unit plan at a weighted average price of C\$0.17. There were 750,000 common shares issued following the exercise of options at an exercise price of C\$0.05 per share.

(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, 2018, a maximum of 14,680,476 options to purchase common shares were issuable under the Company's stock option plan, of which 4,980,476 remained available for issuance.

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, 2018 and 2017

The following is a summary of stock options outstanding as at June 30, 2018 and December 31, 2017 along with changes during the periods then ended:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Balance December 31, 2016	11,290,000	\$ 0.18
Options expired	(1,090,000)	0.84
Options cancelled	(250,000)	0.05
Options exercised ⁽³⁾	(750,000)	0.05
Options granted May 29, 2017, expiring May 29, 2022	500,000	0.10
Balance December 31, 2017 and June 30, 2018 ^{(1) (2)}	9,700,000	\$ 0.11

⁽¹⁾ The weighted average time to expiration for outstanding options is 2.9 years.

a. The range of exercise price are Cdn.\$0.095 to Cdn.\$0.12.

⁽²⁾ As at June 30, 2018, 2,740,000 options were exercisable (December 31, 2017 – 2,690,000).

⁽³⁾ The weighted average share price on the exercise dates for the 2017 stock option exercises was C\$0.09.

(d) Earnings (loss) per share:

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

	Three months ended June 30, 2018	Six months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2017
Earnings (loss)	\$ 2,399,151	\$ 926,309	\$ (1,329,435)	\$ (5,592,786)
Weighted average number of common shares outstanding for purposes of basic earnings per share	146,804,760	146,804,760	146,285,529	146,010,708
Dilutive deferred share units	-	-	-	-
Dilutive options	-	-	-	-
Weighted average number of common shares outstanding for the purpose of diluted earnings per share	146,804,760	146,804,760	146,285,529	146,010,708
Earnings (loss) per share				
Basic	\$ 0.02	\$ 0.01	\$ (0.01)	\$ (0.04)
Diluted	\$ 0.02	\$ 0.01	\$ (0.01)	\$ (0.04)

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 warrants, stock options deferred share units or convertible debentures in the weighted average number of common shares outstanding during the period, if dilutive. For the three and six months ended June 30, 2018, and the six months ended June 30, 2017, all instruments were anti-dilutive due to the net loss in the period.

(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, 2018, a maximum of 13,262,888 DSUs were issuable under the Company’s deferred share unit plan, of which 7,327,060 remained available for issuance.

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, 2018 and 2017

(f) Warrants:

The following is a summary of warrants outstanding as at June 30, 2018 and changes during the periods then ended:

	Number of Warrants	Weighted Avg Exercise Price (Cdn.\$)
Balance, December 31, 2016	4,596,614	0.11
Warrants expired November 20, 2017	(4,076,598)	0.10
Balance, June 30, 2018	520,016	0.18

14. Breakdown of costs

(a) Mining costs

	Three months ended June 30, 2018	Six months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2017
Mining and production	\$ 8,454,305	\$ 15,717,449	\$ 5,611,165	\$ 12,635,895
Administrative	1,005,935	1,993,919	976,805	1,895,543
Total	\$ 9,460,240	\$ 17,711,368	\$ 6,587,970	\$ 14,531,438
Depreciation and amortization	1,518,509	2,901,662	1,538,645	2,856,159
	\$ 10,978,749	\$ 20,613,030	\$ 8,126,615	\$ 17,387,597

(b) Corporate and General Administration

	Three months ended June 30, 2018	Six months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2017
Professional Fees	\$ 142,221	\$ 272,200	\$ 159,879	\$ 239,572
Share Based Compensation	58,905	123,918	69,736	131,948
Corporate Administration	445,434	900,677	239,420	584,148
	\$ 646,560	\$ 1,296,795	\$ 469,035	\$ 955,668

(c) Financing costs

	Three months ended June 30, 2018	Six months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2017
Interest on long term debt	\$ 70,877	\$ 118,550	\$ 199,905	\$ 457,890
(Decrease)/increase in fair value of warrants denominated in foreign currency	(573)	(93)	3,328	4,857
Accretion	82,290	185,746	331,176	560,988
	\$ 152,594	\$ 304,203	\$ 534,409	\$ 1,023,735

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, 2018 and 2017

(d) Other expenses

	Three months ended June 30, 2018	Six months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2017
Other expenses (income)	\$ 7,545	\$ 4,615	\$ (4,068)	\$ (5,545)
Galaxy on-going costs	156,219	448,424	312,186	619,135
	\$ 163,764	\$ 453,039	\$ 308,118	\$ 613,590

15. Commitments and Contingencies

(a) Royalty expenses

Production from the Company's Mupane operation is subject to third party royalties (included in mining costs) of 5% of revenues based on market prices at the date of shipment. For the six month period ended June 30, 2018, the Company paid \$1,186,651 in royalties (2017 – deferred \$754,163).

(b) Operating contractual obligations

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

• To be incurred in the remainder of 2018	\$354,264
• To be incurred 2019-2022	\$1,923,764
• To be incurred 2023 onwards	\$293,839

(c) Claims

The Company is subject to the possibility of revised tax assessments for some years. The Company does not believe that, should unfavourable decisions arise from any review of its tax filings, that any amount it might be required to pay will be material. No amounts have been provided for in the Financial Statements.

16. Related party transactions

During the six months ended June 30, 2018, no related party transactions occurred.

The remuneration of directors and other members of key management personnel during the six months ended June 30, 2018 are as follows:

	Six months ended June 30, 2018	Six months ended June 30, 2017
Salaries	\$ 757,603	\$ 475,865
Management fees ⁽¹⁾	85,756	88,765
Directors fees	40,777	38,470
Share-based compensation ⁽²⁾	123,918	131,948
	\$ 1,008,054	\$ 735,048

(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.

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, 2018 and 2017

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 all revenues of the Company are earned in the Republic of Botswana. A breakdown of the total assets by geographic segment is as follows:

	Canada	South Africa	Botswana	Total
Cash	\$ 124,730	\$ 76,083	\$ 3,484,620	\$ 3,685,433
All other assets	85,664	12,792,430	29,835,876	42,713,970
Balance, June 30, 2018	\$ 210,394	\$ 12,868,513	\$ 33,320,496	\$ 46,399,403

18. Subsequent event

Extension of closing date for secured facility

The Company has made material progress towards the disbursal of the US\$5,000,000 secured loan facility with Barak Fund SPC Limited previously announced on March 5, 2018. The Company and Barak Fund SPC Limited have entered into an addendum to the loan agreement to extend the expected closing date to on or before September 30, 2018.