



TSXV: GG

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

COVID-19 Guidance:

In the context of the effort to mitigate the potential health risk associated with COVID-19, and in compliance with the orders and directives of the Government of Canada, the Province of Ontario, and the City of Toronto, the shareholders of Galane Gold Ltd. are being discouraged from attending the Annual and Special Meeting of Shareholders in person. All shareholders are encouraged to vote on the matters before the meeting by proxy in the manner set out in the Notice of Meeting and the Management Information Circular dated May 25, 2020

May 25, 2020

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GALANE GOLD LTD.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of the holders of the common shares (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) of Galane Gold Ltd. (the “**Corporation**”) will be held at the offices of Aird & Berlis LLP, Brookfield Place, Suite 1800, 181 Bay Street, Toronto, Ontario, M5J 2T9 on Wednesday, June 24, 2020 at the hour of 10:00 a.m. (Toronto time) for the following purposes:

1. to receive the audited financial statements of the Corporation for the financial year ended December 31, 2019, together with the report of the auditor thereon;
2. to elect the directors of the Corporation;
3. to appoint PricewaterhouseCoopers LLP, Chartered Professional Accountants, as auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix its remuneration;
4. to consider and, if thought appropriate, pass, with or without variation, a resolution approving the Corporation’s rolling stock option plan, as more fully described in the accompanying management information circular dated May 25, 2020 (the “**Circular**”); and
5. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Accompanying this Notice of Annual and Special Meeting of Shareholders is the Circular and a copy of the audited financial statements of the Corporation for the financial year ended December 31, 2019, together with the report of the auditor thereon.

A Shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his, her or its duly executed form of proxy with the Corporation’s transfer agent and registrar, TSX Trust Company, 100 Adelaide Street West, Ste. 301, Toronto, Ontario, M5H 4H1, on or before 10:00 a.m. on Monday, June 22, 2020 or deliver it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting.

Shareholders who are unable to be present personally at the Meeting are urged to sign, date and return the enclosed form of proxy in the envelope provided for that purpose. If you plan to be present personally at the Meeting, you are requested to bring the enclosed form of proxy for identification. The record date for the determination of those Shareholders entitled to receive the Notice of Annual and Special Meeting of Shareholders and to vote at the Meeting was the close of business on Friday, May 22, 2020.

While as of the date of this notice, we intend to hold the Meeting in physical face to face format, we are continuously monitoring the rapidly evolving news and guidelines related to the COVID-19 coronavirus. We ask that, in considering whether to attend the Meeting in person, you follow, among other things, the instructions of the Public Health Agency of Canada and any applicable additional provincial and local instructions. All Shareholders are strongly encouraged to vote prior to the Meeting by any of the means described on pages 5 and 6 of the Circular.

We reserve the right to take any additional precautionary measures we deem appropriate in relation to the Meeting in response to further developments in respect of COVID-19 including, if we consider necessary or advisable, providing a webcast version of the Meeting and/or hosting the Meeting solely by means of remote communication. Changes to the Meeting date, time, location and/or means of holding the Meeting may be announced by way of press release. Please monitor the Corporation’s press releases for updated information. We advise you to check our website one week prior to the Meeting date for the most current

information. We do not intend to prepare or mail an amended Circular in the event of changes to the Meeting format.

DATED at Toronto, Ontario this 25th day of May, 2020.

BY ORDER OF THE BOARD

“Ravi Sood”

Ravi Sood
Chairman

GALANE GOLD LTD.

MANAGEMENT INFORMATION CIRCULAR

CURRENCY PRESENTATION

Unless otherwise indicated, all dollar amounts in this management information circular (the “**Circular**”) are expressed in Canadian dollars, and, unless otherwise indicated, all dollar amounts expressed in U.S. dollars are converted using an exchange rate of 1.4015, being the Bank of Canada exchange rate on the date immediately preceding the date of this Circular.

SOLICITATION OF PROXIES

This Circular is furnished in connection with the solicitation of proxies by the management of Galane Gold Ltd. (the “**Corporation**”) for use at the annual and special meeting (the “**Meeting**”) of holders (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) of common shares in the capital of the Corporation (“**Common Shares**”) to be held at the time and place and for the purposes set forth in the attached Notice of Annual and Special Meeting of Shareholders (the “**Notice**”). The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

Except as noted below, the Corporation has distributed or made available for distribution, copies of the Notice, the Circular and form of proxy or voting instruction form (if applicable) (the “**Meeting Materials**”) to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the “**Intermediaries**”) for distribution to Beneficial Shareholders (as defined below) whose Common Shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. The Corporation has elected to pay for the delivery of the Meeting Materials to objecting Beneficial Shareholders by the Intermediaries. The Corporation is sending proxy-related materials directly to non-objecting Beneficial Shareholders, through the services of its transfer agent and registrar, TSX Trust Company. The solicitation of proxies from Beneficial Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Beneficial Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of the Meeting Materials. The Corporation is not relying on the notice-and-access provisions of securities laws for delivery of the Meeting Materials to registered Shareholders or Beneficial Shareholders.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for such Shareholder and on his, her or its behalf at the Meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation’s transfer agent and registrar, TSX Trust Company, 100 Adelaide Street West, Ste. 301, Toronto, Ontario, M5H 4H1 not later than 10:00 a.m. on Monday, June 22, 2020 or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting. A proxy must be executed by the registered Shareholder or his, her or its attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing executed by the Shareholder or by such Shareholder's attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing:
 - (i) at the registered office, 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9, at any time up to and including Tuesday, June 23, 2020; or
 - (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of such direction, such Common Shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment thereof.** At the time of the printing of this Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **However, if any other matters which at present are not known to the management of the Corporation should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

ADVICE TO BENEFICIAL SHAREHOLDERS

Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares, or non-objecting beneficial owners whose names has been provided to the Corporation's registrar and transfer agent, can be recognized and acted upon at the Meeting. The information set forth in this section is therefore of significant importance to a substantial number of Shareholders who do not hold their Common Shares in their own name (referred to in this section as "**Beneficial Shareholders**"). If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in such Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's Intermediary or an agent of that Intermediary. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co., as nominee for CDS Clearing and Depository Services Inc., which acts as a depository for many Canadian Intermediaries. Common Shares held by Intermediaries or their nominees can only be voted for or against resolutions upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares for their clients.

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided by the Corporation to the Intermediaries. However, its purpose is limited to instructing the Intermediary how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining

instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails the voting instruction forms or proxy forms to the Beneficial Shareholders and asks the Beneficial Shareholders to return the voting instruction forms or proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a proxy or voting instruction form from Broadridge cannot use that proxy to vote Common Shares directly at the Meeting - the proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their Intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the Intermediary and vote their Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their own Common Shares as proxyholder for the Intermediary should enter their own names in the blank space on the management form of proxy or voting instruction form provided to them and return the same to their Intermediary (or the agent of such Intermediary) in accordance with the instructions provided by such Intermediary or agent well in advance of the Meeting. **Beneficial Shareholders should carefully follow the instructions of their Intermediaries and their service companies.**

All references to shareholders in this Circular and the accompanying form of proxy and Notice are to Shareholders of record unless specifically stated otherwise.

NOTE TO NON-OBJECTING BENEFICIAL OWNERS

The Meeting Materials are being sent to both registered and Beneficial Shareholders. If you are a Beneficial Shareholder, and the Corporation or its agent has sent the Meeting Materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send the Meeting Materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering the Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

COVID-19 NOTICE

While as of the date of this Circular, we intend to hold the Meeting in physical face to face format, we are continuously monitoring the rapidly evolving news and guidelines related to the COVID-19 coronavirus. We ask that, in considering whether to attend the Meeting in person, Shareholders follow, among other things, the instructions of the Public Health Agency of Canada and any applicable additional provincial and local instructions. All Shareholders are strongly encouraged to vote prior to the Meeting by any of the means described above.

We reserve the right to take any additional precautionary measures we deem appropriate in relation to the Meeting in response to further developments in respect of COVID-19 including, if we consider necessary or advisable, providing a webcast version of the Meeting and/or hosting the Meeting solely by means of remote communication. Changes to the Meeting date, time, location and/or means of holding the Meeting may be announced by way of press release. Please monitor the Corporation’s press releases for updated information. We advise you to check our website one week prior to the Meeting date for the most current information. We do not intend to prepare or mail an amended Circular in the event of changes to the Meeting format.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation has fixed the close of business on Friday, May 22, 2020 as the record date (the “**Record Date**”) for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. As at the Record Date, 223,400,910 Common Shares carrying the right to one vote per share at the Meeting were issued and outstanding.

In accordance with the provisions of the *Business Corporations Act* (Ontario), the Corporation will prepare a list of the holders of Common Shares on the Record Date. Each holder of Common Shares named on the list will be entitled to vote the Common Shares shown opposite his, her or its name on the list at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as at the date of this Circular, no person beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to the Common Shares.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The general objectives of the Corporation’s compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management’s interests with the long-term interests of shareholders; and (c) attract and retain highly qualified executive officers.

Elements of Compensation

1. Base Salary

Each Named Executive Officer (as such term is defined below) receives a base salary, which constitutes a significant portion of the Named Executive Officer’s compensation package. Base salary is recognition for discharging day-to-day duties and responsibilities and reflects the Named Executive Officer’s performance over time, as well as that individual’s particular experience and qualifications. A Named Executive Officer’s base salary is reviewed by the board of directors of the Corporation (the “**Board**”) on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years.

2. Incentive Plans

The Corporation’s stock option plan (the “**Stock Option Plan**”), share purchase plan (the “**Share Purchase Plan**”) and deferred share unit plan (the “**DSU Plan**”, together with the Stock Option Plan and Share Purchase Plan, the “**Incentive Plans**”) are intended to reinforce commitment to long-term growth in profitability and shareholder value by encouraging share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Incentive Plans align the interests of the Named Executive Officers and the Board with Shareholders by linking a component of executive compensation to the longer term performance of the Common Shares.

Stock Option Plan

Officers, directors, employees and consultants are eligible under the Stock Option Plan to receive grants of stock options. The Stock Option Plan is an important part of the Corporation’s long-term incentive strategy for its officers, directors, employees and consultants, permitting them to participate in appreciation of the

market value of the Common Shares over a stated period of time. The Stock Option Plan is intended to reinforce commitment to long-term growth in profitability and shareholder value. The size of the stock option grants to officers, directors, employees and consultants is dependent on each such person's level of responsibility, authority and position with the Corporation and to the degree to which such person's long term contribution to the Corporation will be key to its long term success.

Options are granted by either the Board or the Compensation Committee of the Corporation (the "**Compensation Committee**"). In monitoring or adjusting the option allotments, the Board or the Compensation Committee, as the case may be, takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the Named Executive Officers. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility. The Board or the Compensation Committee will make these determinations subject to and in accordance with the provisions of the Stock Option Plan. See "Particulars of Matters to be Acted Upon – Approval of Stock Option Plan" below for further details regarding the Stock Option Plan.

As at the date of this Circular, a total of 8,640,091 Common Shares were available for grant and 13,700,000 Common Shares were issuable pursuant to options granted under the Stock Option Plan, representing approximately 6.13% of the issued and outstanding Common Shares.

Share Purchase Plan

The purpose of the Share Purchase Plan is to advance the interests of the Corporation by encouraging equity participation in the Corporation by its directors, officers and employees. The Share Purchase Plan allows directors, officers and employees of the Corporation and its subsidiaries to participate in the Share Purchase Plan once they have completed six months of service (the "**Qualifying Participants**"). On June 15 and December 15 of each year, Qualifying Participants are entitled to purchase Common Shares up to a maximum amount of \$12,500. Accordingly, the maximum amount that can be invested by a Qualifying Participant under the Share Purchase Plan in any calendar year is \$25,000. The subscription price of the Common Shares under the Share Purchase Plan is the Market Price (as such term is defined in the Corporate Finance Manual of the TSX Venture Exchange (the "**Exchange**")) prior to the applicable June 15 or December 15 date. The Qualifying Participants will be required to hold the Common Shares purchased under the Share Purchase Plan for a minimum period of three months or, if applicable, for the requisite Exchange hold period.

On each of June 15 and December 15, a Qualifying Participant will be entitled to receive a matching number of Common Shares (the "**Matching Shares**") as were subscribed for by such Qualifying Participant at no cost to the Qualifying Participant. The Matching Shares will be issued to Qualifying Participant in equal annual installments over a three year period following the date of the subscription of the Common Shares by the Qualifying Participant, as long as the Qualifying Participant is a director, officer or employee of the Corporation at that time.

No Common Shares will be issued under the Share Purchase Plan at any time to any insider of the Corporation if such issuance, together with all of the Corporation's previously established or proposed share compensation arrangements, including the Share Purchase Plan, could result at any time in: (i) the number of Common Shares issued to insiders pursuant to the Share Purchase Plan, together with all of such other share compensation arrangements, within any one year period exceeding 10% of the issued and outstanding Common Shares; or (ii) the number of Common Shares issuable to insiders at any time pursuant to the Share Purchase Plan and all such other share compensation arrangements exceeding 10% of the issued and outstanding Common Shares.

Further, the total number of Common Shares issued under the Share Purchase Plan in any fiscal year of the Corporation cannot exceed 2% of the number of Common Shares issued and outstanding at the commencement of such fiscal year.

Under the Share Purchase Plan, the Corporation may issue Common Shares to Qualifying Participants who meet certain conditions as set out in the Share Purchase Plan. The Corporation has the ability, in its discretion, to provide Common Shares to Qualifying Participants under the Share Purchase Plan through open market purchases as well as through issuances from treasury.

If the Common Shares are increased, decreased, changed into or exchanged for a different number or type of shares or securities of the Corporation through a re-organization, plan of arrangement, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board, in its discretion, to: (a) the aggregate number of Common Shares reserved for issuance under the Share Purchase Plan; and (b) the number of Matching Shares issuable to Qualifying Participants. Determinations by the Board as to what adjustments shall be made, and the extent thereof, are subject to any necessary approvals of the Exchange. The Corporation shall not be obligated to issue fractional securities in satisfaction of any of its obligations under the Share Purchase Plan.

In the event that a “take-over bid” (within the meaning of applicable Canadian securities laws) is made for all of the issued and outstanding Common Shares, then all Matching Shares which have not yet been earned by Qualifying Participants as of the date of the bid will be deemed to have been earned and the Corporation will immediately issue and deliver such Matching Shares to each Qualifying Participant. In the event that a take-over bid is made for a portion of the issued and outstanding Common Shares, the Board may, in its discretion, determine that all Matching Shares which have not yet been earned by Qualifying Participants as of the date of the bid will be deemed to have been earned and the Corporation will immediately issue and deliver such Matching Shares to each Qualifying Participant. Subject to any required Exchange or Shareholder approvals, the Share Purchase Plan may be amended from time to time by the Board.

The aggregate number of Common Shares reserved for issuance under the Share Purchase Plan is 1,000,000 Common Shares. As at the date of this Circular, an aggregate of 508,745 Common Shares have been purchased and 483,205 Matching Shares have been issued under the Share Purchase Plan.

Deferred Share Unit Plan

The purpose of the DSU Plan is to advance the interests of the Corporation by enabling directors, officers, employees and consultants of the Corporation (“**DSU Participants**”) to participate in any increase in the value of the Common Shares.

Pursuant to the DSU Plan, the Board or the Compensation Committee may, in its sole discretion, elect to award a dollar amount (an “**Awarded Amount**”) of compensation to a DSU Participant by crediting such DSU Participant with the number of deferred share units (each, a “**DSU**”) equal to the amount determined by dividing the Awarded Amount by the fair market value of the Common Shares. Unless otherwise determined by the Board at the time of award, all DSUs will vest in five equal instalments on the first, second, third, fourth and fifth anniversary of the date of the award. All unvested DSUs will generally vest on the occurrence of a change of control of the Corporation or upon the termination of a DSU Participant without cause.

Unless disinterested Shareholder approval is obtained, in no event may: (i) the number of DSUs and Common Shares issuable upon exercise of options granted to any one person, other than a consultant, in any 12 month period exceed 5% of the issued and outstanding Common Shares; (ii) the number of DSUs

and Common Shares issuable upon exercise of options granted to any consultant in any 12 month period exceed 2% of the issued and outstanding Common Shares; or (iii) the number of DSUs and Common Shares issuable upon exercise of options granted to all persons engaged to conduct investor relations activities in any 12 month period exceed 2% of the issued and outstanding Common Shares. The maximum aggregate number of Common Shares that, under all share compensation arrangements of the Corporation that: (i) are reserved for issuance to insiders of the Corporation may not exceed 10% of the issued and outstanding Common Shares; and (ii) are issued to insiders of the Corporation within a 12 month period, may not exceed 10% of the issued and outstanding Common Shares.

Subject to the specific terms of the DSU Plan, when a DSU Participant has ceased to be a director, officer, employee or consultant of the Corporation, the DSU Participant may redeem the vested DSUs credited to such DSU Participant as follows: (i) each DSU shall be redeemed for one Common Share or the fair market value thereof in the event that such DSU Participant has retired, has been terminated without cause, has not been re-elected as a director by the Shareholders or in the event of such DSU Participant's death; and (ii) each DSU shall be redeemed for 0.75 of one Common Share or the equivalent fair market value thereof in all other circumstances not described in clause (i) above, including but not limited to the resignation of such DSU Participant prior to retirement or the determination of such DSU Participant not to stand for re-election to the Board. Notwithstanding the foregoing, a DSU Participant who is terminated by the Corporation for cause forfeits all of his or her DSUs. The Board may amend, modify or terminate the DSU Plan without obtaining Shareholder approval, provided that the Board may not amend the DSU Plan without requisite Shareholder and Exchange approvals to: (i) increase the number of Common Shares reserved for issuance under the DSU Plan; (ii) except as provided in the DSU Plan, permit assignments or redemptions other than by a DSU Participant; or (iii) provide for other types of compensation through equity issuance other than as provided in the DSU Plan.

Subject to adjustment in certain circumstances, the maximum aggregate number of Common Shares that may be reserved for issuance pursuant to the DSU Plan is 13,262,888 Common Shares. As of the date of this Circular, subject to the terms of the DSU Plan, DSUs to purchase up to 7,170,046 Common Shares are outstanding, 4,967,060 DSUs remain available for issuance and 1,125,782 Common Shares have been issued under the DSU Plan.

3. Performance Bonus

Bonus

Each of Nicholas Brodie, the Chief Executive Officer of the Corporation, and Wayne Hatton-Jones, the Chief Operating Officer of the Corporation and the General Manager of the Corporation's wholly-owned indirect subsidiary Mupane Gold Mining (Pty) Ltd. ("MGM"), is eligible, at the discretion of the Compensation Committee, to receive a performance based bonus based on the achievement of certain key performance indicators ("KPIs") established by the Compensation Committee on an annual basis. Mr. Brodie's maximum amount of bonus payment is 75% of his annual base salary. Mr. Hatton-Jones' maximum amount of bonus payment is 50% of his annual base salary.

Benchmarking research was conducted on management compensation for similar companies to determine compensation for 2017 relative to the KPIs. The KPIs were based on a number of short term and long term goals and objectives.

Gavin Vandervegt, the Chief Financial Officer of the Corporation, is eligible for an annual bonus of up to 50% of his annual base salary, subject to the discretion of the Compensation Committee or upon the achievement of specific milestones as mutually agreed upon between Mr. Vandervegt and the Chief Executive Officer of the Corporation and as approved by the Compensation Committee. The annual bonus,

if awarded, is to be paid within two weeks from the date of approval by the Board of the annual audited financial statements of the Corporation for the year for which the bonus was achieved.

Any bonus payable is to be paid with a combination of cash and DSUs as determined by the Compensation Committee with the DSUs vesting over a three year period in accordance with the Corporation's DSU plan.

Compensation of Directors

The following table illustrates the compensation structure for the non-executive directors. The directors may also be reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors in addition to the compensation as set out below.

Annual Retainer	
Chairman of the Board	US\$180,000
Non-executive director	US\$25,000
Chairman – Audit Committee	US\$15,000
Chairman – Compensation Committee	US\$5,000
Chairman – Corporate Governance and Nominating Committee	US\$5,000
Member – Audit Committee	US\$5,000
Member – Compensation Committee	US\$2,500
Member – Corporate Governance and Nominating Committee	US\$2,500

Officers of the Corporation who also act as directors will not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation in their capacity as officers.

Compensation Risk

The Board and, as applicable, the Compensation Committee, considers and assesses the implications of risks associated with the Corporation's compensation policies and practices and devotes such time and resources as is believed to be necessary in the circumstances. The Corporation's practice of compensating its officers primarily through a mix of salary, bonus, stock options and DSUs is designed to mitigate risk by: (i) ensuring that the Corporation retains such officers; and (ii) aligning the interests of its officers with the short-term and long-term objectives of the Corporation and its shareholders. As at the date of this Circular, the Board had not identified risks arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

Financial Instruments

Pursuant to the terms of the Corporation's Insider Trading Policy, the Corporation's officers and directors are prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by an officer or director.

Compensation Governance

In order to assist the Board in fulfilling its oversight responsibilities with respect to compensation matters, the Board has established the Compensation Committee and has reviewed and approved the Compensation

Committee’s Charter. The Compensation Committee is composed of Amar Bhalla, Ken Crema and Dino Titaro. Each member of the Compensation Committee is independent as such term is defined in National Instrument 52-110 – *Audit Committees*.

The Compensation Committee meets on compensation matters as and when required with respect to executive compensation. The primary goal of the Compensation Committee as it relates to compensation matters is to ensure that the compensation provided to the Named Executive Officers and the Corporation’s other senior officers is determined with regard to the Corporation’s business strategies and objectives, such that the financial interest of the senior officers is aligned with the financial interest of shareholders, and to ensure that their compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives. The Compensation Committee is given the authority to engage and compensate any outside advisor that it determines to be necessary to carry out its duties.

As a whole, the members of the Compensation Committee have direct experience and skills relevant to their responsibilities in executive compensation, including with respect to enabling the Compensation Committee in making informed decisions on the suitability of the Corporation’s compensation policies and practices. Each of the members of the Compensation Committee has experience on the board of directors and related committees of other public companies, as described under “Particulars of Matters to be Acted Upon – Election of Directors” in this Circular.

Executive Compensation-Related Fees

No executive compensation-related fees were paid in 2018 and 2019.

Summary Compensation Table – Named Executive Officers

The following table sets forth the compensation paid or awarded to the following individuals: (i) the Chairman; (ii) the Chief Executive Officer; (iii) the Chief Financial Officer; and (iv) the Chief Operating Officer of the Corporation (collectively, the “**Named Executive Officers**”) for the Corporation’s financial years ended December 31, 2019, 2018 and 2017.

Name and principal position	Year	Salary/Fee (\$)	Share-based awards (\$)		Option- based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total compensation (\$)
			Share Purchase Plan	DSU Plan (\$) ⁽¹⁾				
Ravi Sood Chairman ⁽³⁾	2019	238,842	-	-	32,471	-	-	271,313
	2018	233,226	-	-	-	-	-	233,226
	2017	231,131	-	-	-	-	-	231,131
Nicholas Brodie Chief Executive Officer ⁽³⁾⁽⁴⁾	2019	418,000	-	135,344	32,471	-	-	585,815
	2018	432,475	-	-	-	172,990	-	605,465
	2017	422,333	-	107,694	-	497,274 ⁽⁵⁾	-	1,027,301
Gavin Vandervegt Chief Financial Officer ⁽³⁾	2019	398,070	-	-	10,824	31,182	-	440,076
	2018	388,710	-	-	-	97,178	-	485,888
	2017	385,217	-	-	26,000	-	-	411,217
Wayne Hatton-Jones Chief Operating Officer and General Manager ⁽³⁾	2019	429,916	-	135,344	32,471	-	-	597,731
	2018	388,710	-	-	-	104,952	-	493,662
	2017	353,219	-	91,501	-	481,081 ⁽⁶⁾	-	925,801

Notes:

- (1) Represents the value of DSU awards issuable under the DSU Plan calculated based on the closing price of the Common Shares on the Exchange of (a) for the DSUs granted in 2017, \$0.095 on May 29, 2017, being the last trading date prior

to the award date and (b) for the DSUs granted in 2019, \$0.085 on August 14, 2019, being the last trading date prior to the award date.

- (2) Calculated based on the Black-Scholes model for option valuation. The fair value of the stock options has been calculated based on the following assumptions:

Year	Risk-free Interest Rate	Expected Life	Weighted Expected Stock Price Volatility	Expected Dividend Yield
2017	0.94%	5 years	9%	Zero
2018	n/a	n/a	n/a	n/a
2019	1.13%	5 years	8%	Zero

- (3) Certain amounts paid in US\$ have been converted to Cdn\$ at the Bank of Canada “annual average exchange rate” of: (i) US\$1.00:Cdn \$1.3269 for fiscal 2019; (ii) US\$1.00:Cdn\$1.2957 for fiscal 2018; and (iii) US\$1.00:Cdn\$1.2986 for fiscal 2017.
- (4) Certain amounts paid in £ have been converted to Cdn\$ at the Bank of Canada “annual average exchange rate” of: (i) £1.00:Cdn\$1.6720 for fiscal 2019; (ii) £1.00:Cdn\$1.7299 for fiscal 2018; and (iii) £1.00:Cdn\$1.6720 for fiscal 2017..
- (5) Represents: (i) a bonus in the amount of \$107,694 earned in 2016 and awarded 2017; and (ii) a retention bonus in the amount of \$389,580 (US\$300,000) earned in 2017. All such amounts were paid in 2018.
- (6) Represents: (i) a bonus in the amount of \$91,501 earned in 2016 and awarded 2017; and (ii) a retention bonus in the amount of \$389,580 (US\$300,000) earned in 2017. All such amounts were paid in 2018.

Incentive Plan Awards – Named Executive Officers

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all share-based and option-based awards outstanding for the Named Executive Officers as of December 31, 2019:

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽²⁾⁽³⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽⁴⁾⁽⁵⁾ (\$)
Ravi Sood	2,000,000	0.12	August 17, 2021	nil	-	-	47,500
	750,000	0.085	August 15, 2024	7,500			
Nicholas Brodie	2,000,000	0.12	August 17, 2021	nil	1,577,872	149,898	119,296
	750,000	0.085	August 15, 2024	7,500			
Gavin Vandervegt	500,000	0.095	May 29, 2022	nil	-	-	-
	250,000	0.085	August 15, 2024	2,500			
Wayne Hatton-Jones	2,000,000	0.12	August 17, 2021	nil	1,521,055	144,500	108,501
	750,000	0.085	August 15, 2024	7,500			

Notes:

- (1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019 and the exercise price of the options, multiplied by the number of unexercised options.
- (2) The “market or payout value of share-based awards that have not vested” is calculated based on the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019 multiplied by the number of Common Shares that have not vested.
- (3) Represents the market value of unvested DSUs calculated in accordance with note (2) above. See “Executive Compensation – Incentive Plans” above for further details regarding the DSUs.
- (4) The “market or payout value of vested share-based awards not paid out or distributed” is calculated based on the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019 multiplied by the number of Common Shares that have vested.
- (5) Represents the market value of vested DSUs calculated in accordance with note (2) above. See “Executive Compensation – Incentive Plans” above for further details regarding the DSUs.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned for each Named Executive Officer during the year ended December 31, 2019.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Ravi Sood	-	5,000	-
Nicholas Brodie	-	20,115	-
Gavin Vandervegt	-	-	-
Wayne Hatton- Jones	-	17,842	-

Notes:

- (1) The “value vested during the year” is calculated based on the difference between the closing price for the Common Shares on the Exchange as of the date of vesting (or the most recent closing price on the Exchange, if applicable) and the exercise price of the options, multiplied by the number of vested options. All of the options vested in the year were valued at higher than the market value.
- (2) The “value vested during the year” is calculated based on the closing price for the Common Shares on the Exchange as of the date of vesting (or the most recent closing price on the Exchange, if applicable) multiplied by number of DSU awards. The closing price for the Common Shares on the Exchange on May 29, 2019 was \$0.04 and June 16, 2019 was \$0.05.

Management Contracts - Termination and Change of Control Benefits

Ravi Sood

Mr. Sood, a corporation controlled by Mr. Sood (“**Sood Holdings**”) and the Corporation are parties to a services agreement (the “**Chairman Agreement**”) whereby the services of Sood Holdings are provided by Mr. Sood, who acts as Chairman of the Corporation. The Chairman Agreement is effective indefinitely until it is terminated in accordance with its terms. Pursuant to the Chairman Agreement, the Corporation has agreed to pay to Sood Holdings an annual fee of US\$180,000 (\$238,842). The Chairman Agreement may be terminated by the Corporation at any time (subject to certain conditions) in the event of, among other things, gross negligence, wilful or gross misconduct, or material violation of the Corporation’s code of

conduct by Sood Holdings or Mr. Sood. In the event of termination in such cases, the Corporation shall have no further payment obligations to Sood Holdings or Mr. Sood.

The Chairman Agreement may also be terminated unilaterally by either the Corporation or Sood Holdings for any reason upon Sood Holdings providing six months' written notice to the Corporation or by the Corporation providing three months' written notice to Sood Holdings. In the event of such termination of the Chairman Agreement by the Corporation, the Corporation must immediately pay Sood Holdings a lump sum (the "**Lump Sum Payment**") equal to three years' annual fee. The Chairman Agreement may also be terminated by the shareholders of the Corporation if they do not elect or re-elect Mr. Sood as a director of the Corporation or if the shareholders remove Mr. Sood as a director of the Corporation, in each case at a duly called meeting and following which he shall be entitled to receive the Lump Sum Payment. In the event of unilateral termination by the Corporation or if the shareholders do not re-elect Mr. Sood, all stock options and other entitlements pursuant to any security compensation arrangements of the Corporation shall immediately and automatically become fully vested and shall be exercisable by, or issuable to, Sood Holdings or Mr. Sood within the time period provided for in the applicable security compensation arrangement.

In the event of a Change of Control of the Corporation (as defined in the Chairman Agreement), Mr. Sood may, within 30 days after such event, provide notice to terminate the Chairman Agreement and as a result shall be entitled to: (i) the Lump Sum Payment within 15 days of such notice; (ii) the immediate vesting of all stock options held by Sood Holdings and Mr. Sood, which shall be exercisable within the time period provided for in the Stock Option Plan; and (iii) all DSUs issued to Mr. Sood pursuant to the DSU Plan will vest.

The following are estimates of the incremental amounts payable to Sood Holdings in such circumstances:

	Unilateral Termination	Not Elected by Shareholders	Change of Control
Fees/Payment ⁽¹⁾	\$716,526	\$716,526	\$716,526
DSUs ⁽²⁾	\$47,500	\$47,500	\$47,500
Benefits	-	-	-
Total Compensation	\$764,026	\$764,026	\$764,026

Notes:

- (1) Amounts payable in US\$ (including amounts set out in the text directly above the table) have been converted into Cdn\$ at the Bank of Canada "annual average exchange rate" of US\$1.00:Cdn\$1.3269 for fiscal 2019.
- (2) Represents the market value of 500,000 DSUs calculated based on the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2010.

Nicholas Brodie

Mr. Brodie and the Corporation are parties to an employment agreement (the "**CEO Agreement**"), for an indefinite term, whereby the Corporation has agreed to pay Mr. Brodie an annual salary of £250,000 (\$418,000). Mr. Brodie is also eligible to receive a bonus, up to a maximum of 75% of his salary, at the discretion of the Compensation Committee or upon the achievement of milestones approved by the Compensation Committee.

The CEO Agreement may be terminated by the Corporation at any time in the event of, among other things, material breach of the CEO Agreement by Mr. Brodie, misconduct, dishonesty, fraud, breach of trust or neglect in the performance of the duties to be provided by Mr. Brodie, or a material failure to comply with

a written policy of the Corporation. In the event of such termination, the Corporation shall have no further payment obligations to Mr. Brodie.

The CEO Agreement may also be terminated by the Corporation at any time, without cause, by paying to Mr. Brodie an amount equal to one year's salary payable in a lump sum, or if such termination occurs within 90 days prior to a Change of Control of the Corporation (as defined in the CEO Agreement) then: (a) two years' salary if the Change of Control occurs prior to the date which is nine months after the Effective Date (as defined in the CEO Agreement); or (b) three years' salary if the Change of Control occurs after the date which is nine months after the Effective Date (as defined in the CEO Agreement).

Upon such termination by the Corporation: (i) all unvested stock options granted to Mr. Brodie will immediately vest; (ii) all DSUs held by Mr. Brodie will immediately vest; and (iii) Mr. Brodie will continue to receive benefits under the Corporation's medical, life and disability insurance plans for a period of six months from the date of termination.

In the event that there is a Change of Control, Mr. Brodie may give notice to terminate the CEO Agreement and as a result: (i) Mr. Brodie will be entitled to an amount equal to two years' salary (increasing to three years' Salary if the Change of Control occurs after the date which is nine months after the Effective Date), payable within 15 days of such notice; (ii) all unvested stock options granted to Mr. Brodie will immediately vest; (iii) all DSUs held by Mr. Brodie will immediately vest; and (iv) Mr. Brodie will continue to receive benefits under the Corporation's medical, life and disability insurance plans for a period of six months from the date of termination. In the event of a Change of Control, Mr. Brodie will also be entitled to a retention bonus payment as described above under "Executive Compensation – Incentive Plans – Retention Bonus Agreements".

The following are estimates of the incremental amounts payable to Mr. Brodie in such circumstances:

	Termination without cause	Change of Control
Salary ⁽¹⁾	\$418,000-1,254,000 ⁽²⁾	\$836,000-1,254,000 ⁽³⁾
Stock Options	\$7,500 ⁽⁴⁾	\$7,500 ⁽⁴⁾
DSUs	\$269,194 ⁽⁵⁾	\$269,194 ⁽⁵⁾
Benefits	-	-
Total Compensation	\$694,694-1,530,694	\$1,112,94-1,530,694

Notes:

- (1) Amounts payable under the CEO Agreement in £ (including amounts set out in the text directly above the table) have been converted into Cdn\$ at the Bank of Canada "annual average exchange rate" of £1.00:Cdn\$1.6720 for fiscal 2019.
- (2) If the CEO Agreement is terminated by the Corporation without cause, Mr. Brodie is entitled to an amount equal to one year's salary, or if such termination occurs within 90 days prior to a Change of Control of the Corporation then: (a) two years' salary if the Change of Control occurs prior to the date which is nine months after the Effective Date; or (b) three years' salary if the Change of Control occurs after the date which is nine months after the Effective Date.
- (3) Does not include the incremental amount payable under the Retention Agreement upon a Change of Control. See "Executive Compensation – Incentive Plans – Retention Bonus Agreements".
- (4) Calculated based on the difference between the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019 and the exercise price of the options, multiplied by the number of options.
- (5) Represents the market value of 2,833,618 DSUs calculated based on the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019.

Gavin Vandervegt

Mr. Vandervegt and the Corporation are parties to an employment agreement (the “**CFO Agreement**”), for an indefinite term, whereby the Corporation has agreed to pay Mr. Vandervegt an annual salary of US\$300,000 (\$398,070). Mr. Vandervegt is also eligible to receive a bonus, up to a maximum of 50% of his salary, at the discretion of the Compensation Committee or upon the achievement of milestones approved by the Compensation Committee.

The CFO Agreement may be terminated by the Corporation with three months’ notice. The Corporation may also terminate the CFO Agreement at any time in the event of, among other things, material breach of the CFO Agreement by Mr. Vandervegt, misconduct, dishonesty, fraud, breach of trust or neglect in the performance of the duties to be provided by Mr. Vandervegt, or a material failure to comply with a written policy of the Corporation. In the event of such termination, the Corporation shall have no further payment obligations to Mr. Vandervegt.

If the event that there is a Change of Control after the one year anniversary of the Effective Date (as defined in the CFO Agreement) and within 90 days of a Change of Control of the Corporation (as defined in the CFO Agreement), either (i) Mr. Vandervegt is terminated without cause, or (ii) Mr. Vandervegt gives notice to terminate his employment within 30 days of a Change of Control, Mr. Vandervegt shall be entitled to an amount equal to one year’s salary payable in a lump sum.

Upon such termination: (i) all unvested stock options granted to Mr. Vandervegt will immediately vest; and (ii) Mr. Vandervegt will continue to receive benefits under the Corporation’s medical, life and disability insurance plans for a period of six months from the date of termination.

The following are estimates of the incremental amounts payable to Mr. Vandervegt in such circumstances:

	Termination without cause	Change of Control
Salary ⁽¹⁾	\$99,517	\$398,070
Stock Options ⁽²⁾	\$2,500	\$2,500
Benefits	-	-
Total Compensation	\$102,017	\$400,570

Notes:

- (1) Amounts payable in US\$ (including amounts set out in the text directly above the table) have been converted into Cdn\$ at the Bank of Canada “annual average exchange rate” of US\$1.00: Cdn\$1.3269 for fiscal 2019.
- (2) Calculated based on the difference between the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019 and the exercise price of the options, multiplied by the number of options

Wayne Hatton-Jones

Mr. Hatton-Jones, the Corporation and MGM have entered into an employment agreement (the “**COO Agreement**”) whereby MGM has agreed to pay Mr. Hatton-Jones an annual salary equal to US\$296,000 (\$392,762) and gratuity payments for the purposes of the *Botswana Employment Act* equal to US\$28,000 (\$37,153). Mr. Hatton-Jones is also eligible to receive a bonus, up to a maximum of 50% of his salary, at the discretion of the Compensation Committee or upon the achievement of milestones approved by the Compensation Committee. Mr. Hatton-Jones is an employee of MGM.

The COO Agreement may be terminated by MGM at any time in the event of, among other things, breach of the COO Agreement, misconduct, dishonesty, fraud, breach of trust or neglect in the performance of the duties to be provided by Mr. Hatton-Jones, or a failure to comply with a written policy of MGM or the Corporation. In the event of such termination, MGM shall have no further payment obligations to Mr. Hatton-Jones.

The COO Agreement may also be terminated by MGM, without cause, by paying to Mr. Hatton-Jones an amount equal to six months' salary and gratuity payments. In such event: (i) all unvested stock options of the Corporation granted to Mr. Hatton-Jones will immediately vest; and (ii) all DSUs held by Mr. Hatton-Jones will immediately vest.

In the event that there is a Change of Control of the Corporation (as defined in the COO Agreement) and, within 90 days of such change in control: (i) Mr. Hatton-Jones is terminated without cause; or (ii) there results in a material and adverse change by MGM in Mr. Hatton-Jones's function, duties or responsibilities without his written consent, which change would cause Mr. Hatton-Jones's position with MGM to become one of less responsibility, importance or scope, Mr. Hatton-Jones may give notice to terminate the COO Agreement and as a result: (i) Mr. Hatton-Jones will be entitled to an amount equal to one years' salary and gratuity payments, payable in a lump sum within 15 days of such notice; (ii) all unvested stock options granted to Mr. Hatton-Jones will immediately vest; and (iii) all DSUs held by Mr. Hatton-Jones will immediately vest. In the event of a Change of Control, Mr. Hatton-Jones will also be entitled to a retention bonus payment as described above under "Executive Compensation – Incentive Plans – Retention Bonus Agreements".

The following are estimates of the incremental amounts payable to Mr. Hatton-Jones in such circumstances:

	Termination without cause	Change of Control
Salary ⁽¹⁾	\$214,967	\$429,915 ⁽²⁾
Stock Options	\$7,500 ⁽³⁾	\$7,500 ⁽³⁾
DSUs	\$253,001 ⁽⁴⁾	\$253,001 ⁽⁴⁾
Total Compensation	\$475,468	\$690,416

Notes:

- (1) Amounts payable in US\$ (including amounts set out in the text directly above the table) have been converted into Cdn\$ at the Bank of Canada "annual average exchange rate" of US\$1.00: Cdn\$1.3269 for fiscal 2019.
- (2) Does not include the incremental amount payable under the Retention Agreement upon a Change of Control. See "Executive Compensation – Incentive Plans– Retention Bonus Agreements".
- (3) Calculated based on the difference between the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019 and the exercise price of the options, multiplied by the number of options
- (4) Represents the market value of 2,663,166 DSUs calculated based on the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019.

Director Compensation

The following table sets forth all amounts of compensation provided to the directors of the Corporation (other than directors who are also Named Executive Officers) during the financial year ended December 31, 2019:

Name	Fees Earned ⁽¹⁾ (\$)	Share-based awards Share Purchase Plan (\$)	Share-based awards DSU Plan (\$)	Option-based awards ⁽²⁾ (\$)	All other compensation (\$)	Total (\$)
Ian Egan	29,855	-	-	-	-	29,855
Amar Bhalla	58,052	-	-	32,471	-	90,523
Ken Crema	-	-	-	38,000	-	38,000
Dino Titaro	23,221	-	-	32,471	-	55,692

Notes:

- (1) Certain amounts paid in US\$ have been converted to Cdn\$ at the Bank of Canada “annual average exchange rate” of US\$1.00:Cdn\$1.3269 for fiscal 2019.
- (2) Calculated based on the Black-Scholes model for option valuation. The fair value of the stock options has been calculated based on the following assumptions:

Year	Risk-free Interest Rate	Expected Life	Weighted Expected Stock Price Volatility	Expected Dividend Yield
2019	1.13%	5 years	8%	Zero

Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all awards outstanding for each of the directors of the Corporation (other than directors who are also Named Executive Officers) as of December 31, 2019:

Name ⁽¹⁾	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽²⁾ (\$)
Ian Egan	-	-	-	-	-	-	-
Amar Bhalla	1,000,000	0.12	August 17, 2021	nil	-	-	19,000 ⁽³⁾
	750,000	0.085	August 15, 2024	7,500			
Ken Crema	750,000	0.125	November 25, 2024	nil	-	-	-
Dino Titaro	750,000	0.085	August 15, 2024	7,500	-	-	-

Notes:

- (1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019 and the exercise price of the options, multiplied by the number of unexercised options.

- (2) The “market or payout value of vested share-based awards not paid out or distributed” is calculated based on the closing price of \$0.095 for the Common Shares on the Exchange on December 31, 2019 multiplied by the number of Common Shares that have vested.
- (3) Represents the market value of vested DSUs calculated in accordance with note (2) above. See “Executive Compensation – Incentive Plans” above for further details regarding the DSUs.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned by each director of the Corporation (other than directors who are also Named Executive Officers) during the year ended December 31, 2019:

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Ian Egan	-	2,000	-
Amar Bhalla	-	2,000	-
Ken Crema	-	-	-
Dino Titaro	-	-	-

Notes:

- (1) The “value vested during the year” is calculated based on the difference between the closing price for the Common Shares on the Exchange as of the date of vesting (or the most recent closing price on the Exchange, if applicable) and the exercise price of the options, multiplied by the number of vested options.
- (2) The “value vested during the year” is calculated based on the closing price for the Common Shares on the Exchange as of the date of vesting (or the most recent closing price on the Exchange, if applicable) multiplied by number of DSU awards. The closing price for the Common Shares on the Exchange on June 16, 2019 was \$0.05.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding the number of Common Shares to be issued: (i) upon exercise of outstanding options pursuant to the Stock Option Plan; (ii) pursuant to the Share Purchase Plan; and (iii) pursuant to the DSU Plan, as at December 31, 2019:

Plan Category	Number of Common Shares to be issued upon exercise of outstanding grants and awards	Weighted-average exercise price of outstanding options	Number of Common Shares remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	12,700,000 ⁽¹⁾	\$0.10	9,640,091 ⁽¹⁾
	-	-	8,050 ⁽²⁾
	7,170,046 ⁽³⁾	-	4,967,060 ⁽³⁾
Equity compensation plans not approved by security holders	-	-	-
Total	19,870,046	-	14,615,141

Notes:

- (1) Represents the Common Shares issuable and available for issuance pursuant to the Stock Option Plan as at December 31, 2019.

- (2) Represents the Common Shares available for issuance pursuant to the Share Purchase Plan as at December 31, 2019. See “Executive Compensation – Incentive Plans” above for further details.
- (3) Represents the DSUs issuable and available for issuance pursuant to the DSU Plan as at December 31, 2019. See “Executive Compensation – Incentive Plans” above for further details.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Circular, no individual who is an executive officer, director, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries pursuant to the purchase of securities or otherwise.

No individual who is, or at any time during the financial year ended December 31, 2019 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate of any such director, executive officer or proposed nominee, was indebted to the Corporation or any of its subsidiaries during the financial year ended December 31, 2019 or as at the date of this Circular in connection with security purchase programs or other programs.

REPORT ON CORPORATE GOVERNANCE

Maintaining a high standard of corporate governance is a priority for the Board and the Corporation’s management as both believe that effective corporate governance will help create and maintain shareholder value in the long term. A description of the Corporation’s corporate governance practices, which addresses the matters set out in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, is set out at Schedule “A” to this Circular.

AUDIT COMMITTEE DISCLOSURE

Audit Committee’s Charter

The charter (the “**Audit Committee Charter**”) of the Corporation’s Audit Committee is reproduced as Schedule “C”.

Composition of Audit Committee

The Audit Committee is composed of Amar Bhalla, Ravi Sood, and Dino Titaro, each of whom is a director of the Corporation. In accordance with Exchange Policy 3.1, the majority of the Audit Committee are not employees, Control Persons (as defined by the rules and policies of the Exchange) or officers of the Corporation.

A majority of the members of the Audit Committee are “independent” as such term is defined in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). Mr. Sood is an executive officer of the Corporation and is not considered to be independent under NI 52-110. The Corporation is of the opinion that all three members of the Audit Committee are “financially literate” as such term is defined in NI 52-110.

Relevant Education and Experience

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Amar Bhalla is the President of Capit Investment Corp., an investment management firm focused on private equity and venture capital. He has also served as a member of the audit committee of a number of other

reporting issuers. Mr. Bhalla received his C.F.A. designation in September 2004 and received his B.A. degree from McGill University in June 1999.

Ravi Sood was educated at the University of Waterloo (B. Mathematics) where he was a Descartes Fellow and the recipient of numerous national awards. From 2001 to 2010, he led the investment activities of Navina Asset Management Inc. and its predecessor company, Lawrence Asset Management Inc. He has served as an officer or director of several public and private companies.

Dino Titaro had held senior management positions at Carpathain Gold Inc., A.C.A. Howe International and currently serves as a director of Yamana Gold Inc. and Avidian Gold Corp. He has considerable experience in project management, feasibility studies, reserve estimation, due diligence studies, valuation studies, social and environmental permitting process for mine construction and development and related risk management, and has extensive corporate and operational experience. Mr. Titaro is a geologist with an MSc degree in economic geology for the University of Western Ontario and is a qualified person as defined by National Instruction 43-101 and is registered as a P.Geo in Ontario.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Corporation's external auditors not been adopted by the board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on exemptions in relation to "*De Minimis Non-audit Services*" or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

External Auditor Service Fees (By Category)

Audit Fees – The Corporation's external auditor invoiced approximately \$228,985 for the financial year ended December 31, 2018, and \$239,130 for the financial year ended December 31, 2019.

Audit-Related Fees – The Corporation's external auditor invoiced approximately \$3,500 for the financial year ended December 31, 2018, and \$8,600 for the financial year ended December 31, 2019.

Tax Fees – The Corporation's external auditor invoiced approximately and nil for the financial year ended December 31, 2018, and nil for the financial year ended December 31, 2019.

All Other Fees – The Corporation did not pay any other fees during the financial years ended December 31, 2018 and 2019 respectively, for services other than those reported above.

Venture Issuer Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, no “informed person” (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”)) or proposed nominee for election as a director of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any transaction in which the Corporation has participated since the commencement of the Corporation’s most recently completed financial year or in any proposed transaction which has materially affected or will materially affect the Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Election of Directors

The Board presently consists of five directors, namely, Nicholas Brodie, Amar Bhalla, Ken Crema, Ravi Sood, and Dino Titaro. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation. The enclosed form of proxy permits Shareholders to vote for all nominees together or for each nominee on an individual basis.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF EACH OF THE PROPOSED NOMINEES UNLESS A SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES. MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS DIRECTORS. HOWEVER, IF FOR ANY REASON, ANY OF THE PROPOSED NOMINEES DO NOT STAND FOR ELECTION OR ARE UNABLE TO SERVE AS SUCH, PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES.

Advance Notice Requirement

The Corporation’s By-Law No. 1, as amended pursuant to By-Law No. 1A, contains a requirement providing for advance notice of nominations of directors (the “Advance Notice Requirement”) in certain circumstances where nominations for election to the Board are made by Shareholders. For an annual meeting of Shareholders, notice to the Corporation must be provided not less than 30 and not more than 65 days prior to the date of the annual meeting; save and except where the annual meeting is to be held on a date less than 50 days after the date on which the first public announcement of the date of such annual meeting was made, in which event notice may be given not later than the close of business on the 10th day following such public announcement. For a special meeting of Shareholders (that is not also an annual meeting), notice to the Corporation must be given not later than the close of business on the 15th day following the day on which the first public announcement of the date of such special meeting was made. The Corporation’s By-Law No. 1, as amended by By-Law No. 1A, is available under the Corporation’s profile on SEDAR at www.sedar.com.

Director Nominee Profiles

The following tables set out certain information as of the date of this Circular (unless otherwise indicated) with respect to the persons being nominated at the Meeting for election as directors. Information regarding Common Shares owned by each director of the Corporation is presented to the best knowledge of

management of the Corporation and has been furnished to management of the Corporation by such directors. Information regarding Board and committee meeting attendance is presented for meetings held in 2019.

AMAR BHALLA		Principal Occupation and Biographical Information		
 <p>Ontario, Canada Director Since: October 24, 2007</p>		<p>Mr. Bhalla is the President of Capit Investment Corp., an investment management firm focused on private equity and venture capital. He is also a principal at Amdev Property Group, a Greater Toronto Area based enterprise investing in different segments of the real estate market. He serves as Chairman of Dream Hard Asset Trust, Chair of BristolGate IRC and has served on various other public company boards. Mr. Bhalla holds a Bachelor Degree in Economics from McGill University, an ICD.D designation from the Institute of Corporate Directors, and a Chartered Financial Analyst designation.</p>		
Current Board/Committee Membership	Attendance	Attendance (Total)		Other Public Board Memberships
Member of the Board	3 of 4	18 of 20	90%	Jade Power Trust (TSXV)
Member of the Corporate Governance and Nominating Committee	6 of 6			Dream Hard Asset Alternatives Trust (TSX)
Member of the Audit Committee	3 of 4			Mira X Acquisition Corp. (TSXV)
Member of the Compensation Committee	6 of 6			
Number of Common Shares Beneficially Owned, Controlled or Directed				15,464,689

NICHOLAS BRODIE		Principal Occupation and Biographical Information		
 <p>London, United Kingdom Director Since: November 10, 2014</p>		<p>Mr. Brodie is a senior executive with extensive experience in Africa. Prior to joining the Corporation, Mr. Brodie was the CFO of Katanga Mining Limited and Copperbelt Energy Corporation Plc. Mr. Brodie is a Fellow of the Association of Certified Chartered Accountants and holds a BSc(Hons) Geography.</p>		
Current Board/Committee Membership	Attendance	Attendance (Total)		Other Public Board Memberships
Member of the Board	4 of 4	4 of 4	100%	None
Number of Common Shares Beneficially Owned, Controlled or Directed				2,715,000

KEN CREMA		Principal Occupation and Biographical Information		
 <p>Florida, United States Director Since: November 25, 2019</p>		<p>Mr. Crema has been a serial entrepreneur since his first venture at the age of 17. He has successfully founded and exited multiple companies including EDM (Electronic Direct Marketing), MCCI, and 2C2S, and he is now a Founder and Partner of S&P Data. Mr. Crema sits on the board and is an advisor to a few private companies today. Mr. Crema had the privilege of being nominated into the Young Presidents' Organization in his youth and his company, MCCI, was recognized as the fastest growing company in Canada by Profit Magazine in 2005.</p>		
Current Board/Committee Membership	Attendance	Attendance (Total)		Other Public Board Memberships
Member of the Board	-	-	-	None
Member of the Corporate Governance and Nominating Committee	-	-	-	
Member of the Compensation Committee	-	-	-	
Number of Common Shares Beneficially Owned, Controlled or Directed				Nil

RAVI SOOD		Principal Occupation and Biographical Information		
 <p>Ontario, Canada Director Since: October 24, 2007</p>		<p>Mr. Sood is managing director of Signal 8 Limited based in Toronto, Canada. Mr. Sood has been a founder of and the principal investor in several businesses in emerging markets and currently serves as a director of Eve & Co Incorporated, and a director and Executive Chairman of the Corporation and Jade Power Trust. He was the founder and Chief Executive Officer of Navina Asset Management Inc., a global asset management firm headquartered in Toronto, Canada. Mr. Sood led the investment activities of Navina and its predecessor company, Lawrence Asset Management Inc., from its founding in 2001 until he sold the firm in 2010. Mr. Sood was educated at the University of Waterloo (B.Mathematics) where he was a Descartes Fellow and the recipient of numerous national awards.</p>		
Current Board/Committee Membership	Attendance	Attendance (Total)		Other Public Board Memberships
Member of the Board	4 of 4	8 of 8	100%	Jade Power Trust (TSXV) Eve & Co Incorporated (TSXV)
Member of the Audit Committee	4 of 4			
Number of Common Shares Beneficially Owned, Controlled or Directed				7,148,532

DINO TITARO		Principal Occupation and Biographical Information		
 <p>Ontario, Canada Director Since: June 14, 2019</p>		<p>Mr. Titaro has over 35 years of international experience in the mining and exploration mineral resource industry, principally the gold sector. He has been involved in project management, feasibility studies, reserve estimation, due diligence studies, valuation studies, social and environmental permitting processes for mine construction and development and related risk management, and has extensive corporate and operational experience.</p> <p>He currently serves as an independent director on the board of directors of Yamana Gold Inc, a publicly listed TSX mining company and Avidian Gold Corp. a publicly listed TSX-V exploration company. He has also previously been a director and officer of several other publicly traded companies in the mining, industrial and health care technology fields. Mr. Titaro is a geologist with an MSc degree in economic geology and is a qualified person as defined by National Instrument 43-101 and is registered as a P.Geo in Ontario.</p>		
Current Board/Committee Membership	Attendance	Attendance (Total)		Other Public Board Memberships
Member of the Board	2 of 2	10 of 10	100%	Yamana Gold Inc. (TSX) Avidian Gold Corp. (TSXV)
Member of the Corporate Governance and Nominating Committee	3 of 3			
Member of the Audit Committee	2 of 2			
Member of the Compensation Committee	3 of 3			
Number of Common Shares Beneficially Owned, Controlled or Directed				100,000

Corporate Cease Trade Orders

Except as disclosed herein, to the knowledge of the Corporation, no proposed director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

Each of Amar Bhalla and Ravi Sood was a director of TriNorth Capital Inc. (now Difference Capital Financial Inc.), a reporting issuer that became subject to a cease trade order issued by the Ontario Securities Commission on May 19, 2010 as a result of the failure to file audited annual financial statements for the financial year ended December 31, 2009, the related management’s discussion and analysis and the

certification of the foregoing filings when due as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. The order was revoked on July 6, 2010.

Dino Titaro resigned as director of Royal Coal Corp. on May 9, 2012. On May 17, 2012, Royal Coal Corp. announced it received notice that the TSX Venture Exchange had suspended trading its securities because the Ontario Securities Commission had imposed a cease trade order for failure to file financial statements. The cease trade order is still in effect as of the date of this Circular.

On April 16, 2014, the Ontario Securities Commission issued a management cease trade order against the Interim Chief Executive Officer and the Chief Financial Officer of Carpathian Gold Inc. ("**Carpathian**") in connection with Carpathian's failure to file its audited annual financial statements (and related management's discussion and analysis and certifications) for the period ended December 31, 2013. The management cease trade order was lifted on June 19, 2014, following the filing by Carpathian of the required continuous disclosure documents. Mr. Titaro was a former director of Carpathian (did not stand for re-election and ceased to be a director of Carpathian on August 12, 2014) but was a director of Carpathian during the period relating to the management cease trade order.

The Corporation was delisted from the Botswana Stock Exchange (the "**BSE**") effective August 14, 2017 for failure to pay certain fees required by the BSE's listing requirements. The delisting of the Corporation from the BSE followed a temporary suspension of the Corporation's listing on the BSE that was imposed on July 13, 2017.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

Bankruptcies, or Penalties or Sanctions

To the knowledge of the Corporation, no proposed director:

- (a) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

2. Appointment of Auditor

Management proposes to nominate PricewaterhouseCoopers LLP ("**PwC**"), Chartered Professional Accountants as auditor of the Corporation to hold office until the next annual meeting of Shareholders. PwC was appointed as auditor of the Corporation effective November 30, 2016.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP, CHARTERED PROFESSIONAL ACCOUNTANTS, AS AUDITOR OF THE CORPORATION AND THE AUTHORIZING OF THE DIRECTORS TO FIX ITS REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.

3. Approval of Stock Option Plan

Summary of Stock Option Plan

The Stock Option Plan provides that the Board may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Corporation and its affiliates, non-transferable options to purchase Common Shares for a period of up to ten years from the date of grant, provided that the number of Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Common Shares at the date of the grant.

The purpose of the Stock Option Plan, pursuant to which the Corporation may grant incentive stock options, is to promote the profitability and growth of the Corporation by facilitating the efforts of the Corporation to obtain and retain key individuals. The Stock Option Plan provides an incentive for and encourages ownership of the Common Shares by its key individuals so that they may increase their stake in the Corporation and benefit from increases in the value of the Common Shares. Pursuant to the Stock Option Plan, the maximum number of Common Shares reserved for issuance in any 12 month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Common Shares at the date of the grant. The maximum number of Common Shares reserved for issuance in any 12 month period to any consultant may not exceed 2% of the issued and outstanding Common Shares at the date of the grant and the maximum number of Common Shares reserved for issuance in any 12 month period to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding number of Common Shares at the date of the grant. Incentive stock options may be exercised until the earlier of: (a) the expiry time of such option; and (b) 90 days (or such other period as may be determined by the Board, provided such period is not more than one year) following the date the optionee ceases to be a director, officer or employee of the Corporation or its affiliates or a consultant or a management company employee, provided that if the cessation of such position or arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Notwithstanding the foregoing, in the event of termination for cause, all options held by such terminated optionee will be cancelled immediately. In the event that the Corporation becomes listed on the Toronto Stock Exchange, the Stock Option Plan provides that the Board may grant options which allow an optionee to elect to exercise its option on a "cashless basis", whereby the optionee, instead of making a cash payment for the aggregate exercise price, shall be entitled to be issued such number of Common Shares equal to the number which results when: (i) the difference between the aggregate Fair Market Value of the Common Shares underlying the option and the aggregate exercise price of such option is divided by (ii) the Fair Market Value of each Common Share. "Fair Market Value" as defined in the Stock Option Plan means the closing price as reported by the Toronto Stock Exchange (in the event that the Corporation becomes listed on the Toronto Stock Exchange) on the last trading day immediately preceding the exercise date. Options may be granted with a maximum expiry term of 10 years.

As at the date of this Circular, a total of 8,640,091 Common Shares were available for grant and 13,700,000 Common Shares were issuable pursuant to options granted under the Stock Option Plan, representing approximately 6.13% of the issued and outstanding Common Shares.

Approval of the Stock Option Plan

As the Stock Option Plan provides for a rolling maximum number of Common Shares which may be issuable upon the exercise of options granted under the Stock Option Plan, Exchange Policy 4.4 requires that the Stock Option Plan receive shareholder approval each year at the annual shareholders' meeting. Accordingly, Shareholders will be asked to consider and, if thought appropriate, pass a resolution approving the Stock Option Plan. A copy of the Stock Option Plan is attached as Schedule "B" to this Circular.

The Board has unanimously approved the Stock Option Plan and recommends that Shareholders vote FOR the resolution regarding the Stock Option Plan. An affirmative vote of a majority of the votes cast at the Meeting is sufficient to pass the resolution approving the resolution regarding the Stock Option Plan.

The complete text of the resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

"WHEREAS the policies of the TSX Venture Exchange require annual shareholder approval for the continuation of the rolling stock option plan of the Corporation (the "**Stock Option Plan**");

RESOLVED THAT:

1. the Stock Option Plan, in the form attached as Schedule "B" to the management information circular of the Corporation dated May 25, 2020, is hereby authorized and approved; and
2. any one officer and director of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute and deliver all such instruments and documents and to perform and do all such acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination."

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE RESOLUTION TO APPROVE THE STOCK OPTION PLAN IN THE ABSENCE OF DIRECTION TO THE CONTRARY FROM THE SHAREHOLDER APPOINTING THEM. AN AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES CAST BY SHAREHOLDERS AT THE MEETING IS SUFFICIENT FOR THE APPROVAL OF THE STOCK OPTION PLAN.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person or company who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last completed financial year, no proposed nominee for election as a director of the Corporation and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com. Financial information is provided in the Corporation's audited financial statements and Management's Discussion and Analysis ("**MD&A**") for the year ended December 31, 2019. In addition,

copies of the Corporation's annual financial statements and MD&A and this Circular may be obtained upon request to the Corporation. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of the Corporation.

APPROVAL OF BOARD OF DIRECTORS

The contents of this Circular and the sending of it to each director of the Corporation, to the auditor of the Corporation, to the Shareholders and to the appropriate governmental agencies, have been approved by the directors of the Corporation.

Dated: May 25, 2020.

"Ravi Sood"

Ravi Sood
Chairman

SCHEDULE "A"
STATEMENT OF GOVERNANCE PRACTICES

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 ("NI 58-101")	Comments
Board of Directors	
1. Board of Directors—Disclose how the board of directors (the “ Board ”) of Galane Gold Ltd. (the “ Corporation ”) facilitates its exercise of independent supervision over management, including (i) the identity of directors that are independent, and (ii) the identity of directors who are not independent, and the basis for that determination.	The proposed Board shall consist of a total of five directors of which Messrs. Amar Bhalla, Ken Crema and Dino Titaro are considered “independent”. Each of Messrs. Nicholas Brodie and Ravi Sood are executive officers of the Corporation.
2. Directorships—If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Please refer to the accompanying management information circular dated May 25, 2020 (the “ Circular ”) under the heading “Particulars of Matters to be Acted Upon - Election of Directors”.
Orientation and Continuing Education	
3. Describe what steps, if any, the Board takes to orient new Board members, and describe any measures the Board takes to provide continuing education for directors.	Each director ultimately assumes responsibility for keeping himself informed about the Corporation’s business and relevant developments outside the Corporation that affect its business. Management assists directors by providing them with regular updates on relevant developments and other information that management considers of interest to the Board. Directors may also attend other Board committee meetings if they are not active members, to broaden their knowledge base and receive additional information on the Corporation’s business and developments in areas where they are not commonly exposed.
Ethical Business Conduct	
4. Describe what steps, if any, the Board takes to encourage and promote a culture of ethical business conduct.	The Board is responsible for promoting an ethical business culture and fostering an environment that places an emphasis on compliance. The Board monitors compliance, including through receipt by the Audit Committee of reports of unethical behaviour. To ensure that an ethical business culture is maintained and promoted, directors are encouraged to exercise their independent judgment. If a director has a material interest in any transaction or agreement that the Corporation proposes to enter into, such director is expected to disclose such interest to the Board in compliance with the applicable laws, rules and policies which govern conflicts of interest in connection with such transaction or agreement. Further, any director who has a material interest in any proposed transaction or agreement will be excluded from the portion of the Board meeting concerning such matters and will be further precluded from voting on such matters.

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 (“NI 58-101”)	Comments
Nomination of Directors	
5. Disclose what steps, if any, are taken to identify new candidates for Board nomination, including: (i) who identifies new candidates, and (ii) the process of identifying new candidates.	The Board is responsible for the identification and assessment of potential directors. While no formal nomination procedures are in place to identify new candidates, the Board does review the experience and performance of nominees for election to the Board. Members of the Board are canvassed with respect to the qualifications of a prospective candidate and each candidate is evaluated with respect to his or her experience and expertise, with particular attention paid to those areas of expertise that could complement and enhance current management. The Board also assesses any potential conflicts, independence or time commitment concerns that the candidate may present.
Compensation	
6. Disclose what steps, if any, are taken to determine compensation for the directors and officers, including: (i) who determines compensation, and (ii) the process of determining compensation.	The process undertaken by the Board and the Compensation Committee in respect of compensation is more fully described in the “Compensation Discussion and Analysis” section of the accompanying Circular.
Other Board Committees	
7. If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board does not have any standing committees other than the Corporate Governance and Nominating Committee, the Compensation Committee and the Audit Committee.
Assessments	
8. Disclose what steps, if any, that the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.	The Board is currently responsible for assessing the effectiveness of the Board, the individual directors and the Audit Committee.

SCHEDULE "B" STOCK OPTION PLAN

1. Purpose of the Plan

The purpose of the Plan is to provide the Participants with an opportunity to purchase Common Shares and benefit from the appreciation thereof. This proprietary interest in the Corporation will provide an increased incentive for the Participants to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Common Shares for the benefit of all the shareholders and increasing the ability of the Corporation and its Subsidiaries to attract and retain individuals of exceptional skill.

2. Defined Terms

2.1 Where used herein, the following terms shall have the following meanings (all other capitalized terms used and not defined herein shall have the meanings ascribed to them in the TSX Venture Exchange Corporate Finance Manual):

- (a) “**Acceleration Right**” means the Participant’s right, in certain circumstances, to exercise its outstanding Option as to all or any of the Common Shares in respect of which such Option has not previously been exercised and which the Participant is entitled to exercise, including in respect of Common Shares not otherwise vested at such time;
- (b) “**Board**” means the board of directors of the Corporation;
- (c) “**Business Day**” means each day other than a Saturday, Sunday or statutory holiday in Ontario, Canada;
- (d) “**Common Shares**” means the common shares in the capital of the Corporation or, in the event of an adjustment contemplated by Article 8 hereof, such shares to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;
- (e) “**Corporation**” means Galane Gold Ltd., and includes any successor corporation thereof;
- (f) “**Exchange**” means the TSX Venture Exchange or, if the Common Shares are not then listed and posted for trading on the TSX Venture Exchange, then on any stock exchange in Canada on which such shares are listed and posted for trading or any other regulatory body having jurisdiction as may be selected for such purpose by the Board;
- (g) “**Exercise Notice**” means the notice in writing signed by the Participant or the Participant’s legal personal representatives addressed to the Corporation specifying an intention to exercise all or a portion of the Option;
- (h) “**Expiry Time**” means the time at which the Options will expire, being 4:00 p.m. (Toronto time) on a date to be fixed by the Board at the time the Option is granted, which date will not be more than ten years from the date of grant;
- (i) “**Fair Market Value**” means, for the purposes of Sections 4.5 and 9.4 hereof, at any date in respect of the Common Shares, the closing price of the Common Shares as reported by the Toronto Stock Exchange on the last trading day immediately preceding such date or, if the Common Shares are not listed on any stock exchange, a price determined by the Board;

- (j) “**Insider**” has the meaning ascribed thereto in the Exchange Corporate Finance Manual;
- (k) “**Option**” means an option to purchase Common Shares from treasury granted by the Corporation to a Participant, subject to the provisions contained herein;
- (l) “**Option Price**” means the price per share at which Common Shares may be purchased under the Option, as the same may be adjusted herein;
- (m) “**Participants**” means the directors, officers and employees of, and consultants to, the Corporation or its Subsidiaries, as defined by the relevant Exchange and, subject to compliance with the applicable requirements of the Exchange, the Personal Holding Companies of such persons, to whom an Option has been granted by the Board pursuant to the Plan and which Option or a portion thereof remains unexercised;
- (n) “**Personal Holding Company**” means a company of which 100% of the voting shares are beneficially owned, directly or indirectly, by a director, officer or employee of, or consultant to, the Corporation or its Subsidiaries and such entity shall be bound by the Plan in the same manner as if the Options were held directly;
- (o) “**Plan**” means this stock option plan of the Corporation, as the same may be amended or varied from time to time;
- (p) “**Subsidiary**” means any corporation that is a subsidiary of the Corporation, as such term is defined under the *Business Corporations Act* (Ontario), as such provision is from time to time amended, varied or re-enacted, or a “related entity” as defined in section 2.22 of National Instrument 45-106; and
- (q) “**Take-Over Bid**” has the meaning ascribed thereto in the *Securities Act* (Ontario), as such provision is from time to time amended, varied or re-enacted.

3. Administration of the Plan

- 3.1 The Board shall administer this Plan. Options granted under the Plan shall be granted in accordance with determinations made by the Board pursuant to the provisions of the Plan as to: (a) the Participants to whom and the time or times at which the Options will be granted; the number of Common Shares which shall be the subject of each Option; (b) any vesting provisions attaching to the Option; and (c) the terms and provisions of the respective stock option agreements, provided however, that each director, officer, employee or consultant shall have the right not to participate in the Plan and any decision not to participate therein shall not affect the employment by or engagement with the Corporation. The Board shall ensure that Participants under the Plan are eligible to participate under the Plan, and, if required by the Exchange, shall represent and confirm that the Participant is a bona fide employee, consultant or management company employee (as defined in the policies of the Exchange).
- 3.2 The Board may, from time to time, adopt such rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate its powers hereunder to administer the Plan to a committee of the Board (the “**Committee**”). The Committee shall be comprised of two or more members of the Board who shall serve at the pleasure of the Board. Vacancies occurring on the Committee shall be filled by the Board.

3.3 The Committee (or the Board where the Committee has not been constituted) shall have the power to delegate to any member of the Board or officer so designated (the “**Administrator**”), the power to determine which Participants are to be granted Options and to grant such Options, the number of Common Shares purchasable under each Option, the Option Price and the time or times when and the manner in which Options are exercisable, and the Administrator shall make such determinations in accordance with the provisions of this Plan and with applicable securities and stock exchange regulatory requirements, subject to final approval by the Committee or Board.

4. Granting of Option

4.1 Participants may be granted Options from time to time. The grant of Options will be subject to the conditions contained herein and may be subject to additional conditions determined by the Board from time to time. Each Option granted hereunder shall be evidenced by an agreement in writing, signed on behalf of the Corporation and by the Participant, in such form as the Board shall approve from time to time. Each such agreement shall recite that it is subject to the provisions of this Plan.

4.2 The aggregate number of Common Shares of the Corporation allocated and made available to be granted to Participants under the Plan shall not exceed 10% of the issued and outstanding Common Shares of the Corporation as at the date of grant (on a non-diluted basis). Any issuance of Common Shares from treasury pursuant to the exercise of Options shall automatically replenish the number of Common Shares available for Option grants under the Plan. Common Shares in respect of which Options are cancelled or not exercised prior to expiry, for any reason, shall be available for subsequent Option grants under the Plan. No fractional shares may be purchased or issued hereunder.

4.3 The Corporation shall at all times, during the term of the Plan, reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of the Plan.

4.4 Any grant of Options under the Plan shall be subject to the following restrictions:

- (a) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to any one Participant, other than a Consultant, in any 12 month period may not exceed 5% of the Corporation’s total issued and outstanding Common Shares, unless disinterested shareholder approval is obtained;
- (b) the aggregate number of Common Shares issuable pursuant to Options granted to Insiders pursuant to the Plan and other security based compensation arrangements may not exceed 10% of the Corporation’s total issued and outstanding Common Shares, unless disinterested shareholder approval is obtained;
- (c) the aggregate number of Common Shares issued to Insiders pursuant to the Plan and other security based compensation arrangements in any 12 month period may not exceed 10% of the Corporation’s total issued and outstanding Common Shares, unless disinterested shareholder approval is obtained;
- (d) no more than 2% of the total issued and outstanding Common Shares at the time of grant may be granted to any one Consultant in any 12 month period; and
- (e) no more than an aggregate of 2% of the total issued and outstanding Common Shares at the time of grant may be granted to all persons engaged to conduct Investor Relations Activities in any 12 month period.

- 4.5 Provided that the Corporation is listed on the Toronto Stock Exchange (the “TSX”) and is in compliance with applicable TSX requirements, the Board may grant Options which allow a Participant to elect to exercise its Option on a “cashless basis”, whereby the Participant, instead of making a cash payment for the aggregate exercise price, shall be entitled to be issued such number of Common Shares equal to the number which results when: (i) the difference between the aggregate Fair Market Value of the Common Shares underlying the Option and the aggregate exercise price of such Option is divided by (ii) the Fair Market Value of each Common Share. For greater certainty, the Options may not be exercised on a “cashless basis” while the Common Shares are listed on the Exchange.
- 4.6 All Options granted pursuant to this Plan shall be subject to rules and policies of the Exchange and any other regulatory body having jurisdiction.
- 4.7 A Participant who has been granted an Option may, if otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional Option if the Board so determines.

5. Option Price

- 5.1 Subject to applicable Exchange approval, the Option Price shall be fixed by the Board at the time the Option is granted to a Participant. In no event shall the price be less than the Discounted Market Price (as defined in the policies of the Exchange). If a press release fixing the price is not issued, the Discounted Market Price is the closing price per Common Share on the Exchange on the last trading day preceding the date of grant on which there was a closing price (less the applicable discount) or, if the Common Shares are not listed on any stock exchange, a price determined by the Board; provided that, if the Board, in its sole discretion, determines that the closing price on the last trading day preceding the date of grant would not be representative of the market price of the Common Shares, then the Board may base the price on the greater of the closing price and the weighted average price per share for the Common Shares for five (5) consecutive trading days ending on the last trading day preceding the date of grant on which there was a closing price on the Exchange. The weighted average price shall be determined by dividing the aggregate sale price of all Common Shares sold on the Exchange during the said five (5) consecutive trading days, by the total number of Common Shares so sold.
- 5.2 Once the Option Price has been determined by the Board, accepted by the Exchange and the Option has been granted, if the Optionee is an Insider, the Option Price may only be reduced if disinterested shareholder approval is obtained; provided that such disinterested shareholder approval is then a requirement of the Exchange or other regulatory body having jurisdiction.

6. Term of Option

- 6.1 The term of the Option shall be a period of time fixed by the Board, not to exceed ten years from the date of grant. Unless the Board determines otherwise, Options shall be exercisable in whole or in part at any time during this period in accordance with such vesting provisions, conditions or limitations (including applicable hold periods) as are herein contained or as the Board may from time to time impose, or as may be required by the Exchange or under applicable securities law.
- 6.2 Each Option and all rights thereunder shall be expressed to expire at the Expiry Time, but shall be subject to earlier termination in accordance with Section 11 hereof.

- 6.3 Subject to any specific requirements of the Exchange, the Board shall determine the vesting period or periods within the Option term, during which a Participant may exercise an Option or a portion thereof.
- 6.4 In addition to any resale restriction under securities laws, an Option may be subject to a four month Exchange hold period commencing on the date the Option is granted.
- 6.5 Except in the case of a Participant's Option that terminates pursuant to Section 11.3 below, in the event that the term of any Option expires within or immediately following a "blackout period" imposed by the Corporation, the Option shall expire on the date (the "**Blackout Expiration Date**") that is ten Business Days following the end of such blackout period. The Blackout Expiration Date shall not be subject to the discretion of the Board.

7. Exercise of Option

- 7.1 Subject to the provisions of the Plan and the terms of any stock option agreement, an Option or a portion thereof may be exercised, from time to time, by delivery of the Exercise Notice to the Corporation's principal office in Toronto, Ontario. The Exercise Notice shall state the intention of the Participant or the Participant's legal personal representative to exercise the said Option or a portion thereof and specify the number of Common Shares in respect of which the Option is then being exercised, and shall be accompanied by the full purchase price of the Common Shares which are the subject of the exercise. Such Exercise Notice shall contain the Participant's undertaking to comply, to the satisfaction of the Corporation, with all applicable requirements of the Exchange and any applicable regulatory authorities.

8. Adjustments in Shares

- 8.1 If the outstanding shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through a re-organization, plan of arrangement, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board, in its discretion, in the number or kind of shares optioned and the exercise price per share with respect to: (a) previously granted and unexercised Options or portions thereof; and (b) Options which may be granted subsequent to any such change in the Corporation's capital.
- 8.2 Determinations by the Board as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. The Corporation shall not be obligated to issue fractional securities in satisfaction of any of its obligations hereunder.

9. Accelerated Vesting

- 9.1 In the event that certain events such as a liquidation or dissolution of the Corporation or a re-organization, plan of arrangement, merger or consolidation of the Corporation with one or more corporations, as a result of which the Corporation is not the surviving corporation, or the sale by the Corporation of all or substantially all of the property and assets of the Corporation to another corporation prior to the Expiry Time, are proposed or contemplated, the Board may, notwithstanding the terms of this Plan or any stock option agreements issued hereunder, exercise its discretion, by way of resolution, to permit accelerated vesting of Options on such terms as the Board sees fit at that time. If the Board, in its sole discretion, determines that the Common Shares subject to any Option granted hereunder shall vest on an accelerated basis, all Participants entitled to exercise an unexercised portion of Options then outstanding shall have the right at such time,

upon written notice being given by the Corporation, to exercise such Options to the extent specified and permitted by the Board and within the time period specified by the Board, which shall not extend past the Expiry Time.

- 9.2 An Option may provide that whenever the Corporation's shareholders receive a Take-Over Bid and the Corporation supports this bid, pursuant to which the "offeror" would, as a result of such Take-Over Bid being successful, beneficially own in excess of 50% of the outstanding Common Shares, the Participant may exercise the Acceleration Right. The Acceleration Right shall commence on the date of the mailing of the Board circular recommending acceptance of the Take-Over Bid and end on the earlier of:
- (a) the Expiry Time; and
 - (b) (i) in the event the Take-Over Bid is unsuccessful, the expiry date of the Take-Over Bid; and (ii) in the event the Take-Over Bid is successful, the tenth (10th) day following the expiry date of the Take-Over Bid.
- 9.3 At the time of the termination of the Acceleration Right, the original vesting terms of the Options shall be reinstated with respect to the Common Shares issuable thereunder which were not acquired by the holders of such Options pursuant to the terms thereof. Notwithstanding the foregoing, the Acceleration Right may be extended for such longer period as the Board may resolve.
- 9.4 Provided that the Corporation is listed on the TSX and is in compliance with applicable TSX requirements, the Corporation may satisfy any obligations to a Participant hereunder by paying to the Participant in cash the difference between the exercise price of all unexercised Options granted hereunder and the Fair Market Value of the Common Shares to which the Participant would be entitled upon exercise of all unexercised Options, regardless of whether all conditions of exercise relating to continuous employment have been satisfied.

10. Decisions of the Board

All decisions and interpretations of the Board respecting the Plan or Options granted thereunder shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all directors, officers, employees and consultants of the Corporation who are eligible to participate under the Plan.

11. Ceasing to be a Director, Officer, Employee or Consultant

- 11.1 Subject to the terms of the applicable stock option agreements and subject to Section 11.4 hereof, in the event of the Participant ceasing to be a director, officer, employee or consultant of the Corporation or a Subsidiary for any reason other than death, including the resignation or retirement of the Participant or the termination by the Corporation or a Subsidiary of the employment of the Participant, prior to the Expiry Time, such Option (including an Option held by a Participant's Personal Holding Company) may be exercised as to such Common Shares in respect of which the Option has not previously been exercised (and as the Participant would have been entitled to exercise) at any time up to and including (but not after) the earlier of: (a) the Expiry Time; and (b) a date that is ninety (90) days (or such other period as may be determined by the Board, provided that such period is not more than one year) following the effective date of such resignation or retirement or a date that is ninety (90) days (or such other period as may be determined by the Board, provided that such period is not more than one year) following the date notice of termination of employment is given by the Corporation or a Subsidiary, whether such termination is with or

without reasonable notice, and subject to such shorter period as may be otherwise specified in the stock option agreement, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.

- 11.2 In consideration of the Option hereby granted, in the event of the resignation or retirement of the Participant or the termination of employment by the Corporation without cause, the Participant hereby covenants not to sue the Corporation for damages arising from the loss of rights granted hereunder and releases the Corporation from any damages.
- 11.3 Notwithstanding the foregoing, in the event of termination for cause, such Option (including an Option held by a Participant's Personal Holding Company) shall expire and terminate immediately at the time of delivery of notice of termination of employment for cause to the Participant by the Corporation or a Subsidiary and shall be of no further force or effect whatsoever as to the Common Shares in respect of which an Option has not previously been exercised.
- 11.4 In the event of the death of a Participant on or prior to the Expiry Time, such Option (including an Option held by a Participant's Personal Holding Company) may be exercised as to such of the Common Shares in respect of which such Option has not previously been exercised (and as the Participant would have been entitled to purchase), by the legal personal representatives of the Participant at any time up to and including (but not after) a date one (1) year from the date of death of the Participant, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.
- 11.5 Options shall not be affected by any change of employment of the Participant where the Participant continues to be employed by the Corporation or any of its Subsidiaries.

12. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or to the extent, if any, permitted by the Exchange.

13. Amendment or Discontinuance of Plan

- 13.1 (a) The approval of the Board and the requisite approval from the Exchange and the shareholders shall be required for any of the following amendments to be made to the Plan:
- (i) any increase to the fixed maximum percentage of Common Shares issuable under the Plan;
 - (ii) a reduction in the exercise price or purchase price of an Option (other than for standard anti-dilution purposes) held by or benefiting an Insider;
 - (iii) an increase in the maximum number of Common Shares that may be issued to Insiders within any one year period or that are issuable to Insiders at any time;
 - (iv) an extension of the term of an Option held by or benefiting an Insider;
 - (v) any change to the definition of "Participants" which would have the potential of broadening or increasing Insider participation;

- (vi) the addition of any form of financial assistance;
 - (vii) any amendment to a financial assistance provision which is more favourable to Participants;
 - (viii) provided that the Corporation is listed on the TSX, the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve;
 - (ix) the addition of a deferred or restricted share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Corporation; and
 - (x) any other amendments that may lead to significant or unreasonable dilution in the Corporation's outstanding securities or may provide additional benefits to Participants, especially Insiders, at the expense of the Corporation and its existing shareholders.
- (b) The Board may, without shareholder approval but subject to receipt of requisite approval as required by the Exchange, in its sole discretion make all other amendments to the Plan that are not of the type contemplated in subsection 13.1 (a) above including, without limitation:
- (i) amendments of a housekeeping nature;
 - (ii) a change to the vesting provisions of an Option or the Plan;
 - (iii) a change to the termination provisions of an Option or the Plan which does not entail an extension beyond the original expiry date, except as contemplated in Section 6.5 above; and
 - (iv) provided that the Corporation is listed on the TSX, the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.

14. Participants' Rights

- 14.1 A Participant shall not have any rights as a shareholder of the Corporation until the issuance of a certificate for Common Shares upon the exercise of an Option or a portion thereof, and then only with respect to the Common Shares represented by such certificate or certificates.
- 14.2 Nothing in the Plan or any Option shall confer upon any Participant any rights to continue in the employ of the Corporation or any Subsidiary or affect in any way the right of the Corporation or any such Subsidiary to terminate the employment of the Participant at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any such Subsidiary to extend the employment of any Participant beyond the time such Participant would normally retire pursuant to the provisions of any present or future retirement plan of the Corporation or any Subsidiary, or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Subsidiary.

15. Approvals

- 15.1 The Plan shall be subject, if applicable, to the approval of the Exchange or other regulatory body having jurisdiction at that time and, if so required thereby, to the approval of the shareholders of the Corporation.
- 15.2 Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless such approval and acceptance is given.

16. Government Regulation

- 16.1 The Corporation's obligation to issue and deliver Common Shares under any Option is subject to:
- (a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
 - (b) the admission of such Common Shares to listing on any stock exchange on which such Common Shares may then be listed; and
 - (c) the receipt from the Participant of such representations, warranties, agreements and undertakings as to future dealings in such Common Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.
- 16.2 In this regard, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares and for the listing of such Common Shares on the Exchange, in compliance with applicable securities laws. If any shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such shares shall terminate and the Option Price paid to the Corporation will be returned to the Participant.

17. Costs

- 17.1 The Corporation shall pay all costs of administering the Plan.

18. Interpretation

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

19. Compliance with Applicable Law

If any provision of the Plan or any Option contravenes any law or any order, policy, by-law or regulation of any regulatory body or the Exchange, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

SCHEDULE "C"

AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 – Audit Committees)

National Instrument 52-110 – Audit Committees (the “**Instrument**”) relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every TSX Venture Exchange listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors. The Corporation, as a TSX Venture Exchange-listed company is, however, exempt from certain requirements of the Instrument.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the board of directors or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

- (a) improve the quality of the Corporation’s financial reporting;
- (b) assist the board of directors to properly and fully discharge its responsibilities;
- (c) provide an avenue of enhanced communication between the directors and external auditors;
- (d) enhance the external auditor’s independence;
- (e) increase the credibility and objectivity of financial reports; and
- (f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 Definitions

“**accounting principles**” has the meaning ascribed to it in National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency;

“**Affiliate**” means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

“**audit services**” means the professional services rendered by the Corporation’s external auditor for the audit and review of the Corporation’s financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

“**Charter**” means this audit committee charter;

“**Committee**” means the committee established by and among certain members of the board of directors for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

“**Control Person**” means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

“**financially literate**” has the meaning set forth in Section 1.2;

“**immediate family member**” means a person’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person’s immediate family member) who shares the individual’s home;

“**Instrument**” means National Instrument 52-110 – Audit Committees;

“**MD&A**” has the meaning ascribed to it in National Instrument 51-102;

“**Member**” means a member of the Committee;

“**National Instrument 51-102**” means National Instrument 51-102 - Continuous Disclosure Obligations; and

“**non-audit services**” means services other than audit services.

1.2 Meaning of Financially Literate

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

PART 2

2.1 Audit Committee

The board of directors has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors

The Corporation will require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the board of directors:

- (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
 - (b) the compensation of the external auditor.
2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:
- (a) reviewing the audit plan with management and the external auditor;
 - (b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
 - (c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - (d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - (e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;
 - (f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;
 - (g) reviewing interim unaudited financial statements before release to the public;
 - (h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;
 - (i) reviewing the evaluation of internal controls by the external auditor, together with management's response;
 - (j) reviewing the terms of reference of the internal auditor, if any;
 - (k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
 - (l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.
3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.

4. The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.
5. The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.
6. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.
7. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.
8. The Committee shall, as applicable, establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
9. As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.
10. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

2.4 De Minimis Non-Audit Services

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

- (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;
- (b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).
2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 Composition

1. The Committee shall be composed of a minimum of three Members.
2. Every Member shall be a director of the issuer.
3. The majority of Members shall not be employees, Control Persons or officers of the Corporation.
4. If practicable, given the composition of the directors of the Corporation, each Member shall be financially literate.
5. The board of directors of the Corporation shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.

PART 4

4.1 Authority

Until the replacement of this Charter, the Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee;
- (c) communicate directly with the internal and external auditors; and
- (d) recommend the amendment or approval of audited and interim financial statements to the board of directors.

PART 5

5.1 Disclosure in Information Circular

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors, the Corporation shall include in its management information circular the disclosure required by Form 52-110F2 (Disclosure by Venture Issuers).

PART 6

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.
2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.
3. Minutes shall be kept of all meetings of the Committee.

Consolidated Financial Statements
(In U.S. dollars)

GALANE GOLD LTD.

For the years ended December 31, 2019 and December 31, 2018



Independent auditor's report

To the Shareholders of Galane Gold Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Galane Gold Ltd. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Platt.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 28, 2020

GALANE GOLD LTD.

Consolidated Statements of Financial Position
(In U.S. dollars)

	Note	December 31, 2019	December 31, 2018
Assets			
Current assets:			
Cash		\$ 2,201,853	\$ 4,173,052
Trade receivables and other current assets	7	2,196,520	1,849,945
Inventories	8	4,947,196	4,410,241
		9,345,569	10,433,238
Non-current assets:			
Mining properties	9	36,584,539	34,133,406
Plant and equipment	9	2,328,285	1,788,543
		38,912,824	35,921,949
		\$ 48,258,393	\$ 46,355,187
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	12	\$ 9,345,504	\$ 9,321,370
Interest-bearing loans and borrowings	13	13,089,675	3,947,288
Warrants denominated in a foreign currency	15	1,228,626	-
		23,663,805	13,268,658
Non-current liabilities:			
Interest-bearing loans and borrowings	13	6,050,059	10,571,690
Warrants denominated in a foreign currency	15	-	1,109,662
Restoration and rehabilitation provision	10	5,625,905	6,420,233
		11,675,964	18,101,585
Equity			
Share capital	15	39,975,999	38,329,654
Reserves	15	2,626,081	2,515,382
Deficit		(29,683,456)	(25,860,092)
		12,918,624	14,984,944
		\$ 48,258,393	\$ 46,355,187

Going Concern (note 2)

Commitments and contingencies (note 17)

Approved and authorized by the Board on April 28, 2020:

"Ravi Sood" Director "Dino Titaro" Director

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

Consolidated Statements of Loss and Comprehensive Loss
(In U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

	Note	2019	2018
Mining revenue		\$ 41,402,404	\$ 44,650,021
Mining cost	16	40,570,107	41,678,596
Earnings from mining operations		832,297	2,971,425
Expenses:			
Exploration costs		4,111	196,038
Foreign exchange (gain) loss		28,524	(1,634,469)
Corporate general and administration	16	1,704,567	2,980,094
Financing costs	16	2,179,175	916,925
Other (income) expenses	16	739,284	834,782
		4,655,661	3,293,370
Loss for the year before taxation		(3,823,364)	(321,945)
Taxation	14	-	-
Net loss and comprehensive loss for the year		\$ (3,823,364)	\$ (321,945)
Basic loss per common share	15	\$ (0.02)	\$ (0.00)
Diluted loss per common share	15	\$ (0.02)	\$ (0.00)
Weighted average number of common shares – basic	15	201,811,934	160,267,774
Weighted average number of common shares – diluted	15	201,811,934	160,267,774

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

Consolidated Statements of Changes in Equity
(In U.S. Dollars)

Years ended December 31, 2019 and December 31, 2018

	No te	Capital Stock		Reserves		Deficit	Total
		Number	Amount	Stock based payments			
Balance as at December 31, 2017		146,804,760	37,348,880	2,280,668	(25,538,147)	14,091,401	
Stock-based compensation	15	-	-	203,312	-	203,312	
Warrants expired unexercised	15	-	-	31,402	-	31,402	
Common shares issued	15	54,000,000	980,774	-	-	980,774	
Net loss for the year		-	-	-	(321,945)	(321,945)	
Balance as at December 31, 2018		200,804,760	38,329,654	2,515,382	(25,860,092)	14,984,944	
Stock-based compensation	15	-	-	140,138	-	140,138	
Warrants exercised	15	22,436,150	1,616,906	-	-	1,616,906	
DSUs issued	15	160,000	29,439	(29,439)	-	-	
Net loss for the year		-	-	-	(3,823,364)	(3,823,364)	
Balance as at December 31, 2019		223,400,910	39,975,999	2,626,081	(29,683,456)	12,918,624	

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

Consolidated Statements of Cash Flows
(In U.S. Dollars)

Years ended December 31, 2019 and December 31, 2018

	Note	2019	2018
Cash flows from operating activities:			
Net loss for the year		\$ (3,823,364)	\$ (321,945)
Items not involving cash:			
Depreciation and amortization	9	5,744,653	5,682,391
Loss on disposal of equipment	9	-	38,541
Asset write-off – exploration expenses	9	408,781	-
Stock based compensation	15	140,138	203,312
Accretion	11	391,105	378,077
Change in estimate -Restoration and rehabilitation provision	11	(994,248)	-
Interest expense	16	903,203	522,309
Foreign exchange		158,418	(1,233,492)
Net change in fair value of warrants	15d	884,867	16,539
Deferred financing charges	16	20,563	-
Working capital adjustments:			
Change in trade and other receivables		(325,028)	(368,430)
Change in inventories		(532,507)	362,112
Change in trade and other payables		(56,843)	(1,056,578)
Cash flows from operating activities		2,919,738	4,222,836
Cash flows from investing activities:			
Mining assets acquired	9	(8,202,814)	(3,656,286)
Capitalised concentrate sales		1,890,399	
Cash flows used in investing activities		(6,312,415)	(3,656,286)
Cash flow from financing activities:			
Warrants exercised		851,003	-
Debenture principal paid		(1,566,486)	-
Debenture interest paid		(479,843)	-
Equity issue		-	2,106,000
Equity issue costs		-	(32,102)
Deferred royalty paid		(1,219,116)	(215,930)
Deferred royalty interest paid		(340,884)	(284,074)
Barak facility drawdown		5,000,000	-
Barak facility fees		(200,000)	-
Capital lease obligation paid		(656,690)	(467,874)
Cash flows used in financing activities		1,387,984	1,106,020
Increase (decrease) in cash		(2,004,693)	1,672,570
Effect of foreign exchange rates on cash		33,494	(50,219)
Cash, at January 1		4,173,052	2,550,701
Cash, at December 31		\$ 2,201,853	\$ 4,173,052

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

(In U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

1. Corporate Information

Galane Gold Ltd. (the “Company” or “Galane”) 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

These financial statements were prepared using international financial reporting standards that are applicable to a going concern.

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

As at December 31, 2019, the Company had a working capital deficiency (current assets less current liabilities) of \$14.3 million compared to a deficiency of \$2.8 million at December 31, 2018.

During 2019, the Company paid, on a timely basis, the 5% royalty to the government of Botswana on all gold sales in accordance with the terms of the royalty. The royalty expense for the year ended December 31, 2019, was \$2.1 million, which was funded from cash flows from operations, in addition to \$1.6 million repaid from deferred royalties in accordance with the agreement with the Government of Botswana for the repayment of deferred royalties. The increase in working capital deficiency is primarily due to an increase of \$5.7 million in the current deferred royalties, with the total outstanding balance of \$6.9 million now classified as a current liability. While management projects that the current gold price would allow the Company to repay the deferred royalties consistent with the payment schedule agreed with the Government of Botswana, the Company has entered into discussions with the Government of Botswana to reschedule the outstanding balance, however with the current focus on the COVID-19 shutdown of non-essential services in the country, these discussions have now been put on hold.

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

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

The ongoing strength in gold prices and positive operating performance at the Mupane mine have resulted in earnings from mining operations of \$0.8 million in 2019 compared to \$3.0 million in 2018. In addition, cash flow generated from operations in 2019 was \$2.9 million, after royalty payments made in the normal course of business, compared to \$4.2 million of cashflow from operations in 2018. The Company has no material commitments for capital expenditures at the Mupane mine as of December 31, 2019.

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.

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

3. Basis of preparation:

(a) Statement of compliance

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were approved by the Board of Directors of the Company (the "Board") on April 28, 2020.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are at fair value. The methods used to measure fair values are discussed in Note 3.

(c) Basis of consolidation

The significant subsidiaries of the Company are accounted for as follows:

	Country of Incorporation	% equity interest December 31, 2019
Galane Gold Mines Ltd.	Canada	100%
Mupane Gold Mines Limited	Mauritius	100%
Gallery Gold Pty Ltd.	Australia	100%
Mupane Gold Mining Proprietary Limited	Botswana	100%
The Northern Lights Exploration Company (Pty) Ltd.	Botswana	100%
Galaxy Gold Mining (Pty) Limited	South Africa	83%

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

All balances, income and expenses and unrealized gains and losses resulting from transactions amongst subsidiaries of the Company are eliminated on consolidation.

The Company's other subsidiaries are Galane Gold Botswana Proprietary Limited (Botswana) (100% owned), Galaxy Gold Reefs (Pty) Ltd. (South Africa) (90% owned by Galaxy Gold Mining (Pty) Limited), Southern Cross Exploration and Development (Pty) Ltd. (Botswana) (100% owned) and Shashe Mines (Pty) Ltd. (Botswana) (85% owned).

(d) 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.

(e) Significant accounting judgements, estimates and assumptions:

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually 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. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i) Mineral resources:

Mineral resources have been estimated by qualified personnel of the Company in accordance with definitions and guidelines adopted by The Canadian Institute of Mining, Metallurgy and Petroleum. A mineral reserve is a technical estimate of the amount of metal or mineral that can be economically extracted from a mineral deposit. Mineral reserve and resource estimates include numerous uncertainties and depend heavily on geological interpretations and statistical inferences drawn from drilling and other data. Reserve and resource statements also require an estimate of the future price for the commodity in question and an estimate of the future costs of operations. Mineral reserve and resource estimates are subject to uncertainty and may be inaccurate. Results from drilling, testing and production, as well as material changes in metal prices subsequent to the date of an estimate may justify a revision of such estimates.

Actual production costs may vary from estimated production costs due to many factors like changing costs of inputs such as labour, energy and consumables as well as varying royalty expenses related to the price of gold.

A number of accounting estimates, as described in the following relevant accounting policy notes, are impacted by the reserve and resource estimates:

- Note 4(b) – Business combinations
- Note 4(g) – Depreciation and amortization rates
- Note 4(i)(ii) – Impairment of non-financial assets
- Note 4(j) – Restoration and rehabilitation provision
- Note 4(f)(ii) – Deferred stripping

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

(ii) Impairment of mining properties and plant and equipment:

Mining properties and plant and equipment are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Assessment of impairment indicators involves the application of a number of significant judgements over internal and external factors including resource estimation, status of legal ownership, changes in government legislation, and regulations, the availability of financing and various other operational factors. If any such indication exists, an estimate of recoverable amount is undertaken. If the asset's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the Company's statement of loss.

(iii) Determination of deferred income tax assets:

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. No deferred income tax asset has been recognised in these financial statements as it is not currently considered probable that they will be able to be realised. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that future taxable profit will be available to allow the deferred tax asset to be recovered. For more information, refer to Note 13.

(iv) Share-based payments and warrants:

Equity-settled share-based payments are measured at fair value at the grant date; warrants denominated in a foreign currency are measured at fair value through profit or loss. The fair value of options and warrants is determined using a Black-Scholes option pricing model based on assumptions including volatility, expected life, expected dividends and risk-free interest rate. A change in any or a combination of the key assumptions used to determine the fair value of share-based payments at grant date or warrants denominated in a foreign currency at the reporting date could have a material impact on their carrying values and the amount recorded in earnings.

(v) Restoration and rehabilitation provision:

Amounts recorded for restoration and rehabilitation provision require management to estimate the future costs the Company will incur to complete the reclamation and remediation work required to comply with applicable laws and regulations as well as the timing of the reclamation activities and estimated discount rate. Future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation costs.

(vi) Going Concern

Significant judgements are used in the Company's assessment of its ability to continue as a going concern which is described in Note 2.

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far reaching. To date there have been significant stock market declines, significant volatility in commodity and foreign exchange markets and the global movement of people and some goods has become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on our ability to ship and sell gold dore and gold concentrate, on our suppliers, on our employees and on global financial markets.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

Management is required to exercise judgment in order to ensure that disclosures relating to liquidity and the Company's ability to continue as a going concern are appropriate. To this end, the Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its short-term ongoing obligations and reviews its actual expenditures and forecast cash flows on a regular basis and matches the maturity dates of its cash equivalents to capital and operating needs. Changes in production levels, and gold prices, foreign exchange rates and other factors all impact the Company's liquidity position.

4. Significant accounting policies:

(a) Foreign currency translation

Transactions in foreign currencies are translated at the rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange on the date of the consolidated statement of financial position. All differences are taken to the consolidated statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(b) Business combinations

On the acquisition of a subsidiary, the purchase method of accounting is applied whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition.

The cost of the business combination is the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree.

If the fair value attributable to the Company's share of the identifiable net assets exceeds the fair value of the consideration, the Company reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognizes any additional assets or liabilities that are identified in that review. If that excess remains after reassessment, the Company recognizes the resulting gain in the consolidated statement of loss and comprehensive loss on the acquisition date.

Costs directly related to business combinations are expensed in the year they are incurred.

If a transaction does not meet the definition of a business under IFRS, the transaction is recorded as an asset acquisition. Accordingly, the net identifiable assets acquired and liabilities assumed are measured at the fair value of the consideration paid, based on their relative fair values at the acquisition date. Acquisition-related costs are included in the consideration paid and capitalized.

(c) Financial instruments

The Company recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. Financial liabilities are not recognized unless one of the parties has a legal or constructive obligation or the contract is a derivative contract.

On initial recognition, financial assets and liabilities are classified as and measured at: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("OCI") according to their contractual cash flow characteristics and the business models under which they are held.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

A financial asset (in whole or in part) is derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial instruments

Non-derivative financial instruments comprise cash, trade and other receivables, accounts payable and accrued liabilities and, interest bearing loans and borrowings. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are classified and measured as described below.

Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is acquired principally for the purpose of selling in the short-term or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management of investment strategy.

Warrants denominated in foreign currency are classified as fair value through profit or loss. Any unrealized gains or losses related to changes in the fair value are included in financing income or financing costs.

Other financial instruments

Financial assets are measured at amortized cost if they are held for the collection of contractual cash flows where those cash flows solely represent payments of principal and interest. The Company's intent is to hold these financial assets in order to collect contractual cash flows and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. All of the Company's financial assets fall under this category.

Other financial liabilities are recognized initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. These include mining royalties, capital lease obligations, shareholder loans and accounts payable and accrued liabilities.

(d) Cash and cash equivalents

Cash and cash equivalents comprise of cash in bank accounts and on hand and other short-term investments with initial maturities of less than 90 days.

(e) Inventories

Work in progress inventories are valued at the lower of cost or net realizable value. Production costs include the cost of materials, labour, mine site production overheads and depreciation to the applicable stage of processing.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

Ore stockpiles are valued at the lower of cost and net realizable value. The cost of ore stockpiles is increased based on the related current mining cost per tonne for the period, and decreases in ore stockpiles are recorded in mining costs using the weighted average cost per tonne. Ore stockpiles are segregated between current and long-term inventories based on when they are expected to be processed.

Consumables are valued at the lower of average purchase cost and net realizable value. Provisions for redundant and slow-moving items are made by reference to specific items of stock. Spare parts, stand-by and servicing equipment held are generally classified as inventories. However, if major spare parts (critical spares) and stand-by equipment (insurance spares) are expected to be used for more than one period or can only be used in connection with a particular capital asset, then they are classified as a component of mining assets.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product.

(f) Mining properties and plant and equipment

Mining properties are measured at cost less accumulated depreciation and accumulated impairment charges.

The initial cost of an asset comprises its purchase or construction cost, any costs directly attributable to bringing the asset to a working condition for its intended use, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The cost of self-constructed assets includes the cost of materials and direct labour.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in earnings as incurred.

Mining properties presented on the consolidated statement of financial position represent the capitalized expenditures related to:

- Mine development; and
- Stripping costs

(i) Mine development

Upon determination of technical feasibility and commercial viability of an exploration and evaluation asset, all subsequent expenditure is capitalized to mine development costs and the related costs are amortized when the projects are brought into production. Mine development costs include expenditures to develop new ore bodies, define further mineralization in existing ore bodies, construct and install or complete infrastructure facilities. Mine development costs are net of proceeds from the sale of ore extracted during the development phase.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

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Where funds have been borrowed, either to specifically finance a project or for general borrowings during the period of construction, the amount of interest capitalized represents the actual borrowing costs incurred, in the case of specific finance arrangements, or an allocation of interest on general borrowings.

(ii) Stripping costs

After commencement of production, the Company recognizes mining costs associated with stripping activities in an open pit mine as variable production costs. Such costs are included in the cost of inventory unless the stripping activity can be determined to have future economic benefits that will flow to the entity, in which case the costs are capitalized.

Capitalized stripping costs represent further development of the mine that requires a phase of overburden removal activity to access ore which will be mined in future periods.

(g) Depreciation and amortization

Mining properties and property, plant and equipment are amortized when the assets are ready for their intended use using the units-of-production method over the shorter of the estimated economic life of the asset or the mining operation.

The reserve and resource estimate is the prime determinant of the life of the mine. In estimating the life of mine, the nature of the ore body and the method of mining the ore body are taken into account. In general, an ore body where the mineralization is reasonably well defined is amortized over its proven and probable mineral reserves. Non reserve material may be included in depreciation calculations in limited circumstances where there is a high degree of confidence in its economic extraction. Changes in the estimate of mineral reserves and resources will result in changes to the depreciation and will be accounted for on a prospective basis over the remaining life of the operation.

The basis of amortization for capitalized stripping is the ore to be extracted as a result of the specific stripping activity and is determined on a units-of-production basis.

Changes in a mine's life and design will usually result in changes to the basis of amortization. These changes are accounted for prospectively.

Residual values, useful lives and amortization methods are reviewed at least annually and adjusted if appropriate. Changes are accounted for prospectively. When no further future economic benefits are expected from an asset it will be de-recognised. Any gain or loss on de-recognition of the asset is included in the consolidated statement of loss and comprehensive loss in the year the asset is de-recognised.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

(h) Mineral exploration and evaluation costs

Costs incurred to acquire new rights to explore mineral properties are capitalised. Exploration costs that do not relate to existing mining properties are expensed. The Company considers evaluation costs to have commenced once it has determined it is likely the Company will carry out economic mining activities for that ore body in the future. This assessment requires significant management judgement. Costs to evaluate the technical feasibility and commercial viability of a mineral property are capitalised. The Company reviews each exploration and evaluation asset as costs are incurred to ensure conditions for capitalisation still exist. Capitalised amounts are then assessed for indications of impairment at the end of each reporting period.

When the technical feasibility and commercial viability of the mineral property is determined, any capitalised costs are transferred to mine development costs and the balance is tested for impairment.

(i) Impairment

(i) Financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in the credit risk.

(ii) Non-financial assets

If a mineral property is abandoned or deemed economically unfeasible, the related project balances are derecognised.

The Company conducts quarterly impairment assessments of the values of long-lived assets, including mining assets and exploration and evaluation assets. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. The Company considers that it currently has two CGUs, being the Mupane mine and the Galaxy mine.

If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recorded so as to reduce the carrying amount to its recoverable amount. A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount for the asset since the impairment loss was recognized. If this is the case, the carrying amount is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior years.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

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The recoverable amount is determined based on the present value of estimated future cash flows from each long-lived asset, which are calculated based on numerous assumptions such as proven and probable reserves, resources when appropriate, estimates of discount rates, estimated future metal prices, operating costs, capital and site restoration expenses and estimated future foreign exchange and inflation rates, as defined under IFRS for FVLCD and VIU. Management's assumptions and estimates of future cash flows are subject to risks and uncertainties, particularly when market conditions such as the price of gold, inflation, currency values and interest rates are volatile, and may be partially or totally outside of the Company's control. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect the recoverability of the Company's long-lived assets.

(j) Restoration and rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore and rehabilitate sites in the period in which the obligation is incurred with a corresponding increase in the carrying value of the related mining asset. The obligation is generally considered to have been incurred when mine assets are constructed or the environment is disturbed. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The discounted liability is adjusted at the end of each period to reflect the passage of time, based on the discount rates that reflect current market assessments and the risks specific to the liability, and changes in the estimated future cash flows underlying the obligation.

These estimates depend on labour costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and risk-free interest rates specific to each liability. The Company also estimates the timing of the outlays, which is subject to change depending on continued operation or newly discovered reserves. The periodic unwinding of the discount is recognized in earnings as a finance cost. Additional disturbances or changes in restoration costs will be recognized as changes to the corresponding assets and asset retirement obligation when they occur. Environmental and on-going site clean-up costs at operating mines, as well as changes to estimated costs for closed sites, are charged to earnings in the period during which they occur.

(k) Income taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the date of the consolidated statement of financial position.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current income taxes relating to items recognized directly in equity are recognized directly in equity.

(ii) Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the period end between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the parent, investor, or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except as noted above.

The carrying amount of deferred income tax assets is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognized deferred income tax assets are reassessed at each period end date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

A translation gain or loss will arise where the local tax currency is not the same as the functional currency. Deferred tax is recognized on the difference between the book value of the non-monetary assets and the underlying tax basis, translated to the functional currency using the current foreign exchange rate.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is expected to be realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the period end date.

Deferred income taxes relating to items recognized directly in equity are recognized directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(I) Revenue recognition

Revenues comprise sales of gold. Revenues from the sale of gold are recognized when control is transferred to the customer. Control transfers when gold is delivered to the customer, the customer has full discretion over the gold and there is no unfulfilled obligation that could affect the customer's acceptance of the gold. Control over the gold produced is transferred to the customer and revenue recognized upon delivery to the customer.

In the year ended December 31, 2019 the Company commenced selling gold concentrate from the Galaxy mine. Because the sales are prior to the Galaxy mine reaching commercial production, the sale proceeds have been offset against the capitalized costs of the construction and ramp up of the mine and have not been recorded as revenue.

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(m) Share-based payments

The Company has a stock option plan that is described in Note 15(c), and deferred share unit plan described in Note 15(e). Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve balance is transferred to share capital. Charges for options that are forfeited before vesting are reversed through income.

(n) Earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing net earnings by the weighted average number of common shares outstanding during the year. The calculation of diluted earnings per share uses the treasury stock method. The weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options or warrants are used to repurchase common shares at their average market price during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share.

5. New accounting standards adopted relevant to the Company

The Company adopted the following IFRS standards effective January 1, 2019.

- (a) IFRS 16 Leases** - The Company adopted IFRS 16 on a modified retrospective basis effective January 1, 2019. The adoption of this standard did not have any measurement impact on prior period financial results or financial position.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8.5%.

The change in accounting policy had the following effect on the balance sheet on January 1, 2019:

- Recognition of Right of Use liabilities of \$1,896,294 (Note 13).
- Recognition of Right of Use assets of \$1,896,294 (Note 9).

From January 1, 2019, leases are recognized as a right of use asset and corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use assets are depreciated over the shorter of their useful life and the lease term on a straight-line basis.

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6. Galaxy Share Donation

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

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

Because the Company is deemed, for accounting purposes, to control the various trusts, these donations do not give rise to non-controlling interests.

7. Trade receivables and other current assets

	December 31, 2019	December 31, 2018
Trade receivables	\$ 464,873	\$ 262,434
Taxes recoverable	409,869	647,657
Prepaid expenses	644,689	847,128
Other receivables	677,089	92,726
	<u>\$ 2,196,520</u>	<u>\$ 1,849,945</u>

8. Inventories

	December 31, 2019	December 31, 2018
Gold in process	\$ 966,822	\$ 681,773
Supplies	3,675,542	3,425,227
Ore Stockpiles	304,832	303,241
	<u>\$ 4,947,196</u>	<u>\$ 4,410,241</u>

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9. Mining assets

The continuity of mining assets for the years ended December 31, 2019 and December 31, 2018 is as follows:

	Construction in Progress	Mining Properties	Plant and Equipment	Total
Cost at December 31, 2018	\$ 3,530,565	\$ 86,784,253	\$ 6,303,891	\$ 96,618,709
Adjustment on adoption of IFRS 16 (Note 5)	-	1,321,388	574,906	1,896,294
Restated balance at January 1, 2019	3,530,565	88,105,641	6,878,797	98,515,003
Movements:				
Additions ⁽¹⁾	4,455,716	1,656,457	980,188	7,092,361
Capitalised Interest	-	507,663	-	507,663
Change in estimate	-	(352,009)	-	(352,009)
Asset write-off - exploration expense	-	(408,781)	-	(408,781)
Disposals	-	-	(112,715)	(112,715)
Cost at December 31, 2019	\$ 7,986,281	\$ 89,508,971	\$ 7,746,270	\$ 105,241,522
Accumulated depreciation and amortization at December 31, 2018	\$ -	\$ (56,181,412)	\$ (4,515,348)	\$ (60,696,760)
Depreciation and amortization	-	(4,729,301)	(1,015,352)	(5,744,653)
Disposals	-	-	112,715	112,715
Accumulated depreciation and amortization at December 31, 2019	\$ -	\$ (60,910,713)	\$ (5,417,985)	\$ (66,328,698)
Net book value, December 31, 2019	\$ 7,986,281	\$ 28,598,258	\$ 2,328,285	\$ 38,912,824

(1) The additions for the current year include capitalised interest of \$507,663 related to the Barak facility that was utilised to fund the restart of the Galaxy mine (note 13)

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	Construction in Progress	Mining Properties	Plant and Equipment	Total
Cost at December 31, 2017	\$ 2,503,251	\$ 84,282,797	\$ 7,034,231	\$ 93,820,279
Movements:				
Additions	1,109,506	2,659,444	228,087	3,997,037
Transfers	(82,192)	(157,988)	240,180	-
Disposals	-	-	(1,198,607)	(1,198,607)
Cost at December 31, 2018	\$ 3,530,565	\$ 86,784,253	\$ 6,303,891	\$ 96,618,709
Accumulated depreciation and amortization at December 31, 2017	\$ -	\$ (51,554,433)	\$ (4,620,002)	\$ (56,174,435)
Depreciation and amortization	-	(4,626,979)	(1,055,412)	(5,682,391)
Disposals	-	-	1,160,066	1,160,066
Accumulated depreciation and amortization at December 31, 2018	\$ -	\$ (56,181,412)	\$ (4,515,348)	\$ (60,696,760)
Net book value, December 31, 2018	\$ 3,530,565	\$ 30,602,841	\$ 1,788,543	\$ 35,921,949

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10. Financial instruments

(a) Financial risk management objectives and policies

The Company manages capital and its exposure to financial risks by ensuring it has sufficient financial capacity to support its operations, current mine development plans and long-term growth strategy. The Company is subject to various financial risks that could have a significant impact on profitability and financial conditions. These risks include liquidity risk, credit risk and financial market conditions relating to interest rates, gold price, and currency rates.

The following discussion includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and equity, where applicable. Financial instruments affected by market risk include cash, trade and other receivables, accounts payable and accrued liabilities and borrowings.

(b) Risks

Management reviews and approves policies for managing each of the risks which are summarised below:

(i) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

As at December 31, 2019, the Company's cash balance was \$2,201,853 (2018 - \$4,173,052), and it had a working capital deficit (current assets less current liabilities) of \$14,318,236 (2018 - \$2,835,420) (Note 2).

The Company has a treasury policy to assist in managing its liquidity risk, which requires management to:

- monitor cash balances;
- perform short to medium-term cash flow forecasting, as well as medium and long-term forecasting incorporating relevant budget information; and
- consider the need for expanding treasury activity if and when appropriate (including but not limited to hedging and derivatives).

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk is associated with cash, trade and other receivables.

The Company holds cash in credit worthy financial institutions and does not hold any asset-backed commercial paper.

The credit risk related to the trade receivable is considered minimal as gold and gold concentrate is sold to creditworthy major banks and offtake partners and settled promptly, usually within the following month. Gold concentrate is sold under pricing arrangements where final prices are set at a specified future date based on market gold prices. At December 31, 2019, there was \$524,712 outstanding (2018 - \$52,843) included in trade and other receivables relating to gold production.

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The credit risk related to receivables from government related to taxes included in trade and other receivables, relates to not receiving amounts claimed due to government audits or other factors. As a result, the full balance recorded may not be ultimately realized. Management currently does not expect the amount ultimately realized to be materially different from that currently recorded.

(iii) Foreign currency risk

The Company is exposed to currency risk through transactions denominated in currencies other than the U.S. dollar. The risk is mainly due to transactions incurred in South African Rand (“ZAR”) and Botswana Pula (“BWP”), along with the Canadian dollar. Net assets (liabilities) denominated in currencies other than U.S. Dollar are summarised as follows:

U.S. Dollars	December 31, 2019	December 31, 2018
South African Rand	(4,707,561)	(5,284,507)
Botswana Pula	(9,741,976)	(7,154,154)
Canadian Dollar	(82,887)	504,782
	(14,532,424)	(11,933,879)

A 10% strengthening of the U.S. dollar against these foreign currencies at year-end would have resulted in an increase in the Company’s earnings for the year of \$1,605,554 (2018 – \$1,084,898). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the U.S. dollar against these currencies at year-end would have resulted in a decrease in the Company’s earnings for the year of \$1,584,739 (2018 – \$1,325,987). This analysis assumes that all other variables, in particular interest rates, remain constant.

(c) Capital management

The Company’s objectives when managing capital are:

- to ensure the Company has sufficient financial capacity to support its operations, current mine development plans and the long-term growth strategy;
- to provide a superior return to its shareholders; and
- to protect the Company’s value with respect to markets and risk fluctuations.

The Company’s capital structure reflects the requirements of a company focused on growth in a capital intensive industry that experiences lengthy development lead times as well as risks associated with capital costs and timing of project completion due to factors that are beyond the Company’s control, including the availability of resources, the issuance of necessary permits, costs of various inputs and the volatility of the gold price.

The adequacy of the Company’s capital structure is assessed on an ongoing basis and adjusted as necessary after taking into consideration the Company’s strategy, the forward gold prices, the mining industry, economic conditions and the associated risks. In order to maintain or adjust its capital structure, the Company may adjust its capital spending, issue new shares, or arrange for a debt facility.

There have been no changes in the Company’s capital management strategy during the period.

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11. Restoration and rehabilitation provision

	Restoration and rehabilitation provision	
January 1, 2018	\$	6,530,831
Foreign exchange movement		(488,675)
Accretion during the year		378,077
At December 31, 2018		6,420,233
Change in estimate		(1,346,257)
Foreign exchange movement		160,824
Accretion during the year		391,105
At December 31, 2019	\$	5,625,905

For the Mupane provision, management of the Company used a pre-tax nominal discount rate of 4.59% in preparing the Company's provision. The undiscounted inflation adjusted liability for the restoration and rehabilitation provision as at December 31, 2018 is \$2,601,077 (BWP 27,218,615) (2018 - \$3,980,893 or BWP 42,712,592).

For the Galaxy provision, management of the Company used a pre-tax nominal discount rate of 8.75% in preparing the Company's provision. The undiscounted inflation adjusted liability for the restoration and rehabilitation provision as at December 31, 2019 is \$4,641,838 (ZAR 66,989,302) (2018 - \$4,658,019 or ZAR 66,989,302).

12. Accounts payable and accrued liabilities:

	December 31,		December 31,	
	2019		2018	
Trade accounts payable	\$	7,921,914	\$	7,475,382
Accrued liabilities		1,423,590		1,845,988
	\$	9,345,504	\$	9,321,370

Trade payables and accrued liabilities are non-interest bearing.

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13. Interest-bearing loans and borrowings:

	December 31, 2019	December 31, 2018
Current:		
Debtors (1)	\$ -	\$ 2,690,970
Mining Royalties (2)	6,934,825	1,219,116
Lease liabilities (3)	788,289	37,202
Barak loan facility (4)	5,288,829	-
Barak royalty (4)	77,732	-
	<u>\$ 13,089,675</u>	<u>\$ 3,947,288</u>
Non-Current:		
Debtors (1)	\$ 4,475,516	\$ 3,608,028
Mining Royalties (2)	-	6,963,662
Lease liabilities (3)	1,412,879	-
Barak royalty (4)	161,664	-
	<u>\$ 6,050,059</u>	<u>\$ 10,571,690</u>

- (1) The Company issued unsecured debentures 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 debentures was \$5,650,269 and was originally due on November 20, 2019. The debentures 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, with the first such payment being due on March 31, 2019. The first payment of interest under the rescheduled agreement was made in April 2019.

Pursuant to an amending instrument dated September 30, 2019: (i) \$1,672,836 of the principal amount of the debentures 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 debentures subject to this amending instrument.

- (2) The Government of Botswana royalties were all recorded as current liabilities at December 31, 2019, 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:

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- \$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 due in 2020, as yet no agreement has been reached between the parties. The Company repaid \$200,000 in each of January and February 2020.

- (3) The Company acquired a Komatsu Excavator in March 2019 and financed \$189,000 of the acquisition costs, and acquired a Remote GHH Loader in November 2019 and financed \$591,000. The term of the loans is 24 months, with payments of approximately \$8,600 and \$18,600 respectively coming due each month including payment of the principal and interest of between 8.25% and 8.5%. The loan is secured by the assets related to such loans.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019, was 8.5%. A Right of use liability of \$1,896,294 was recognized on the initial application at January 1, 2019

- (4) On October 2, 2018, the Company finalized 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 up to December 31, 2019. As the Company was in breach of the current ratio covenant at year end, the entire outstanding balance of the loan facility has been classified as a current liability in accordance with IFRS 7.

Contractual Repayment Schedule

	2020	2021	2022 onwards	Total
	\$	\$	\$	\$
Debentures	-	4,475,516	-	4,475,516
Mining royalties	6,934,825	-	-	6,934,825
Lease liabilities	921,929	725,879	837,975	2,485,783
Barak loan facility	5,507,663	-	-	5,507,663
Barak royalty	77,732	149,229	12,435	239,396
Total	13,442,149	5,350,624	850,410	19,643,183

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14. Income taxes:

A reconciliation between tax expense and the product of accounting income multiplied by the combined federal and Ontario tax rate of 26.50% (2018 - 26.50%) is as follows:

	2019	2018
Accounting income (loss) before income tax	\$ (3,823,364)	\$ (321,945)
Statutory income tax rate	26.5%	26.5%
Expected income tax (recovery) expense	\$ (1,013,191)	\$ (85,315)
(Non-taxable)/non-deductible items	44,209	53,878
Differences in foreign income tax rates	(58,102)	(160,243)
Change in unrecognised deferred tax assets	1,027,084	191,680
Income tax expense/(recovery)	\$ -	\$ -

Net deferred tax assets have not been recognised in respect of the following, because it is not probable that future taxable profits will be available against which the group can use the benefits therefrom:

	2019	2018
Unused tax losses	\$ 50,988,904	\$ 57,019,762
Restoration and Rehabilitation provisions	2,601,077	3,687,707
Mining properties	(9,911,784)	(12,083,278)
Plant and equipment	(1,657,080)	(3,382,182)
Mining royalties payable	7,036,419	8,182,779
Un-deducted finance costs	219,673	332,789
	\$ 49,277,209	\$ 53,757,577

The unused tax losses by jurisdiction are as follows:

	2019	2018
Botswana	\$ 36,266,536	\$ 43,761,870
Canada	14,722,368	13,257,892
	\$ 50,988,904	\$ 57,019,762

The Botswana tax losses are classified as an operating loss and can be carried forward indefinitely. The Canadian losses are non-capital losses and expire over the years 2026 to 2038.

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15. Share Capital

(a) Authorized share capital:

As at December 31, 2019, the authorized share capital of the Company consisted of an unlimited number of common shares without par value. All issued shares are fully paid.

(b) Issued share capital:

As at December 31, 2019, 223,400,910 common shares are issued and outstanding.

The common shares issued and outstanding increased in 2019 with the issue of 160,000 common shares under the Company's DSU plan (see note 15e) on November 7, 2019, and a warrant holder exercising their rights to purchase 22,436,150 Common Shares on December 15, 2019. The warrant holder purchased the common shares at a price of C\$0.05 per common share pursuant to the terms of the warrant, with proceeds received of \$851,003. The increase in share capital of \$1,616,906 resulted from attributing the closing share price on the date of exercise of C\$0.095 to the shares issued under the exercise of the warrants.

The Company issued 54,000,000 common shares during the year ended December 31, 2018. The increase in Common Shares issued and outstanding was due to the closing of a non-brokered private placement (the "Private Placement") on October 1, 2018 of 54,000,000 units (the "Units") at a price of C\$0.05 per Unit for aggregate gross proceeds of C\$2,700,000. Each Unit was comprised of one Common Share and one Common Share purchase warrant (each, a "Warrant"). The Warrant allows for the purchase of an additional common share at a cost of C\$0.05 within 2 years of the original share purchase. The warrants were attributed a value of \$1,093,123 using the Black-Scholes valuation method, and are recorded as a liability at FVTPL (Note 15d).

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Years ended December 31, 2019 and December 31, 2018

(c) Stock options:

The Company has a stock option plan whereby options to purchase common shares may be granted to directors, officers, employees and consultants. As at December 31, 2019 options to purchase a maximum of 22,340,091 common shares were issuable under the Company's stock option plan, of which 9,640,091 remained available for issuance. Under the Company's stock option plan, the Company may grant options for up to 10% of the issued and outstanding common shares to directors, officers, employees and consultants. Under the plan, the exercise price and vesting is at the discretion of the Board, and options can be granted for a maximum term of ten years, with certain restrictions as to limits on amounts granted to insiders, consultants or persons engaged in investor relations activities.

The following is a summary of stock options outstanding as at December 31, 2019 and December 31, 2018 along with changes during the years then ended:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Balance December 31, 2017	9,700,000	\$ 0.11
Options expired	(1,000,000)	0.12
Balance December 31, 2018 ⁽¹⁾⁽²⁾	8,700,000	\$ 0.11
Options granted	5,000,000	0.09
Options forfeited	(1,000,000)	0.12
Balance December 31, 2019 ⁽¹⁾⁽²⁾	12,700,000	\$ 0.10

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

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

⁽²⁾ As at December 31, 2019, 5,535,000 options were exercisable (2018 – 2,970,000).

The Company recognizes share-based compensation expense for all stock options granted using the fair value on grant date as calculated by using the Black Scholes Model. The Company used the following weighted average assumptions for the Model in 2019:

	2019
- Risk free interest rate	1.13%
- Expected volatility	133%
- Expected life	5 years
- Dividend rate	nil

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

(d) Warrants:

The following is a summary of warrants outstanding as at December 31, 2019 and December 31, 2018 and changes during the years then ended:

	Number of Warrants	Weighted Average Exercise Price (CDN\$)
Balance, December 31, 2017	520,016	0.18
Expired November 16, 2018	(520,016)	0.18
Issued October 1, 2018	54,000,000	0.05
Balance, December 31, 2018	54,000,000	0.05
Exercised December 15, 2019	(22,436,150)	0.05
Balance, December 31, 2019	31,563,850	0.05

The following is a summary of the value of the warrants outstanding as at December 31, 2019 and December 31, 2018 and the changes during the years then ended:

	Warrants denominated in a foreign currency (\$)
Balance, December 31, 2017	31,402
Expired November 16, 2018	(31,402)
Issued October 1, 2018 (Note 15b)	1,093,123
Revaluation	16,539
Balance, December 31, 2018	1,109,662
Exercised December 15, 2019	(873,165)
Revaluation	992,129
Balance, December 31, 2019	1,228,626

⁽¹⁾ Using the Black Scholes Model the outstanding warrants that remained outstanding as part of the private placement were valued at \$1,228,626 at year end. The assumptions used in the Black Scholes Model are:

- Risk free interest rate	1.69%
- Expected volatility	85%
- Expected life at December 31, 2019	9 months

(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 December 31, 2019, 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 (2018 – maximum 13,262,888 of which 7,327,060 remained available). Included in stock-based compensation was \$65,062 in relation to the DSUs (2018 – \$88,481). The total value of the DSUs still to be expensed at December 31, 2019 is \$118,095 (December 31, 2018 – \$33,547). On issuance of the DSUs the fair value is calculated as the quoted share price on the date of grant times the number of DSUs issued. The compensation expense is then recognized over the vesting period of the DSUs. The Board at its discretion can determine the vesting schedule applicable to an award of DSUs at the time of award.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

(f) Loss per share:

The calculations of loss per share is based on the following data:

	December 31, 2019	December 31, 2018
Loss attributable to Galane Shareholders	\$ (3,823,364)	\$ (321,945)
Weighted average number of common shares outstanding for purposes of basic earnings per share	201,811,934	160,267,774
Dilutive deferred share units	-	-
Dilutive options	-	-
Weighted average number of common shares outstanding for the purpose of diluted earnings per share	201,811,934	160,267,774
Loss per share		
Basic	\$ (0.02)	\$ (0.00)
Diluted	\$ (0.02)	\$ (0.00)

In the year ended December 31, 2019, 12,700,000 stock options, 31,563,850 warrants and 7,170,046 deferred share units were excluded from the calculation of loss per share as they were anti-dilutive. In the year ended December 31, 2018, 8,700,000 stock options, 54,000,000 warrants, 4,970,046 deferred share units were excluded from the calculation of loss per share as they were anti-dilutive.

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

16. Breakdown of statement of loss and comprehensive loss items:

(a) Mining costs

	2019	2018
Mining and production	\$ 31,312,092	\$ 32,436,728
Administrative	3,513,362	3,559,477
Total costs	34,825,454	35,996,205
Depreciation and amortization	5,744,653	5,682,391
	\$ 40,570,107	\$ 41,678,596

(b) Corporate general and administration

	2019	2018
Professional fees	\$ 431,664	\$ 864,426
Corporate administration	1,132,765	1,912,356
Share-based compensation	140,138	203,312
	\$ 1,704,567	\$ 2,980,094

(c) Financing costs

	2019	2018
Interest on long term debt	\$ 903,203	\$ 522,309
(Decrease) / Increase in value of warrants denominated in foreign currency (note 15d)	884,867	16,539
Accretion on restoration and rehabilitation provision	391,105	378,077
	\$ 2,179,175	\$ 916,925

(d) Other (income) / expenses

	2019	2018
Other expenses (income)	\$ 28,267	\$ 29,206
Net deferred financing charges	20,565	-
Change in estimate – Restoration and rehabilitation provision	(994,248)	-
Asset write-off – exploration expense	408,781	-
Galaxy ongoing costs	1,275,919	805,576
	\$ 739,284	\$ 834,782

17. Commitments and Contingencies

(a) Tax assessments

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

GALANE GOLD LTD.

Notes to Consolidated Financial Statements

In (U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

18. Related party transactions

During the year ended December 31, 2019 and 2018, no related party transactions occurred.

The remuneration of directors and other members of key management personnel during the year ended December 31, 2019 is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries	\$ 648,484	\$ 1,504,141
Directors fees	255,284	252,618
Share-based compensation ⁽¹⁾	147,497	203,312
	\$ 1,051,265	\$ 1,960,071

(1) Share-based compensation is the fair value of options, deferred matching shares and DSUs granted to key management personnel.

19. 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 and the Republic of South Africa. In the year ended December 31, 2019 and 2018 all revenues of the Company were earned in the Republic of Botswana. A breakdown of the total assets by geographic segment is as follows:

	Canada	South Africa	Botswana	Total
Cash	\$ 100,517	\$ 219,320	\$ 1,882,016	\$ 2,201,853
All other assets	86,486	21,239,660	24,730,394	46,056,540
Balance, December 31, 2019	\$ 187,003	\$ 21,458,980	\$ 26,612,410	\$ 48,258,393

	Canada	South Africa	Botswana	Total
Cash	\$1,237,790	\$ 403,381	\$ 2,531,881	\$ 4,173,052
All other assets	82,590	12,668,754	29,430,791	42,182,135
Balance, December 31, 2018	\$1,320,380	\$ 13,072,135	\$ 31,962,672	\$ 46,355,187

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

Dated: April 28, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Galane Gold Ltd. ("Galane" or the "Company") was prepared by management as at April 28, 2020. Throughout this MD&A, unless otherwise specified, "Galane", "the Company", "we", "us" or "our" refer to Galane Gold Ltd. and its subsidiaries and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 (the "Financial Statements").

The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS) issued by the International Accounting Standards Board ("IASB"). 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 two mineral projects; gold price volatility; risks associated with the conduct of the Company's mining activities in Botswana and South Africa; regulatory, consent or permitting delays; risks relating to the Company's exploration, development and mining activities being situated in Botswana and South Africa; risks relating to reliance on the Company's management team and outside contractors; the Company's inability to obtain insurance to cover all risks, on a commercially reasonable basis or at all; currency fluctuations; risks regarding the failure to generate sufficient cash flow from operations; risks arising from the Company's fair value estimates with respect to the carrying amount of mineral interests; mining tax regimes; risks regarding mineral resources and reserves; the Company's need to replace reserves depleted by production; risks and unknowns inherent in all mining projects, including the inaccuracy of reserves and resources, metallurgical recoveries and capital and operating costs of such projects; contests over title to properties, particularly title to undeveloped properties; risks and expenses related to reclamation costs and related liabilities; lack of infrastructure; employee relations, labour unrest or unavailability; health risks in

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

Africa; supply chain disruptions, major health issues, pandemics, and COVID-19; the Company's interactions with surrounding communities and artisanal miners; extensive laws and regulations governing the environment, health and safety; the Company's ability to successfully integrate acquired assets; risks related to ramping-up production; the speculative nature of exploration and development, including the risks of diminishing quantities or grades of reserves; development of the Company's exploration properties into commercially viable mines; risks related to climate change; risks related to information security; risk of using derivative instruments including credit risk, market liquidity risk and unrealized mark-to-market risk; stock market volatility; conflicts of interest among certain directors and officers; lack of dividends; lack of liquidity for shareholders of the Company; risks related to the market perception of junior gold companies; litigation risk; and difficulties in bringing actions and enforcing judgments for foreign investors. See "Risk Factors" in the Company's annual information form for the year ended December 31, 2019, a copy of which is available on the Company's SEDAR profile at www.sedar.com. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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

MINERAL RESERVES AND RESOURCES

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

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

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

CORPORATE OVERVIEW

The Company's principal business activities are the exploration for, development of, and operation of gold mining properties. The Company operates through its wholly-owned subsidiary, Galane Gold Mines Ltd. ("GGM"), which in turn operates two mines: (a) a producing mine which also has the rights to certain mineral exploration tenements (the producing mine and mineral exploration tenements collectively, the "Mupane Property") located in the Republic of Botswana ("Botswana") through subsidiaries located in Botswana; and (b) a mine in the process of restarting and which has the rights to certain mineral exploration tenements (the mine and mineral exploration tenements collectively, the "Galaxy Property") located in the Republic of South Africa ("South Africa") through subsidiaries located in South Africa. The common shares in the capital of the Company (the "Common Shares") have been listed for trading on the TSX Venture Exchange (the "Exchange") under the symbol "GG" since September 6, 2011 and trades on the OTCQB in the United States under the trading symbol "GGGOF".

OUTLOOK

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

Mupane

The Company has been notified by the Republic of Botswana Government that, as a mining operation, Mupane is deemed an essential operation and is allowed to keep operating during the country's 28 day lockdown which commenced on April 2, 2020. For Mupane to continue in operation it has been working closely with the Department of Mines to agree on protocols to manage the potential for spread of COVID-19 between its employees and in particular, in its underground operations. During this period Mupane production has been restricted, although approval was granted on April 28, 2020 to recommence operations.

Galaxy

The Galaxy project was placed on temporary care and maintenance in late March, as mandated by the government of South Africa. On April 23, 2020, the Company was notified that Galaxy had been designated as an essential service and can operate at 50% of its normal capacity. The Company is currently working on a plan that complies with the capacity and enhanced operating requirements and is expecting to see the recommencement of operations at Galaxy on or about May 4, 2020.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

DISCUSSION OF OPERATIONS

For the three months and year ended December 31, 2019

The following is an analysis of the Company's operating results for the three months ended December 31, 2019 ("Q4 2019") and the year ended December 31, 2019 ("2019").

Operating activity

Commentary regarding the Company's operating activity during Q4 2019 and 2019 follows:

Mupane Mining

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

		2019					2018				
		Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total
Mupane (Tau)	Ore (t)	82,316	77,054	92,762	87,461	339,593	98,397	114,773	97,913	88,995	400,078
	Grade (g/t)	2.67	2.90	3.25	2.11	2.74	2.87	2.66	3.46	3.19	3.03
	Waste (t)	18,258	15,472	20,520	10,520	64,770	27,576	17,165	18,720	14,757	78,218
Tekwane and Shashe Pencils	Ore (t)	-	-	-	-	-	-	-	3,935	9,707	13,642
	Grade (g/t)	-	-	-	-	-	-	-	1.50	1.89	1.77
	Waste (t)	-	-	-	-	-	-	-	9,671	36,513	46,184
Low Grade Stockpiles	Ore (t)	37,110	62,010	30,719	71,263	201,102	124,864	112,554	118,721	75,691	431,830
	Grade (g/t)	0.77	0.75	0.77	0.77	0.77	0.77	0.94	1.04	0.90	0.88
Monarch Slimes Dump	Ore (t)	86,299	68,222	57,191	1,736	213,448	-	-	-	-	-
	Grade (g/t)	1.00	0.94	0.94	1.00	0.96	-	-	-	-	-

The Company has mined from one deposit at the Mupane Property during 2019 and the Monarch slimes dump:

- Tau – In Q4 2019, the Company continued mining in the main reef of the ore body with 82,316 tonnes at 2.67 g/t being mined (three months ended December 31, 2018 ("Q4 2018") – 98,397 tonnes at 2.87 g/t). The tonnes and grade for Q4 2019 are reflective of the mine plan prepared by the Company. For 2019, 339,593 tonnes at 2.74 g/t were mined compared to 400,078 tonnes at 3.03 g/t for the twelve months ended December 31, 2018 ("2018"). The tonnes and grade for 2019 are reflective of the mine plan prepared by the Company.
- Tekwane – There was no mining at Tekwane during 2019. Mining at Tekwane was completed in Q2 2018 (Q4 2018 – nil tonnes and 2018 – 13,642 tonnes at 1.77 g/t).
- Monarch – Towards the end of Q1 2019 the Company commenced the hauling of material from the Monarch slimes dump located approximately 53 kilometres from the Mupane processing plant. There were 86,299 tonnes at an average grade of 1.00 g/t transported for Q4 2019 (Q4 2018 – nil), with 213,448 tonnes transported for 2019 at an average grade of 0.96 g/t (2018 – nil).

In addition, the Company is currently processing ore from its previously mined low grade stockpiles, which are located next to the processing plant at the Mupane Property, next to the Golden Eagle mine located approximately 26 kilometres from the Mupane Property, and on the Shashe mining lease located approximately 35 kilometres from the Mupane Property. In Q4 2019, it processed 37,110 tonnes at an average grade of 0.77 g/t (Q4 2018 – 124,864 tonnes at 0.77 g/t) and for 2019, it processed 201,102 tonnes at an average grade of 0.77 g/t (2018 – 431,830 tonnes at 0.88 g/t). The decrease in tonnes processed from low grade stockpiles is primarily due to those stockpiles being fully depleted and being offset by the commencement of processing of the Monarch slimes dump material referred to above.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

Mupane Processing

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

	2019					2018				
	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total
Ore milled (t)	187,548	205,000	178,918	161,323	732,789	216,539	221,156	214,378	179,085	831,158
Head grade (g/t)	1.71	1.76	2.12	1.69	1.72	1.77	1.87	2.19	2.09	1.97
Recovery (%)	82.8%	72.8%	71.4%	72.3%	74.8%	75.1%	64.2%	66.8%	63.5%	67.4%
Gold Production (oz)	6,839	8,435	8,694	6,326	30,294	9,245	8,545	10,088	7,649	35,527

Gold production in Q4 2019 was 6,839 ounces compared to 9,245 ounces in Q4 2018. The ore milled for Q4 2019 of 188kt (Q4 2018 – 217kt) was lower than the preceding quarters as a result of a mill drive fault limiting the feed rate to the semi-autogenous grinding (“SAG”) mill during the quarter. The mill drive fault was ongoing throughout Q4 2019 as the Company waited for the arrival of long lead spares from overseas. The grade in Q4 2019 of 1.71 g/t was below the grade for Q4 2018 of 1.77 g/t and was reflective of the feedstock available. The recovery for Q4 2019 of 82.8% was above the recovery for Q4 2018 of 75.1%. The increased recovery was reflective of the favourable mineralogy within the ore processed for Q4 2019, and the lower feed rate caused by the mill drive fault increasing retention time and having a positive impact on recovery.

Gold production for 2019 was 30,294 ounces compared to 35,527 ounces for 2018. The ore milled for 2019 of 733kt (2018 – 831kt) was lower than the preceding year with the average feed rate impacted by ongoing issues with the SAG mill motor armature and windings. This was due to an inconsistent incoming power feed, which was resolved in May 2019. In addition, the SAG mill ran in closed circuit during the first quarter, while completing the repair of the ball mill starter transformer which was damaged by inconsistent incoming power feed. The average feed rate in Q4 2019 was also negatively impacted by an unresolved mill drive fault. The grade for 2019 of 1.72 g/t was below the grade for 2018 of 1.97 g/t and was reflective of the feedstock available. The recovery for 2019 of 74.8% was above the recovery for 2018 of 67.4%. The increased recovery was reflective of the favourable mineralogy within the ore processed for 2019, and the increased retention time with periods of lower feed rate throughout the year having a positive impact on recovery.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

Revenue and earnings from mining operations

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

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	2019
Revenue (000)	\$ 9,039	\$ 12,462	\$ 11,425	\$ 8,476	\$ 41,402
Gold sold (oz.)	6,199	8,538	8,750	6,565	30,052
Earnings (Loss) from mining operations (000)	\$ (740)	\$ 1,574	\$ 821	\$ (823)	\$ 832
Operating cash cost excluding royalties (\$/oz.) ⁽¹⁾	\$ 1,219	\$ 1,026	\$ 966	\$ 1,189	\$ 1,090

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	2018
Revenue (000)	\$ 11,017	\$ 10,555	\$ 13,170	\$ 9,908	\$ 44,650
Gold sold (oz.)	9,088	8,837	10,259	7,562	35,746
Earnings (Loss) from mining operations (000)	\$ 1,311	\$ (805)	\$ 2,191	\$ 274	\$ 2,971
Operating cash cost excluding royalties (\$/oz.) ⁽¹⁾	\$ 836	\$ 1,011	\$ 905	\$ 976	\$ 928

Note:

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

In Q4 2019, the Company generated \$9.0 million in revenue from the sale of 6,199 ounces of gold plus incidental silver at an average combined price of \$1,458 per ounce and a loss from mining operations of \$0.7 million. This compares to \$11.0 million in revenue from the sale of 9,088 ounces of gold plus incidental silver at an average combined price of \$1,212 per ounce and earnings from mining operations of \$1.3 million in Q4 2018.

The reason for the change in earnings from mining operations from Q4 2019 to Q4 2018 is a result of several factors:

- Gold sales for Q4 2019 were 2,889 ounces less than in Q4 2018. The impact of the reduced ounces sold was partially offset by an increase in the average gold price achieved of \$246 per ounce, resulting in an overall revenue decrease of \$2.0 million compared to Q4 2018.
- Mining costs in Q4 2019 were \$3.2 million compared to \$3.0 million in Q4 2018. The increase in cost is due increased hauling costs for Monarch slimes in Q4 2019 compared to the cost of low grade stockpile rehandle from Q4 2018.
- Processing costs in Q4 2019 of \$4.1 million compared to \$4.7 million in Q4 2018. The actual tonnes milled decreased from 216,539 tonnes in Q4 2018 to 187,548 tonnes in Q4 2019, with the costs reflective of the decrease in tonnes milled for the current quarter.
- General and administration costs in Q4 2019 were \$1.0 million compared to \$0.6 million in Q4 2018. The increase in costs is primarily due to an accrual of \$0.2 million to settle legal claims.
- Depreciation and amortization expense was \$1.5 million in Q4 2019 compared to \$1.4 million in Q4 2018 despite lower production in 2019, as a result of \$0.2 million of amortization in the current year for the amortization of the right of use assets which were added in 2019 upon the adoption of changes from IFRS16.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

As a result of the factors described above the operating cash cost per ounce excluding royalties in Q4 2019 was \$1,219 compared to \$836 per ounce excluding royalties in Q4 2018.

For 2019 the Company generated \$41.4 million in revenue from the sale of 30,052 ounces of gold plus incidental silver at an average combined price of \$1,378 per ounce, generating earnings from mining operations of \$0.8 million. For 2018, the Company generated \$44.7 million in revenue from the sale of 35,746 ounces of gold plus incidental silver at an average combined price of \$1,247 per ounce and earnings from mining operations of \$2.7 million.

The reason for the change in earnings from mining operations from 2019 to 2018 is a result of several factors:

- Gold sales for 2019 were 5,694 ounces less than 2018. The impact of the reduced ounces sold was partially offset by an increase in the average gold price achieved of \$131 per ounce, resulting in an overall revenue decrease of \$3.2 million compared to 2018.
- Mining costs for 2019 were \$12.5 million compared to \$13.4 million for 2018. The decrease in cost is due mainly to lower tonnes mined for 2019, particularly at Tau where mined tonnes decreased by 60,485 tonnes and Tekwane where there was no mining during 2019. This was offset by increased costs to haul Monarch slimes in 2019 compared to the cost of low grade stockpile rehandle in 2018.
- Processing costs for 2019 of \$18.8 million compared to \$19.0 million for 2018. The actual tonnes milled decreased from 831,158 tonnes in 2018 to 732,789 tonnes for 2019; however, costs did not reflect the reduction in feed tonnes for 2019. The increase in costs reflected the processing of ore from sources with higher consumable consumption, particularly cyanide and steel mill balls and increased maintenance costs related to the SAG mill motor failure and armature windings.
- General and administration costs for 2019 were \$3.5 million compared to \$3.6 million for 2018.
- Depreciation and amortization expense of \$5.7 million for 2019 was consistent with 2018 despite lower production for the year, as a result of \$0.6 million of amortization in 2019 for the amortization of the right of use assets which were added in 2019 upon the adoption of changes from IFRS16.

As a result of the above factors the operating cash cost per ounce excluding royalties for 2019 was \$1,090 compared to \$928 per ounce for 2018.

Results

The Company's earnings (loss) comprised of:

	Q4 2019	2019	Q4 2018	2018
Earnings (Loss) from mining operations	\$ (739,793)	\$ 832,297	\$ 1,311,771	\$ 2,971,425
Exploration costs	-	(4,111)	(11,125)	(196,038)
Corporate general and administrative costs	(112,567)	(1,564,429)	(870,164)	(2,776,782)
Stock-based compensation	(15,049)	(140,138)	(36,201)	(203,312)
Foreign exchange gain (loss)	(252,792)	(28,524)	543,293	1,634,469
Interest on long term debt	(283,885)	(903,203)	(343,757)	(522,309)
Galaxy on-going costs	(407,140)	(1,275,919)	(451,563)	(805,576)
Other income (expenses)	558,520	536,635	(12,178)	(29,206)
Other financing (costs)	(969,623)	(1,275,972)	(119,563)	(394,616)
	\$ (2,222,329)	\$ (3,823,364)	\$ 10,513	\$ (321,945)

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Galaxy's on-going costs for Q4 2019 and 2019 were impacted by the re-commencement of the project at the Galaxy Property. By comparison, Galaxy's ongoing costs for Q4 2018 and 2018 represent the net cost incurred to idle the plant while in care and maintenance.

Interest on long term debt for 2019 was impacted by \$0.2 million for financing costs on establishment of the Barak loan facility, and \$0.1 million for interest on the Right of Use liability related to the changes in IFRS 16. Neither amount was relevant to 2018.

Other financing costs were impacted by revaluation of warrants with an expense of \$0.8 million for Q4 2019 and \$0.9 million for 2019, compared to a revaluation of \$0.0 million in Q4 2018.

Other income/(expenses) was impacted by a change in estimate for the Mupane restoration and rehabilitation provision resulting in income of \$1.0 million following an updated rehabilitation and closure cost report issued in Q4 2019, while there was also an asset write-off of exploration expenditure of \$0.4 million where it was determined no future economic benefit would be realized from the work undertaken. There was no rehabilitation provision revaluation, asset write-off or exploration expenditure in Q4 2018 or 2018.

Corporate general and administration costs are comprised of the following:

	Q4 2019	2019	Q4 2018	2018
Professional fees	\$ (12,932)	\$ 431,664	\$ 361,666	\$ 864,426
Management fees to officers	(67,056)	331,681	302,178	1,209,027
Investor relations	48,398	188,021	83,548	168,978
Corporate general and administration	144,157	613,063	122,771	534,351
	\$ 112,567	\$ 1,564,429	\$ 870,163	\$ 2,776,782

Professional fees in Q4 2019 and 2019 were lower than in Q4 2018 and 2018 by \$0.4 million due to legal fees in Q4 2019 being \$0.3 million lower than legal fees in Q4 2018 as a result of the costs for the closing the Barak financing facility in Q4 2018 and the reversal of the audit accrual re-allocated to the operating areas of the business for \$0.1 million.

Management fees for Q4 2019 were impacted by the reduction of \$0.3 million in the progressive bonus accrual reflecting the change in the economic environment. The management fees for 2019 were impacted by a \$0.7 million adjustment to the bonus accrual as a result of the 2018 bonus awards being \$0.4 million lower with a portion issued in DSUs.

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SUMMARY OF FINANCIAL POSITION

Selected Consolidated Statement of Financial Position Data:

	December 31, 2019 \$	September 30, 2019 \$	June 30, 2019 \$	March 31, 2019 \$
Total current assets	9,345,569	9,304,363	9,510,559	7,606,437
Total current liabilities	23,663,805	15,789,107	17,338,010	14,125,556
Working capital (deficiency)	(14,318,236)	(6,484,744)	(7,827,451)	(6,519,119)
Non-current assets	38,912,824	39,784,421	39,855,606	38,705,198
Non-current liabilities	11,675,964	19,790,681	19,056,410	19,413,038
Total shareholders' equity	12,918,624	13,508,996	12,971,745	12,773,041

	December 31, 2018 \$	September 30, 2018 \$	June 30, 2018 \$	March 31, 2018 \$
Total current assets	10,433,238	8,635,671	10,032,561	8,530,210
Total current liabilities	13,268,658	10,347,024	11,052,174	11,885,613
Working capital (deficiency)	(2,835,420)	(1,711,353)	(1,019,613)	(3,355,403)
Mining assets	35,921,949	35,608,850	36,366,842	36,839,800
Non-current liabilities	18,101,585	19,971,442	20,205,601	20,800,825
Total shareholders' equity	14,984,944	13,926,055	15,141,628	12,683,572

In Q4 2019 there was a working capital deficiency (current assets less current liabilities) of \$14.3 million, an increase of \$3.7 million from Q3 2019. The movement in the key components of working capital during the quarter were as follows:

- A cash balance decrease of \$1.0 million from Q3 2019.
- An increase of \$0.2 million in trade and other receivables from Q3 2019, with a \$0.3 million increase in trade receivables at Galaxy for accrued gold concentrate sales, offset by a decrease of \$0.1 million in VAT receivable.
- Inventories increased by \$1.0 million from Q3 2019 to \$4.9 million, with an increase of \$0.5 million in gold in process at year end and an increase of \$0.5 million in stores inventory to ensure there was sufficient stock on hand over year end.
- An increase of \$1.3 million from Q3 2019 in accounts payable and accruals, with accounts payable increasing \$1.6 million, and being offset by a decrease of \$0.3 million in accrued liabilities for Q4 2019. The amount owed to Mupane trade creditors increased by \$1.0 million due to administration closing down over the year end period and payments carried over to January 2020, while creditors at Galaxy increased by \$0.6 million due to increased activity compared to Q3 2019. Accrued liabilities decreased in Canada with reductions in both the audit and bonus accruals.

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- An increase of \$2.5 million in interest bearing loans and borrowings in Q4 2019, with current deferred royalties increasing \$1.4 million consistent with the repayment schedule agreed to with the Government of Botswana in March 2018, an increase of \$3.8 million for the Barak facility with a breach of the current ratio covenant resulting in the entire outstanding balance being classified as a current liability in accordance with IFRS 7, and a \$0.2 million increase in capital lease liability with the purchase of a remote GHH loader during the quarter.
- An increase of \$1.2 million in warrants outstanding, with the balance now allocated as current liability as the warrants due to expire in October 2020.

In Q4 2019, non-current liabilities decreased by \$4.0 million, with a decrease of \$0.9 million for the Galaxy Debentures (defined below), with repayment of \$0.9 million during the quarter, a decrease of \$3.8 million for the non-current portion of Barak facility with a breach of current ratio covenant resulting in the entire outstanding balance being classified as a current liability in accordance with IFRS 7, a decrease of \$1.7 million in deferred royalties re-allocated to current, offset by an increase of \$0.3 million in capital lease liability. Additionally, there was a decrease of \$0.9 million in the rehabilitation provision, with an updated closure report for Mupane reducing the closure liability by \$1.3 million, offset by the accretion and foreign exchange movements for the quarter.

Total shareholders' equity in Q4 2019 decreased by \$0.6 million with a loss for the quarter of \$2.2 million offset by an increase in share capital of \$1.6 million with the exercise of 22,436,150 warrants during the quarter.

For 2019, there was a working capital deficiency of \$10.2 million, an increase of \$7.4 million from 2018. The movement in the key components of working capital during the year were as follows:

- A cash balance decrease of \$2.0 million from 2018.
- Trade and other receivables increased by \$0.4 million from 2018, with an increase of \$0.8 million in trade receivables attributable to the restart of operations at Galaxy, offset by a decrease of \$0.2 million in taxes recoverable and \$0.2 million decrease in prepayments.
- An increase of \$0.5 million from 2018 for inventories, with an increase of \$0.2 million in stores inventory for 2019, and a \$0.3 million increase in gold in process inventory at year end.
- Accounts payables and accruals remained consistent at \$9.3 million year on year.
- An increase of \$6.3 million in interest bearing loans and borrowings, with current deferred royalties increasing \$5.7 million consistent with the repayment schedule agreed with the Government of Botswana in March 2018, the addition of \$0.8 million for capital lease liability with a \$0.5 million increase for the Right of Use liability recognized with the adoption of changes to IFRS 16 Leases (refer to "Changes in Accounting Standards") and a \$0.3 million in capital lease liability following the purchase of a Komatsu excavator and remote GHH loader, an increase of \$5.3 million for the Barak loan facility with a breach of the current ratio covenant resulting in the entire outstanding balance being classified as a current liability in accordance with IFRS 7, and \$0.1 million on recognition of the royalty payable on initial drawdown of funding for the Galaxy project, offset by a decrease of \$2.7 million with the current portion of the Galaxy Debentures allocated to non-current following the re-negotiation of the maturity date to November 2021 (refer to detailed explanation in "Debentures" section of this MD&A).
- An increase of \$1.2 million in warrants outstanding, with the balance now allocated as current liability as the warrants are due to expire in October 2020.

For 2019, non-current liabilities decreased by \$2.3 million, with an increase of \$1.4 million for capital lease liability due to a \$1.1 million increase for the Right of Use liability recognized with the adoption of changes to IFRS 16 Leases (refer to "Changes in Accounting Standards") and a \$0.3 million increase in capital lease liability following the purchase of a Komatsu excavator and remote GHH loader, an increase of \$0.9 million for the current portion outstanding of the Galaxy Debentures allocated to non-current following the re-negotiation of the maturity date to November 2021, (see "Debentures" below), and an increase of \$0.1 million on recognition of the royalty payable on initial drawdown of funding for the Galaxy project, offset by a decrease of \$7.0 million in deferred royalties re-allocated to current and a net decrease of \$0.8 million in the rehabilitation provision, with an updated closure report for Mupane reducing the closure liability by \$1.3 million, offset by the accretion and foreign exchange movements for the year.

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Total shareholders' equity for 2019 decreased by \$2.1 million, with a loss for 2019 of \$3.8 million offset by an increase in share capital of \$1.6 million due to the exercise of 22,436,150 warrants during the quarter and an increase of \$0.1 million for stock based compensation.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

The Company defines capital as consisting of shareholders' equity, being comprised of issued capital stock, contributed surplus and deficit and long term debt. The Company's objectives when managing capital are primarily to support the creation of shareholder value, but also to ensure that the Company is able to meet its financial obligations as they become due. The Company has not declared or paid any dividends on its Common Shares.

In order to fund the business activities intended in its current business plan, management expects that the Company's mining operations will continue to provide positive cash flow from its operations that is more than sufficient to support its corporate expenses, capital expenditure requirements and exploration activities, subject to the Going Concern commentary below related to the current uncertain impact of COVID-19 on the operating environment. As described above under "Summary of Financial Position", at December 31, 2019, the Company had a working capital deficiency of \$14.3 million with cashflow from operations of \$2.9 million for 2019.

The revenue of the Company is dependent upon the spot price of gold. At the current level of operating costs, the Company will continue to generate positive cash flow on an annual basis from operations even if there was a 10% reduction in the spot price of gold as at the date of this MD&A.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through monthly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

Going Concern

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

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

As at December 31, 2019, the Company had a working capital deficiency (current assets less current liabilities) of \$14.3 million compared to a deficiency of \$2.8 million at December 31, 2018.

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During 2019, the Company paid, on a timely basis, the 5% royalty to the government of Botswana on all gold sales in accordance with the terms of the royalty. The royalty expense for the year ended December 31, 2019, was \$2.1 million, which was funded from cash flows from operations, in addition to \$1.6 million repaid from deferred royalties in accordance with the agreement with the Government of Botswana for the repayment of deferred royalties. The increase in working capital deficiency is primarily due to an increase of \$5.7 million in the current deferred royalties, with the total outstanding balance of \$6.9 million now classified as a current liability. While management projects that the current gold price would allow the Company to repay the deferred royalties consistent with the payment schedule agreed with the Government of Botswana, the Company has entered into discussions with the Government of Botswana to reschedule the outstanding balance, however with the current focus on the COVID-19 shutdown of non-essential services in the country, these discussions have now been put on hold.

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

The ongoing strength in gold prices and positive operating performance at the Mupane mine have resulted in earnings from mining operations of \$0.8 million in 2019 compared to \$3.0 million in 2018. In addition, cash flow generated from operations in 2019 was \$2.9 million, after royalty payments made in the normal course of business, compared to \$4.2 million of cashflow from operations in 2018. The Company has no material commitments for capital expenditures at the Mupane mine as of December 31, 2019.

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

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

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SELECTED ANNUAL INFORMATION

	December 31, 2019	December 31, 2018	December 31, 2017
Mining Revenue:	\$ 41,402,404	\$ 44,650,021	\$ 37,295,656
Mining Costs:			
- Cash	(34,825,454)	(35,996,205)	(31,403,643)
- Non-Cash – Depreciation, Asset Retirement Obligation and Impairment	(5,744,653)	(5,682,391)	(4,161,119)
Earnings from mining operations	832,297	2,971,425	1,730,894
Corporate General and administration:			
- Cash	(1,564,429)	(2,776,782)	(1,608,450)
- Share-based compensation	(140,138)	(203,312)	(271,298)
	(1,704,567)	(2,980,094)	(1,879,748)
Loss from operations	\$ (872,270)	\$ (8,669)	\$ (148,854)
Other expenses	(2,951,094)	(313,276)	(2,194,115)
Net loss	\$ (3,823,364)	\$ (321,945)	\$ (2,342,969)
Per share			
- Basic	\$ (0.02)	\$ (0.00)	\$ (0.02)
- Fully diluted	\$ (0.02)	\$ (0.00)	\$ (0.02)
Total assets	\$ 48,258,393	\$ 46,355,187	\$ 46,551,856
Non-current liabilities	11,675,964	18,101,585	12,676,388

The information in the above table is derived from the annual financial statements of the Company, which have been prepared in accordance with IFRS.

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SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's selected quarterly information for each of the eight most recently completed quarters:

	Three months ended			
	December 31,	September 30,	June 30,	March 31,
	2019	2019	2019	2019
	\$	\$	\$	\$
Revenue	9,038,969	12,462,310	11,424,704	8,476,421
Total mining costs	(9,778,762)	(10,888,260)	(10,603,441)	(9,299,644)
Non-mining expenses	(1,482,536)	(1,089,606)	(658,639)	(1,424,882)
(Loss) earnings	(2,222,329)	484,444	162,624	(2,248,105)
(Loss) earnings per share				
- Basic	(0.01)	0.00	0.00	(0.01)
- Fully diluted	(0.01)	0.00	0.00	(0.01)
Total assets at end of quarter	48,258,393	49,088,784	49,366,165	46,311,635
Total liabilities at end of quarter	35,339,769	35,579,788	36,394,420	33,538,594
Total equity at end of quarter	12,918,624	13,508,996	12,971,745	12,773,041

	Three months ended			
	December 31,	September 30,	June 30,	March 31,
	2018	2018	2018	2018
	\$	\$	\$	\$
Revenue	11,017,035	10,555,280	13,169,757	9,907,949
Total mining costs	(9,705,264)	(11,360,303)	(10,978,749)	(9,634,281)
Non-mining expenses	(1,301,258)	(453,744)	208,143	(1,746,510)
Earnings (loss)	10,513	(1,258,765)	2,399,151	(1,472,842)
Earnings (loss) per share				
- Basic	(0.00)	(0.01)	0.02	(0.01)
- Fully diluted	(0.00)	(0.01)	0.02	(0.01)
Total assets at end of quarter	46,355,187	44,244,521	46,399,403	45,370,010
Total liabilities at end of quarter	31,370,243	30,318,466	31,257,775	32,686,438
Total equity at end of quarter	14,984,944	13,926,055	15,141,628	12,683,572

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

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, interest bearing loans and borrowing, and warrants denominated in foreign currencies. The fair value of the Company's trade and other receivables, and accounts payable and accrued liabilities approximate their carrying value. The Company's other financial instruments, specifically interest bearing loans and borrowings are recorded at amortized cost using the effective interest rate method.

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Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. The credit risk related to the trade receivable is considered minimal as gold and gold concentrate is sold to creditworthy major banks and offtake partners and settled promptly, usually within the following month, and the other receivable balance consists of amounts outstanding on tax credits from governmental authorities, each of which are expected to be paid in the near term at face value. The Company's exposure to credit risk is minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had current assets of \$9,345,569 (December 31, 2018 - \$10,433,238) to settle current liabilities of \$23,663,805 (December 31, 2018 - \$13,268,658). See "Liquidity, Capital Resources and Going Concern" section for further commentary on the Company's liquidity risks.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's operations are in Botswana, South Africa and Canada and its functional currency is U.S. dollars. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currencies, including the Botswana Pula, the South African Rand and Canadian Dollars. The operating results and the financial position of the Company are reported in U.S. dollars. The fluctuations of the operating currencies in relation to the U.S. dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company monitors the volatility of foreign exchange rates and will hedge its currency risk if it determines that the need arises.

Market risk is the risk that the fair values of financial instruments or that the Company's future cash flows will fluctuate because of changes in market commodity rates. The Company's efforts are currently focused on the production of gold. As such, the Company's future cash flows and valuation of its future mineral assets will be exposed to market risk on the price fluctuations of gold as a commodity. Gold concentrate is sold under pricing arrangements where final prices are set at a specified future date based on market gold prices.

ISSUED AND OUTSTANDING SHARE CAPITAL

The Company's authorized capital consists of an unlimited number of Common Shares, of which 223,400,910 Common Shares are issued and outstanding as of the date of this MD&A. In Q4 2019, the Company issued 160,000 Common Shares pursuant to the DSU Plan (defined below) and 22,436,150 Common Shares pursuant to the exercise of 2018 Warrants (defined below).

The Company adopted a stock option plan (the "Option Plan"). Under the terms of the Option Plan, officers, directors, employees and consultants are eligible to receive grants of stock options to purchase Common Shares for a period of up to ten years from the date of grant, provided that the number of Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Common Shares at the date of the grant. As of the date of this MD&A, subject to the terms of the Option Plan, options to purchase 13,700,000 Common Shares are outstanding and options to purchase 8,640,091 Common Shares are available for grant.

The Company adopted a share purchase plan ("SPP") on June 12, 2012. Under the terms of the SPP, each participating officer, director, or employee that has been employed with the Company or its subsidiaries for at least six months is entitled to receive the matching number of Common Shares acquired pursuant to the SPP at no cost to such officer, director or employee. Subject to certain conditions, such deferred matching shares will be issued to the participating officers, directors or employees over a three-year period following the date of the purchase of the qualifying shares. As of the date of this MD&A, no deferred matching shares are owed to the participating officers, directors and employees of the Company.

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The Company adopted a deferred share unit plan (the "DSU Plan") on June 3, 2014. Subject to adjustment in certain circumstances, the maximum aggregate number of Common Shares that may be reserved for issuance pursuant to the DSU Plan is 13,262,888 Common Shares. As of the date of this MD&A, subject to the terms of the DSU Plan, participating officers, directors, employees and consultants of the Company may be issued an aggregate of up to 7,170,046 Common Shares pursuant to outstanding deferred share units awarded under the DSU Plan and 1,125,782 Common Shares have been issued under the DSU Plan.

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

DEBENTURES

As part of the acquisition of the Galaxy Property in 2015, the Company issued approximately \$2.4 million aggregate principal amount of unsecured convertible debentures (the "Galaxy Debentures") to settle outstanding debt or contractual obligations owed by Galaxy Gold Mining (Pty) Limited (formerly Galaxy Gold Mining Limited, "Galaxy") and its subsidiary Galaxy Gold Reefs (Pty) Ltd. The original terms of the Galaxy Debentures were: (i) to mature on November 20, 2019, (ii) to bear 4% interest per annum, accrued and paid at maturity, (iii) to allow conversion of the principal at the option of the holder into Common Shares at a price of C\$0.58⁽¹⁾ per Common Share, based on a pre-determined exchange rate of \$1.00: C\$1.30, and (iv) to allow conversion of the interest at the option of the holder into Common Shares, based on a pre-determined exchange rate of \$1.00: C\$1.30, at a price per Common Share equivalent to the greater of C\$1.00 and the Discounted Market Price (as defined by the Exchange) at the time of conversion, subject to acceptance of the Exchange. On September 27, 2019, the Company prepaid \$728,000 of principal amount of the Galaxy Debentures. On September 30, 2019, the Company entered into an agreement with a requisite percentage of Galaxy Debenture holders to amend certain terms of the Galaxy Debenture. Under the terms of the amended Galaxy Debentures: (i) the maturity date is extended to November 20, 2021, (ii) the principal is convertible at the option of the holder into Common Shares at a price of C\$0.20 per Common Share, at a pre-determined exchange rate of \$1.00:C\$1.30, (iii) the interest is convertible at the option of the holder into Common Shares, based on a pre-determined exchange rate of \$1.00: C\$1.30, at a price per Common Share equivalent to the greater of C\$0.20 and the Discounted Market Price (as defined by the Exchange) at the time of conversion, subject to acceptance of the Exchange, and (iv) the Company has the right of forced conversion with respect the principal if the trading price of the Common Shares exceeds C\$0.20 for 10 consecutive trading days. On December 15, 2019, the Company prepaid an additional \$838,486 of the principal and \$12,517 of the interest on the Galaxy Debenture.

In addition, on March 29, 2016, the Company announced that it and its subsidiary, Galaxy, entered into a full and final settlement agreement with Traxys Europe SA, Mine2Market S. à r.l. and certain others (collectively the "Traxys parties") with respect to various outstanding claims arising from the time period when the Traxys parties operated Galaxy's mining operations. In connection with the settlement, the Traxys parties settled their claim for \$4.3 million of indebtedness in exchange for the issuance by the Company of an unsecured convertible debenture of approximately \$3.2 million in aggregate principal (the "Traxys Debenture"). On June 29, 2018, the Company entered into an agreement with applicable Traxys parties to replace the existing Traxys Debenture with an amended and restated debenture (the "A&R Debenture"). Under the terms of the A&R Debenture: (i) the principal is repayable on November 20, 2021 and is convertible at the option of the holder into Common Shares at a price of C\$0.15 per share, based on a pre-determined exchange rate of \$1.00:C\$1.35; (ii) interest is convertible at the option of the holder into Common Shares, based on a pre-determined exchange rate of \$1.00:C\$1.35, at a price equivalent to the greater of C\$0.15 and the Discounted Market Price (as defined in the policies of the Exchange) at the time of conversion; (iii) the Company has a right of forced conversion with respect to the principal where the trading price of the Common Shares exceeds C\$0.15 for 10 consecutive trading days; (iv) commencing January 1, 2018, interest for a calendar year will be due and payable on March

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31 of the subsequent year, with the first such payment being due on March 31, 2019. The first payment of interest under the rescheduled agreement was made in April, 2019.

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

GALAXY SHARE DONATION

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

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

TRANSACTIONS WITH RELATED PARTIES

During the three months and year ended December 31, 2019 and 2018, there were no related party transactions other than key management compensation as disclosed in the Financial Statements.

CHANGES IN ACCOUNTING STANDARDS

The following accounting standard was adopted for the current year:

- (a) IFRS 16 Leases - The Company adopted IFRS 16 on a modified retrospective basis effective January 1, 2019. The adoption of this standard did not have any measurement impact on prior period financial results or financial position.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8.5%.

The change in accounting policy had the following effect on the balance sheet on January 1, 2019:

- Recognition of Right of Use liabilities of \$1,896,294.
- Recognition of Right of Use assets of \$1,896,294.

From January 1, 2019, leases are recognized as a right of use asset and corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use assets are depreciated over the shorter of their useful life and the lease term on a straight-line basis.

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COMMITMENTS

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

Tax assessments

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SUPPLEMENTAL INFORMATION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

CASH COSTS

The Company's MD&A refers to operating cash cost per ounce, and operating cash cost excluding royalties per ounce, all non-GAAP performance measures, in order to provide investors with information about measures used by management to monitor performance. Management of the Company uses this information to assess how well the producing gold mines are performing compared to plan and prior periods, and also to assess the overall effectiveness and efficiency of gold mining operations. Cash cost figures are calculated in accordance with a standard developed by the Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is still an accepted standard of reporting cash costs of gold production in North America. Adoption of the standard is voluntary, and the cost measures presented herein may not be comparable to other similarly titled measures of other companies. Cash cost includes mine site operating costs such as mining, processing, administration, but are exclusive of impairment, amortization, reclamation, and exploration and development costs. Operating cash cost is the total cash cost less those costs capitalized as attributable to the removal of excess waste in developing new resources. These costs are then divided by the Company's ounces of gold produced to arrive at the cash cost measures on a per ounce basis. These measures, along with sales, are considered to be key indicators of a company's ability to generate operating earnings and cash flow from its mining operations. These measures of cash costs do not have any standardized meaning prescribed by IFRS and differ from measures determined in accordance with IFRS. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of net earnings or cash flow from operations as determined under IFRS.

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

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	2019
Mining costs excluding impairment, depreciation and amortization	\$ 8,243,831	\$ 9,617,217	\$ 8,934,073	\$ 8,030,333	\$ 34,825,454
Adjust for:					
Inventory movement	550,819	(222,748)	41,530	(82,961)	286,640
Total operating cash cost	\$ 8,794,650	\$ 9,394,469	\$ 8,975,603	\$ 7,947,372	\$ 35,112,094
Royalties	(457,142)	(631,199)	(579,792)	(427,112)	(2,095,245)
Total operating cash cost excluding royalties	\$ 8,337,508	\$ 8,763,270	\$ 8,395,811	\$ 7,520,260	\$ 33,016,849
Gold production (ounces)	6,839	8,435	8,694	6,326	30,294
Total operating cash cost excluding royalties per oz.	\$ 1,214	\$ 1,026	\$ 966	\$ 1,189	\$ 1,090

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	2018
Mining costs excluding impairment, depreciation and amortization	\$ 8,321,085	\$ 9,963,751	\$ 9,460,240	\$ 8,251,129	\$ 35,996,205
Adjust for:					
Inventory movement	(28,678)	(763,182)	354,647	(287,650)	(724,863)
Total operating cash cost	\$ 8,292,407	\$ 9,200,569	\$ 9,814,887	\$ 7,963,479	\$ 35,271,342
Royalties	(562,172)	(557,603)	(686,653)	(499,998)	(2,306,426)
Total operating cash cost excluding royalties	\$ 7,730,235	\$ 8,642,966	\$ 9,128,234	\$ 7,463,481	\$ 32,964,916
Gold production (ounces)	9,245	8,545	10,088	7,649	35,527
Total operating cash cost excluding royalties per oz.	\$ 836	\$ 1,011	\$ 905	\$ 976	\$ 928

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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RISKS AND UNCERTAINTIES

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

APPROVAL

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

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2019, can be found on the Company's SEDAR profile at www.sedar.com.