



**GALANE GOLD LTD.**

Annual Information Form

for the year ended

December 31, 2013

April 8, 2014

## TABLE OF CONTENTS

	Page
<b>CORPORATE STRUCTURE .....</b>	<b>1</b>
<b>GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>2</b>
<b>DESCRIPTION OF THE BUSINESS.....</b>	<b>4</b>
<b>RISK FACTORS.....</b>	<b>9</b>
<b>DIVIDEND RECORD AND POLICY.....</b>	<b>9</b>
<b>DESCRIPTION OF CAPITAL STRUCTURE.....</b>	<b>10</b>
<b>MARKET FOR SECURITIES .....</b>	<b>10</b>
<b>ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER .....</b>	<b>11</b>
<b>DIRECTORS AND EXECUTIVE OFFICERS .....</b>	<b>11</b>
<b>CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS .....</b>	<b>12</b>
<b>CONFLICTS OF INTEREST.....</b>	<b>13</b>
<b>LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....</b>	<b>13</b>
<b>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....</b>	<b>14</b>
<b>TRANSFER AGENT AND REGISTRAR .....</b>	<b>14</b>
<b>MATERIAL CONTRACTS .....</b>	<b>14</b>
<b>INTERESTS OF EXPERTS .....</b>	<b>14</b>
<b>AUDIT COMMITTEE.....</b>	<b>15</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>16</b>
<b>EXHIBIT "A" AUDIT COMMITTEE CHARTER.....</b>	<b>A-1</b>
<b>EXHIBIT "B" SUMMARY FROM TECHNICAL REPORT .....</b>	<b>B-1</b>

## FORWARD-LOOKING STATEMENTS

This Annual Information Form (“**AIF**”), and the documents incorporated herein by reference, contain forward-looking statements regarding the future growth, results of operations, performance, business prospects and opportunities of Galane Gold Ltd. (“**Galane**” or the “**Corporation**”). Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or similar expressions, are forward-looking statements. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of Galane set out under “Description of the Business”. These statements are not historical facts but instead represent only Galane’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.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to: the Corporation’s dependence on a single mineral project; gold price volatility; risks associated with the conduct of the Corporation’s mining activities in Botswana; regulatory, consent or permitting delays; risks relating to the Corporation’s exploration, development and mining activities being situated in a single country; risks relating to reliance on the Corporation’s management team and outside contractors including risks related to obtaining and maintaining work permits and visas for the management team in Botswana; risks regarding mineral resources and reserves; the Corporation’s inability to obtain insurance to cover all risks, on a commercially reasonable basis or at all; currency fluctuations; risks regarding the failure to generate sufficient cash flow from operations; risks relating to project financing and equity issuances; risks arising from the Corporation’s fair value estimates with respect to the carrying amount of mineral interests; mining tax regimes; risks arising from holding derivative instruments; the Corporation’s need to replace reserves depleted by production; risks and unknowns inherent in all mining projects, including the inaccuracy of reserves and resources, metallurgical recoveries and capital and operating costs of such projects; contests over title to properties, particularly title to undeveloped properties; laws and regulations governing the environment, health and safety; operating or technical difficulties in connection with mining or development activities; lack of infrastructure; employee relations, labour unrest or unavailability; health risks in Africa; the Corporation’s interactions with surrounding communities and artisanal miners; the Corporation’s ability to successfully integrate acquired assets; the speculative nature of exploration and development, including the risks of diminishing quantities or grades of reserves; risks arising from the development of the Corporation’s exploration properties into commercially viable mines; stock market volatility; conflicts of interest among certain directors and officers; lack of liquidity for shareholders of the Corporation; risks relating to the market perception of junior gold companies; and litigation risk.

Details of the risk factors relating to Galane and its business are discussed under the heading “Risks and Uncertainties” in Galane’s annual management’s discussion and analysis for the year ended December 31, 2013 (“**MD&A**”), a copy of which is available on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com). The risk factors contained in the MD&A are incorporated by reference herein.

In addition to the factors set out above and those identified in the MD&A, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although Galane has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

The forward-looking statements in this AIF are based on numerous assumptions regarding Galane’s present and future business strategies and the environment in which Galane will operate in the future,

including, without limitation, assumptions regarding expected gold production, gold prices, business and operating strategies, exploration results, renewal of the Corporation's mining and prospecting licences and Galane's ability to operate on a profitable basis. Galane does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report, except as may be required by law.

The mineral resource figures referred to in this AIF are estimates, and no assurances can be given that the indicated levels of gold will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Corporation believes that the resource estimate included in this AIF is well established, by their nature, resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Corporation.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. Inferred mineral resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred mineral resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

#### **CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION**

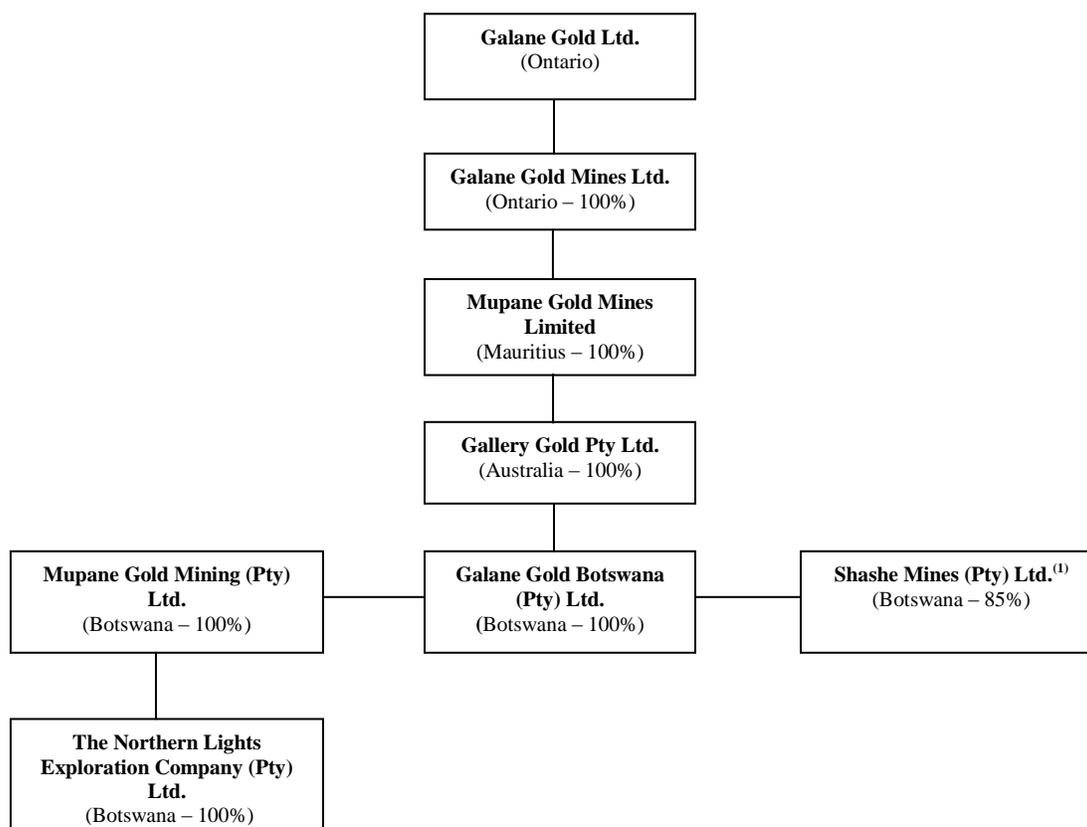
This AIF has been prepared using a number of conventions, which a reader should consider when reading the information contained herein. The term "Corporation" or "Galane", is a reference to Galane Gold Ltd. itself, or to Galane Gold Ltd. and its consolidated subsidiaries, as the context requires.

Unless otherwise indicated, all dollar amounts in this AIF are expressed in Canadian dollars.

## CORPORATE STRUCTURE

The Corporation was incorporated on October 24, 2007 as “Carlaw Capital III Corp.” pursuant to the filing of articles of incorporation under the *Business Corporations Act* (Ontario). The articles of incorporation of the Corporation were amended by the filing of articles of amendment dated May 28, 2008, to delete share transfer restrictions. On August 30, 2011, the Corporation’s articles were amended to consolidate its common shares (the “**Common Shares**”) at a ratio of 4:1 (the “**Share Consolidation**”) and to change its name to “Galane Gold Ltd.” (the “**Name Change**”). The registered office of the Corporation is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9 and the head office of the Corporation is located at Farm 75 NQ, North East District, Francistown, Botswana.

The following chart sets out all of the Corporation’s subsidiaries as at the date hereof, their jurisdictions of incorporation and the Corporation’s direct and indirect voting interest in each of these subsidiaries.



Note:

(1) The remaining 15% of the shares of Shashe Mines (Pty) Ltd. are held by the Government of Botswana.

## GENERAL DEVELOPMENT OF THE BUSINESS

### **Inception to April 2011**

The Corporation was created as a capital pool company pursuant to the policies of the TSX Venture Exchange (the “**Exchange**”). From its incorporation until the completion of the RTO (as defined below), the principal business of the Corporation was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance by the Exchange (a “**Qualifying Transaction**”).

The Corporation completed its initial public offering on July 10, 2008, and the Common Shares were listed on the Exchange and began trading on July 14, 2008. On July 19, 2010, the Exchange suspended trading of the Common Shares as a result of the Corporation’s failure to complete a Qualifying Transaction within 24 months of listing. On October 19, 2010, the Corporation’s listing transferred to the NEX board of the Exchange.

### **May 2011 to Present**

#### ***Reverse Takeover***

On May 9, 2011, the Corporation entered into an agreement with Galane Gold Mines Ltd. (“**GGM**”), as amended on July 15, 2011, for the acquisition of all the securities of GGM. On August 30, 2011 the Corporation completed a reverse takeover transaction (the “**RTO**”) with GGM, by way of an amalgamation of GGM with 2293748 Ontario Limited, a wholly-owned subsidiary of the Corporation. Immediately prior to the completion of the RTO: (i) the Corporation filed articles of amendment to effect the Share Consolidation and the Name Change; and (ii) GGM completed the Gallery Acquisition (as defined below under “Acquisition of Gallery Gold”). As a result of the RTO, which constituted the Corporation’s Qualifying Transaction under the policies of the Exchange, the former shareholders of GGM acquired control of the Corporation.

#### ***Subscription Receipts Financing***

On August 5, 2011, GGM completed a brokered private placement financing of subscription receipts, pursuant to which aggregate gross proceeds of \$16,436,400 were deposited into escrow. Following the satisfaction or waiver of certain release conditions related to the Gallery Acquisition and the RTO, the escrowed funds were released to the Corporation on August 30, 2011, and the subscription receipts were automatically converted into common shares and warrants of GGM.

#### ***Acquisition of Gallery Gold***

On August 30, 2011, GGM indirectly acquired (the “**Gallery Acquisition**”), through its wholly-owned Mauritius subsidiary “Mupane Gold Mines Limited” (“**GGM Sub**”), all of the issued and outstanding shares of Gallery Gold Pty Ltd. (“**Gallery Gold**”), an Australian company, from IAMGOLD Corporation (“**IAMGOLD**”) pursuant to a share purchase agreement dated May 6, 2011, as amended and restated on August 4, 2011 between GGM, IAMGOLD, GGM Sub and the Corporation. Gallery Gold, through its subsidiaries, owns the rights to conduct activities prescribed under mining and prospecting licences relating to the Mupane mining property (the “**Mupane Property**”) which is located near the town of Francistown in the Republic of Botswana (“**Botswana**”). For additional information regarding the Mupane Property, see below under “Description of the Business – Mupane Property”.

### ***Acquisition of NLE***

On April 10, 2012, Galane completed the acquisition (the “**NLE Acquisition**”) of all of the issued and outstanding shares of Northern Lights Exploration Pty. (“**NLE**”), a Botswana company with the rights to several prospecting licences in the Tati Greenstone Belt in Botswana located near to the Mupane Property (the “**NLE Properties**”). For additional information regarding the NLE Properties, see below under “Description of the Business – Exploration”.

Pursuant to a share purchase agreement dated July 27, 2011, as amended (the “**NLE Agreement**”), as consideration for the NLE Acquisition, Galane issued to the shareholders of NLE, on a *pro rata* basis, an aggregate of 3,125,000 Common Shares and promissory notes with an aggregate principal amount of \$400,000, bearing interest at a rate of 6% per annum. The final payment of principal and accrued interest on the promissory notes was completed on October 10, 2012.

The Corporation is also obligated to issue up to 8,750,000 additional Common Shares (the “**NLE Contingent Shares**”) to the shareholders of NLE, on a *pro rata* basis, if by July 27, 2018, exploration work within the NLE Properties confirms a National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) compliant measured or indicated mineral resource containing the minimum ounces of gold set forth below, or the number of ounces of contained gold that is mined within the NLE Properties exceeds the ounces of gold set forth below (or any combination thereof without duplication):

<b>Aggregate Number of NLE Contingent Shares</b>	<b>Ounces of Gold (Resource or Contained Gold Mined)</b>
1,375,000	100,000
3,125,000	250,000
6,250,000	500,000
8,750,000	1,000,000

On April 7, 2014, based on the resources identified in the Mupane Update and the Tekwane Update (as defined below under “Description of the Business - Exploration”), the independent members of the Corporation’s board of directors determined that the resource target for the first milestone was met and waived the requirement in the NLE Agreement to confirm the mineral resource by way of a NI 43-101 technical report and thus approved the issuance of 1,375,000 NLE Contingent Shares by the Corporation.

### ***Listing on Botswana Stock Exchange***

On August 20, 2012, the Corporation listed the Common Shares on the Botswana Stock Exchange (the “**BSE**”) under the trading symbol “GG”. The listing serves as a secondary listing for the Common Shares. The listing on the BSE did not involve the issuance of new Common Shares or any other securities or derivatives, such as depositary receipts, as it was structured solely to allow the Common Shares that are currently issued and outstanding to be tradeable by investors through the facilities of the BSE. The listing will not result in any changes to the rights and entitlements of holders of the Common Shares, irrespective of whether they purchase their shares through the Exchange or the BSE.

### ***Management Change***

On October 8, 2013, the Corporation announced that Philip Condon had resigned as Chief Executive Officer and as a director of the Corporation. Mr. Ravi Sood, the Chairman of the Corporation, has assumed the roles and responsibilities of the Corporation's Chief Executive Officer on an interim basis while the Corporation undergoes a process to identify a new Chief Executive Officer.

### ***Significant Acquisitions or Dispositions***

The Corporation has not completed any significant acquisitions or dispositions during the financial year ended December 31, 2013 for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”).

## **DESCRIPTION OF THE BUSINESS**

### **Summary**

The Corporation's principal business activities are the exploration for, development of, and operation of gold mining properties. The Corporation has one material property – the Mupane Property – and several other prospective mineral properties described below under “Exploration”. Galane is committed to operating at the highest standards and is focused on the safety of its employees, respecting the environment, and contributing to the communities in which it operates. For further information regarding the development of the Corporation from inception to the present date, see above under “General Development of the Business”.

### **Mupane Property**

The Mupane Property is an operating gold mining venture situated in the North-East District of Botswana in Southern Africa and comprises four mining licences and one prospecting licence: (i) ML87/3 (valid until December 9, 2024); (ii) ML94/2 (valid until November 6, 2015); (iii) ML2003/26L (valid until September 4, 2023); (iv) ML2010/95L (valid until December 28, 2014); and (v) PL040/2011 (valid until March 31, 2014).

An application for the renewal of ML 2010/95L was submitted to the Department of Mines in December 2013. In Botswana, applications for renewals of mining licences are due one year before the current expiry date. The length of time granted under renewal depends on the ore reserves available as reported by the Corporation and the estimated remaining life of the mine.

An application for the renewal of PL 040/2011 was submitted to the Department of Mines in December 2013. In Botswana, applications for renewals of prospecting licences are due three months prior to the expiry date and can take up to a year to be granted. A prospecting licence is initially granted for three years and two renewals of two years each may be granted. Renewal is subject to completion of the required work and expenditure commitments in respect of the licence.

The Corporation commenced active mining operations at the Mupane Property on the closing of the RTO and the Gallery Acquisition on August 30, 2011 (the “**Acquisition Date**”).

### ***Mining***

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

		2013				FY 2013	2012				FY 2012	2011	Since Acquisition
		Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1			
Mupane (Tholo, Kwena & Tau)	Ore (t)	181,567	171,643	137,451	84,435	575,096	98,212	69,632	61,269	42,623	271,736	86,511	933,343
	Grade (g/t)	2.25	2.08	2.11	2.30	2.17	2.11	2.00	1.94	1.36	1.92	1.38	2.03
	Waste (t)	845,429	1,300,705	1,354,077	1,717,427	5,217,638	2,040,171	2,591,967	2,151,585	2,869,349	9,653,072	2,725,462	17,596,172
Signal Hill	Ore (t)	-	-	-	-	-	10,549	67,178	158,193	233,020	468,940	358,818	827,758
	Grade (g/t)	-	-	-	-	-	1.37	1.61	1.83	2.29	2.02	1.69	1.88
	Waste (t)	-	-	-	-	-	86,602	387,870	633,497	986,826	2,094,795	2,080,259	4,175,054
Golden Eagle	Ore (t)	-	5,483	85,959	47,267	138,709	50,029	64,551	44,043	6,870	165,493	-	304,202
	Grade (g/t)	-	1.50	1.41	1.58	1.47	1.64	1.33	1.38	0.65	1.41	-	1.44
	Waste (t)	62,523	6,856	847,311	902,695	1,819,385	748,176	1,153,194	622,810	99,642	2,623,822	-	4,443,207
Shashe Dumps Material	Ore (t)	34,323	22,320	-	-	56,643	-	-	-	-	-	-	56,643
	Grade (g/t)	1.40	1.40	-	-	1.40	-	-	-	-	-	-	1.40
	Waste (t)	-	-	-	-	-	-	-	-	-	-	-	-

The Corporation operated two mining operations at the Mupane Property during 2013. Highlights of such operations included:

- Tholo – production was in line with expectations regarding the accelerated stripping completed in Q2 2013. The stripping ratio should continue to decrease to the end of the Tholo pit mine plan in Q2 2014. For 2013, 575,096 tonnes of ore were mined at 2.17 grams per tonne (“g/t”) with a stripping ratio of 9.07, compared to 271,736 tonnes of ore at 1.92 g/t and a stripping ratio of 35.52 for 2012
- Golden Eagle – during Q2 2013 the Corporation adopted a new mine plan reflective of a significantly reduced gold price and as a result mining at Golden Eagle was stopped consistent with the then previously disclosed business risk mitigation plan. Upon completion of its five year plan the Corporation recommenced mining in Q4 2013 on a reduced pit size to reflect the current gold price. The initial mining has concentrated on pre-stripping so that ore can be accessed in 2014.

### *Processing*

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

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	FY 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	FY 2012	2011	Total since Acquisition Date
Ore milled (000 t)	225	219	229	213	886	246	245	308	285	1,084	385	2,355
Head grade (g/t)	2.08	1.68	1.65	1.36	1.70	1.49	1.60	1.46	2.18	1.70	1.86	1.72
Recovery (%)	78.8%	84.0%	78.0%	79.7%	80.3%	78.2%	84.0%	80.0%	88.1%	82.6%	87.5%	83.5%
Gold production (oz.)	11,853	9,941	9,530	7,430	38,754	9,234	10,562	11,621	17,523	48,940	20,193	107,887

Highlights of the Corporation’s processing operations during 2013 included:

- During 2013 a higher proportion of the ore milled was from Tholo which has a high grinding index. As a result, the amount of ore that could be milled was reduced. This was offset by the increase in grade as Tholo is a high grade resource for the Mupane Property.
- A total of 38,754 ounces of gold were produced in 2013 compared to 48,940 ounces in 2012. The main difference was due to over 50% of the ore feed in 2012 being from Signal Hill which was an oxide ore that had a higher recovery and a lower grinding index.

## Exploration

The Corporation is conducting a comprehensive exploration program over a large number of prospects contained within its mining and prospecting licences which cover the bulk of the Tati greenstone belt in Botswana. In addition to the mining and prospecting licences described above under “Mupane Property”, the Corporation acquired the rights to the NLE Properties during 2012, as described above under “General Development of the Business – Acquisition of NLE”.

The NLE Properties are comprised of four prospecting licences located near to the Mupane Property: (i) PL211/2010 (valid until September 30, 2013); (ii) PL039/2011 (valid until March 31, 2014); (iii) PL101/2011 (valid until June 30, 2014); and (iv) PL002/2012 (valid until December 31, 2014). Applications for the renewal of PL211/2010, PL039/2011 and PL101/2011 were submitted to the Department of Mines on June 24, 2013, December 20, 2013, and March 31, 2014, respectively. See above under “Mupane Property” for a description of the renewal process for prospecting licences in Botswana.

Exploration at the Mupane Property and the NLE Properties has covered the following areas during 2013:

- Near Mine Exploration
  - At Tau the “deep drilling” program was suspended in favour of continuing the work from the planned underground workings in 2015. Drilling completed in 2012 and 2013 amounts to 19 holes for 8,176m. In addition, three geotechnical holes were drilled to assist with the planning for the underground work.
  - One hole each was drilled at Tholo and Kwena and they were successful in testing depth continuity.
  - Drilling the down plunge extensions of the Golden Eagle ore bodies also proved successful and further drilling work has been outlined in order to establish an underground resource.
- Jim’s Luck
  - Drilling ceased at the end of Q2 2013 and some good results have been received indicating that both the Western Banded Magnetic Chert and the Western Parallel (“WP”) carry encouraging gold mineralisation.
  - Trenching that commenced in Q2 2013 has been completed, logged and sampled. The trenches were excavated to help understand complex geology in the North and to expose extensions on the WP.
  - Planned new work in 2014 entails “step out” drilling and more trenching to highlight extensions to known zones of mineralisation.
- Tekwane:
  - Pitting was completed for a total of 738 pits at a spacing of 50m x 50m in the most encouraging areas and 100m x 50m elsewhere.
  - Trenching was also completed which successfully tested the continuity of the quartz rubble horizon.
  - An environmental impact assessment has commenced as a precursor to a mining licence application on the property.

- Orapa Road and Central Complex:
  - Field work has been completed for the year on both of these. This will allow time, during the balance of this year, for a full and better understanding of the data to hand, with trenching and drilling to commence in 2014.
  - Both show significant gold in soil geochemistry along geologically favourable structures over tens of kilometres of strike.
  
- Matopi:
  - Geological mapping in support of the anomalous gold in soil geochemistry has shown that a favourable environment exists, in an area of complex deformation, for the presence of a zone of gold enrichment.
  
- High Grade Small Deposits:
  - The N24 at Map Nora was blast hole drilled, sampled and limited mining commenced. Results from the drilling and mineralised grab samples in the pit are considered by the Corporation to be good although dilution will be an issue.
  - The next to be tested will be Lady Mary2, also on the Shashe Mining Licence area.
  
- Old Tailings Dumps:
  - There are fifteen historic tailings dumps in the area which were previously sampled and surveyed in detail. Only eight are suitable, in terms of size and grade, for re-treatment at the Mupane plant. Of these, three are on existing mining licences and five are on existing prospecting licences.
  - Haulage of the dumps on mining licences, to the Mupane plant, commenced during Q3 2013.
  - Discussions are in progress, with the Department of Mines, to allow haulage of the dumps on the prospecting licences to the Mupane plant for the extraction of the gold.

On August 30, 2011, the Corporation filed a NI 43-101 compliant technical report in respect of the Mupane Property entitled “Independent Technical Report on the Mupane Gold Mine” dated May 10, 2011 (the “**Mupane Technical Report**”) authored by: Justin Glanvill, BSc. (Hons), GDE, MGSSA, Pr.Sci. Nat.; Joel Mungoshi, HND Met, BSc (Hons), MDP (Mining), MBL, MSAIMM; Markus Tilman Reichardt, M.A, PhD (candidate), John Francis Winchester Sexton, BSc, BCom, MBL and Robert Charles Croll, BSc, MBA on behalf of MSA Geoservices (Pty) Ltd. The summary section from the Mupane Technical Report is reproduced in its entirety at Exhibit “B” of this AIF and the detailed disclosure in the Mupane Technical Report is incorporated by reference herein. The Mupane Technical Report is available on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

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

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

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

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

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

On October 31, 2013, the Corporation issued a mineral resource estimate in respect of its Tekwane prospect with an effective date of September, 2013 (the "**Tekwane Update**"). The following table summarises the results of the Tekwane Update:

**Tekwane Mineral Resource Estimate**  
**Effective Date: September, 2013**

Category	Cut-off grade (g/t)	Indicated			Inferred		
Deposit		Tons (000)	AU (g/t)	Au (000 oz)	Tons (000)	AU (g/t)	Au (000 oz)
Tekwane	0.60	168,125	2.36	12,735	151,447	2.35	11,443

The full text of the Tekwane Update is set out in the Corporation's news release dated October 31, 2013 entitled "Galane Gold Ltd. Announces Mineral Resources at the Tekwane Prospect" and is available on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

*Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that any of the mineral resources disclosed in this AIF will be converted to mineral*

*reserves. There is also no guarantee that any of the inferred mineral resources will be upgraded to measured or indicated mineral resources. Information of a technical and scientific nature that forms the basis of the disclosure in this AIF has been approved by Charles Byron Pr. Sci. Nat., MAusIMM., MGSSA and Chief Geologist for Galane Gold, and a “qualified person” as defined by NI 43-101.*

### **Special Skill and Knowledge**

Operations in the gold exploration, development and production industry mean that the Corporation requires professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development, and production activities, the Corporation requires the expertise of engineers, exploration geophysicists and geologists, among others, and employs, directly and indirectly, such persons as required.

### **Competition**

The mining industry in Botswana and Africa in general is intensely competitive in all of its phases. Galane competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than Galane, it may be unable to acquire attractive properties in the future on terms it considers acceptable. Galane competes for funding with other public resource companies, many of whom have greater financial resources and/or more advanced properties and whom are better able to attract equity investments and other capital.

### **Environmental Matters**

Galane’s exploration, development and production activities are subject to various laws and regulations regarding the protection of the environment. If needed, and to the extent that it can be done economically, Galane will make expenditures to ensure compliance with applicable laws and regulations. New environmental laws and regulations, amendments to existing laws and regulations, or more stringent implementation of existing laws and regulations could have a material adverse effect on the Corporation, both financially and operationally, by potentially increasing capital and/or operating costs and delaying or preventing the development of mineral properties.

### **Employees**

As of December 31, 2013, the Corporation had approximately 204 full-time employees, all of which are located in Botswana. In addition, Galane engages contractors and consultants from time to time to work on specific properties and for administrative, legal and other services as required.

## **RISK FACTORS**

Details of the risk factors relating to Galane and its business are discussed under the heading “Risks and Uncertainties” in the MD&A, a copy of which is available on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com). The risk factors contained in the MD&A are incorporated by reference herein.

## **DIVIDEND RECORD AND POLICY**

The Corporation has never declared nor paid dividends on the Common Shares. Currently, Galane intends to retain its future earnings, if any, to fund the development and growth of its business, and the Corporation does not anticipate declaring or paying any dividends on the Common Shares in the near future, although it reserves the right to pay dividends if and when it is determined to be advisable by

Galane’s board of directors. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in the Common Shares in the foreseeable future.

## DESCRIPTION OF CAPITAL STRUCTURE

### Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares of which 52,660,622 Common Shares are issued and outstanding as of the date hereof. The holders of Common Shares are entitled to dividends as and when declared by the board of directors of the Corporation, to receive notice of and one vote per Common Share at meetings of the shareholders of the Corporation and, upon liquidation, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Common Shares.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares are listed on the Exchange and trade under the stock symbol “GG”. The following table sets forth, for the periods indicated, the reported high and low prices and the trading volume of the Common Shares on the Exchange:

Calendar Period	High	Low	Trading Volume
January 2013	\$0.88	\$0.78	430,820
February 2013	\$0.80	\$0.68	491,564
March 2013	\$0.75	\$0.66	1,065,050
April 2013	\$0.81	\$0.53	501,374
May 2013	\$0.57	\$0.38	112,493
June 2013	\$0.43	\$0.21	550,900
July 2013	\$0.25	\$0.135	822,799
August 2013	\$0.21	\$0.16	544,076
September 2013	\$0.195	\$0.145	607,900
October 2013	\$0.16	\$0.12	4,014,889
November 2013	\$0.14	\$0.085	100,319
December 2013	\$0.10	\$0.065	399,936

The common share purchase warrants of the Corporation (the “**Warrants**”) were listed on the Exchange and traded under the stock symbol “GG.WT” until their expiry date on March 1, 2013. The following table sets forth, for the periods indicated, the reported high and low prices and the trading volume of the Warrants on the Exchange:

Calendar Period	High	Low	Trading Volume
January 2013	\$0.035	\$0.01	314,000
February 2013 <sup>(1)</sup>	n/a	n/a	n/a

**Note:**

(1) No trading activity occurred in February 2013.

**Prior Sales**

The following table sets forth the securities of the Corporation that were issued during the most recently completed financial year but not listed or quoted on a market place:

Issue/Grant Date	Type of Security	Number of Securities	Exercise Price	Expiry Date
November 20, 2013	Options	1,000,000	\$0.12	November 20, 2018

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER**

As of December 31, 2013, none of the securities of the Corporation were held in escrow or were subject to contractual restriction on transfer.

**DIRECTORS AND EXECUTIVE OFFICERS**

The table presented below provides the names of Galane's current directors and executive officers, the offices held by them and the date of their first appointment, as of the date hereof:

Name and Place of Residence	Position(s) Held	Principal Occupation During Previous Five Years	Director Since <sup>(1)</sup>
Ravi Sood <sup>(2)</sup> Ontario, Canada	Chairman and Interim Chief Executive Officer	Feronia Inc., Interim Chief Executive Officer (Feb/14 to present) and Executive Chairman (April/12 to present); Transeastern Power Trust, Executive Chairman – Oct/13 to present; Navina Asset Management Inc., Chief Executive Officer - Feb/10 to Oct/10; Navina Asset Management Inc., President - May/04 to Feb/10.	October 24, 2007
Nicholas Brodie United Kingdom	Chief Financial Officer	Metallon Gold, Chief Financial Officer - May/11 to Aug/12; Katanga Mining Limited, Chief Financial Officer - Nov/08 to April/11; Katanga Mining Limited, Finance Director - Nov/06 to Nov/08.	-
Charles Byron Francistown District, Botswana	Director and Chief Geologist	The Northern Lights Exploration Co. (Pty) Ltd., Consulting Geologist.	August 30, 2011

<b>Name and Place of Residence</b>	<b>Position(s) Held</b>	<b>Principal Occupation During Previous Five Years</b>	<b>Director Since <sup>(1)</sup></b>
Amar Bhalla <sup>(2)</sup> Ontario, Canada	Director	President, Capit Investment Corp.	October 24, 2007
Ian Egan <sup>(2)</sup> Victoria, Australia	Director	Soria Moria Pty Limited, Managing Director.	August 30, 2011

**Notes:**

- (1) All of the Corporation's directors serve until the next annual meeting of shareholders or until such director's successor is duly elected or appointed.
- (2) Member of the Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee.

**Shareholdings**

As of the date hereof, Galane's directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly 6,382,748 Common Shares, representing approximately 12% of the issued and outstanding Common Shares.

**CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

Other than as set forth below, no director or executive officer of the Corporation is, as at the date of this AIF, or has been within the last ten years, 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 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 director or executive officer 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 director or executive officer 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.

Other than as set forth below, no director or executive officer of the Corporation or any shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation:

- (a) is, as at the date of this AIF, or has been within the last ten years, 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 the last ten years, 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 investor in making an investment decision regarding the Corporation.

Each of Amar Bhalla and Ravi Sood was a director of TriNorth Capital 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.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the respective directors and executive officers.

### **CONFLICTS OF INTEREST**

To the best of the Corporation's knowledge, other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Corporation and any directors or officers of the Corporation, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Corporation and their duties as a director, officer, promoter or member of management of such other companies.

Charles Byron, a director and the Chief Geologist of Galane, was the managing director, consulting geologist and a principal shareholder of NLE at the time of the NLE Acquisition. See below under "Interest of Management and Others in Material Transactions".

The directors and officers of the Corporation are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Corporation will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Business Corporations Act* (Ontario) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

To the knowledge of the directors and officers of the Corporation, there are no legal proceedings material to Galane to which Galane or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2012, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of Galane, no penalties or sanctions have been imposed against Galane or its subsidiaries by a court or by a regulatory authority during the financial year ended December 31, 2013, no penalties or sanctions have been imposed against Galane by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision

in respect of Galane, and no settlement agreements have been entered into by Galane before a court relating to securities legislation or with a securities regulatory authority during Galane's financial year.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed below, none of the directors or executive officers of the Corporation, or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transactions in which the Corporation has participated since January 1, 2011, which has materially affected or is reasonably expected to materially affect the Corporation.

Charles Byron, a director and Chief Geologist of the Corporation, was a shareholder of NLE at the time of the NLE Acquisition. In connection with the NLE Acquisition, Mr. Byron received 1,500,000 Common Shares and a promissory note of the Corporation with a principal amount of \$192,000, bearing interest at a rate of 6% per annum. The final payment of principal and accrued interest on the promissory note was completed on October 10, 2012. Mr. Byron has also received 660,000 NLE Contingent Shares pursuant to the NLE Agreement and is entitled to receive an additional 3,540,000 NLE Contingent Shares upon the completion of certain milestones disclosed above under "General Development of the Business – Acquisition of NLE".

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Equity Financial Trust Company at its principal offices in the city of Toronto, Ontario.

### **MATERIAL CONTRACTS**

The only contract that is material to the Corporation that was entered into either (i) during the year ended December 31, 2013; or (ii) prior to January 1, 2013 that is still in effect, other than contracts entered into in the ordinary course of business is the NLE Agreement. Particulars of the NLE Agreement are disclosed under the heading "General Development of the Business" above.

### **INTERESTS OF EXPERTS**

The auditors of the Corporation are KPMG LLP. The Corporation's consolidated financial statements as of December 31, 2013, and for the year then ended have been filed under NI 51-102 in reliance on the report of KPMG LLP, given their authority as experts in auditing and accounting. The Corporation have been advised that KPMG LLP is independent in accordance with the rules of professional conduct which govern its professional activities in the Province of Ontario in connection with their audit of the consolidated financial statements of the Corporation for the year ended December 31, 2013.

The authors of the Mupane Technical Report are listed under "Description of the Business – Mupane Property" above. As a group, such authors beneficially own, directly or indirectly, less than 1% of any class of the Corporation's outstanding securities.

## AUDIT COMMITTEE

### **Audit Committee's Charter**

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

### **Composition of Audit Committee**

The Audit Committee is composed of Ravi Sood, Ian Egan and Amar Bhalla, 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.

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 currently serves as an officer or director of several public and private companies operating in the agriculture, energy, mining and oil & gas sectors.

Ian Egan has held senior management positions at BHP Limited, Mineral Deposits Limited, Utah Mining Australia Limited and NL Industries Inc. He has considerable experience in the areas of financial and operational controls, joint ventures and mergers and acquisitions. He is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and a Fellow of CPA Australia (FCPA). He holds a BEc in Accounting and Law from the University of Sydney and an MEc in Industry Economics from the University of Sydney.

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.

### **Audit Committee Oversight**

At no time since the commencement of Galane’s most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of Galane’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* – Galane's external auditors billed approximately \$199,370 and \$209,500 during the financial years ended December 31, 2012 and 2013, respectively, for audit fees.

*Audit-Related Fees* – Galane's external auditors billed approximately \$12,564 and Nil during the financial years ended December 31, 2012 and 2013, respectively for audit-related fees.

*Tax Fees* – Galane's external auditors billed approximately \$47,500 and \$43,809 during the financial years ended December 31, 2012 and 2013, respectively for tax fees.

*All Other Fees* – Galane did not pay any other fees during the financial years ended December 31, 2012 and 2013, 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.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information relating to the Corporation, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's management information circular for the most recent annual meeting of shareholders.

Additional financial information is provided in Galane's consolidated financial statements and MD&A for the most recently completed year ended December 31, 2013.

**EXHIBIT "A"**  
**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.

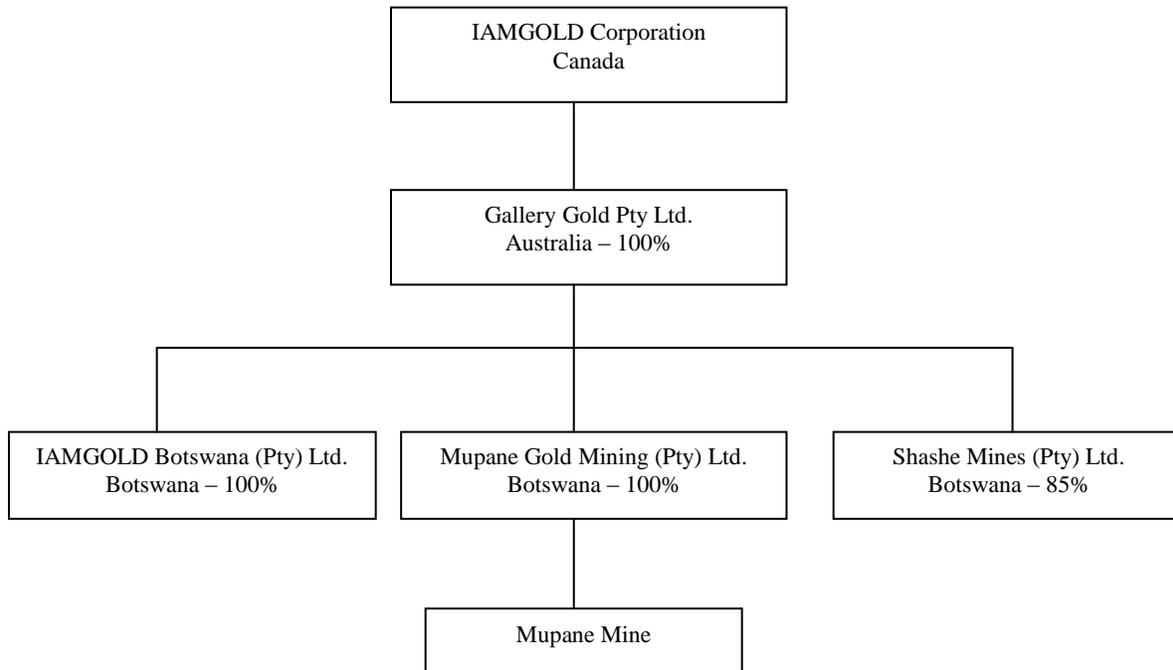
**EXHIBIT "B"**  
**SUMMARY FROM TECHNICAL REPORT**

**1. SUMMARY**

The Mupane Gold Mine is an operating gold mining venture owned by IAMGOLD Corporation (IAMGOLD) and situated in the Northeastern Province of Botswana, in southern Africa. Botswana has among the highest economic growth and literacy rates in Africa, and has remained stable since independence from Britain in 1966.

The mine has been in operation since 2004 and produced over 468 000 oz of gold up to the end of 2010 at an average grade of 2.19 g/t Au. It currently has a mining plan to mid-2013 based on NI43-101 compliant mineral reserves.

The corporate ownership structure of the mine is as follows:



Carlaw Capital III Corp. (Carlaw) intends to acquire the mine from IAMGOLD through its subsidiary Galane Gold Mines Ltd, by acquiring 100% of Gallery Gold (Pty) Ltd (Gallery Gold) for a net price of USD 33.5 million. The share purchase agreement was signed on 6th May 2011. The main assets of Gallery Gold are as follows:

- 100% of Mupane Gold Mining (Pty) Ltd. (MGM). MGM is a Botswana registered company which owns three mining licenses (ML87/3, ML2003/26L and ML2010/95L) and a prospecting license (section 4.1). It also owns the treatment plant and associated infrastructure.
- 85% of Shashe Mines (Pty) Ltd. (SM). SM is a Botswana registered company. The other 15% of SM is owned by the Botswana Government.

- 100% of IAMGOLD Botswana (Pty) Ltd. This is a Botswana registered company which was previously used as a vehicle for IMG's exploration activities in Botswana. It holds the mining license ML94/2L.

The mine produced 57 000 oz of gold in 2010. The gold is exported as doré bars to Rand Refineries Ltd in South Africa, from where it is sold.

The mine is situated on the Tati Greenstone Belt, a NNW-striking belt of Archaean metavolcanic, metasedimentary and intrusive rocks up to 20km in width and striking over 65km.

Mining activity is conventional open pit mining exploiting the Tau, Kwena and Tholo deposits in the immediate vicinity of the processing plant, and the remote Signal Hill, Molomolo and Golden Eagle gold deposits.

The Mupane processing plant uses conventional carbon-in-leach ("CIL") processing to recover gold and produce gold bullion after grinding in a two stage circuit with one semi-autogenous grind ("SAG") mill and one ball mill. The plant has been designed at a nominal throughput of 1.2 million tonnes per annum for oxide ores. For primary (sulphide) ores, a combination of flotation and CIL processing is used at a designed nominal throughput of 1.0 million tonnes per annum.

### Mineral Resources and Mineral Reserves

The mineral resources as at 31 December 2010 were as follows (100% basis):

MINERAL RESOURCES		Measured			Indicated			Measured + Indicated*			Inferred**		
Deposit	Cut-off grade Au g/t	Tonnes (000)	Au (g/t)	Au (000 oz)	Tonnes (000)	Au (g/t)	Au (000 oz)	Tonnes (000)	Au (g/t)	Au (000 oz)	Tonnes (000)	Au (g/t)	Au (000 oz)
Kwena	0.8	97	1.41	4	254	1.58	13	351	1.51	17	47	2.00	3
Golden Eagle	0.9				1 805	1.98	115	1 805	1.98	115	68	3.21	7
Molomolo	0.9	8	2.52	1	113	1.83	7	121	2.06	8	7	1.89	
Signal Hill	0.9	521	2.21	37	549	2.10	37	1 070	2.15	74	173	2.27	13
Tau	0.8	579	3.22	60	810	2.98	78	1 389	3.09	138	47	2.93	4
Tawana					122	1.80	7	122	1.78	7			
Tholo	0.8				161	2.03	11	161	2.13	11	584	2.72	51
Stockpiles		745	1.20	29				745	1.21	29			
<b>Total</b>		<b>1 950</b>	<b>2.09</b>	<b>131</b>	<b>3 814</b>	<b>2.19</b>	<b>268</b>	<b>5 764</b>	<b>2.15</b>	<b>399</b>	<b>926</b>	<b>2.62</b>	<b>78</b>

\*UNCONSTRAINED

\*\*CONSTRAINED WITHIN A USD 1000 PIT SHELL

Mineral reserves have been defined by Whittle analysis of the measured and indicated mineral resources, assuming a gold price of USD 1 200 per oz. However, the pit shells themselves were designed in 2008 with an assumed gold price of USD 850 per oz. Significant upside potential therefore exists to increase the pit shells based on the current elevated gold price. Exploration drilling is underway to define the mineral resources at depth.

The mineral reserves as at 31 December 2010 were as follows (100% basis):

MINERAL RESERVES		Proven			Probable			Total		
Deposit	Cut-off grade Au g/t	Tonnes (000)	Au (g/t)	Au (000 oz)	Tonnes (000)	Au (g/t)	Au (000 oz)	Tonnes (000)	Au (g/t)	Au (000 oz)
Kwena	0.8	9	1.55		80	1.61	4	89	1.61	4
Golden Eagle	0.9				677	1.87	41	677	1.87	41
Signal Hill	0.9	521	2.02	34	353	2.04	23	874	2.03	57
Molomolo	0.9	8	2.35	1	62	2.20	4	70	2.22	5
Stockpiles		745	1.20	29				745	1.20	29
<b>Total</b>		<b>1 283</b>	<b>1.55</b>	<b>64</b>	<b>1 172</b>	<b>1.91</b>	<b>72</b>	<b>2 455</b>	<b>1.72</b>	<b>136</b>

### Financial Analysis

MSA has produced a cash flow model using cost parameters based on the current mine plan. The outputs of the cash flow model are as follows:

PROJECT (100%) from May 2011		
REAL	Disc Rate	US\$'000s
NPV's	0.0%	50 531
	5.0%	47 176
	8.0%	45 354
	10.0%	44 210
	12.0%	43 118
	15.0%	41 571
	20.0%	39 212
	IRR=	No IRR

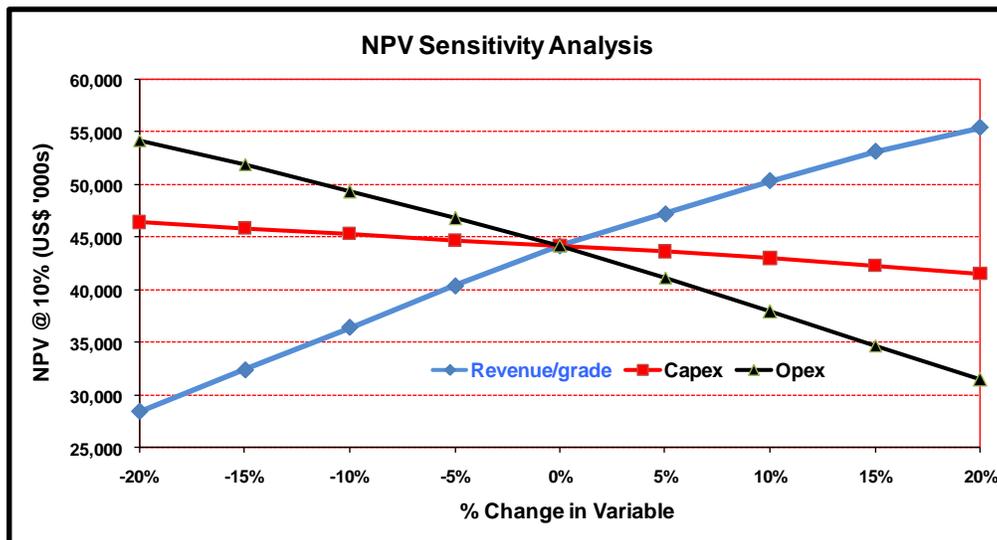
NPV's are at 1 January 2011

From an investor's perspective, and based on a net acquisition price of USD 33.5 million (as per the sales agreement), the outputs of the cash flow model are as follows:

PROJECT (100%) from May 2011		
INVESTOR RETURN		
REAL	Disc Rate	US\$'000s
NPV's	0.0%	23 146
	5.0%	20 063
	8.0%	18 406
	10.0%	17 372
	12.0%	16 390
	15.0%	15 009
	20.0%	12 923
	IRR=	76.7%

NPV's are at 1 January 2011

The project is profitable and is most sensitive to changes in the gold price or grade.



A number of risks and opportunities have been identified on the mine.

## **Risks**

The current mineral reserve will be fully depleted in mid-2013. The addition of further mineral reserves in the short term is an urgent priority. Additional mineral reserves could potentially derive from an increase in depth of the existing pit shells. The current high gold price creates the opportunity to significantly deepen the current open pits. However, this will require that the mineral resources at depth are identified to the “indicated” confidence level (at least), before a revised Whittle shell can be produced based on a higher gold price. It would also involve a capital expenditure of pre-stripping prior to mining of the additional mineral reserve. MGM has budgeted USD 2.5 million for exploration work in 2011.

There also exists a potential risk related to recoveries. The current plant design for the recovery of gold from primary sulphide ore is based on sample test work conducted during feasibility. The parameters used in the plant design might not be optimal for the actual sulphide ores now being mined. There is currently ongoing test work being conducted at COREM (Canada) involving all present and future feed material to address this.

The project is exposed to the volatility of the Botswana Pula relative to the USD. However, the project will remain profitable even with a significant strengthening of the Pula against the USD.

The future gold price may be regarded as a risk or an opportunity, depending upon whether it decreases or increases over the life of mine. However, the gold price is currently at its highest ever level and all independent forecasts viewed by MSA expect the gold price to fall by between 12% and 40% over the next four years.

Mupane is unusual in that to calculate a net closure liability it is assumed that income from salvage and sale of redundant equipment will cover the cost. This is not standard industry practice and creates a risk that there may be an ultimate shortfall. The closure plan and its methodology are otherwise robust.

The project draws electrical power from the Botswana power grid, which in turn draws some of its supply from ESKOM, the parastatal electricity supplier in South Africa. The project is therefore potentially impacted by changes in the power supply provided by ESKOM. ESKOM has given notice of price increases of 25% per annum commencing in 2011. This will have an effect on the cost of power supply to the mine. The financial model suggests that the project can absorb these cost increases and remain profitable.

The project draws water from a pump station constructed on the Shashe Dam, approximately 30km from the process plant. Botswana is an arid country and water throughput has been restricted occasionally due to water shortage. There is a risk that production could be severely affected by drought. There is a project currently underway to tap into a nearby mines raw water supply to supplement Mupane’s needs by an additional 1 000 m<sup>3</sup>/day which combined with the current line supply capacity will be sufficient for operational needs plus provide partial supply redundancy.

## **Opportunities**

The high current gold price remains a very good opportunity for the mine. The high revenues currently being generated can help fund ongoing exploration to expand the existing mineral resources. New mineral resources may potentially be defined beneath and adjacent to the existing resources, and within the new PL.

Plant availabilities have ranged from 3% to 5% below budget targets indicating an opportunity to increase throughput with improvement in availability. The below budget availability has been due largely

to the lack of electrical diagrams to assist with fault-finding, and periodic water shortages. All of the observed issues impacting on plant availability can be addressed relatively easily.

MSA recommends that focus is placed on exploration work to develop the mineral resources, and on completion of metallurgical testwork to optimise the plant for recovery of primary sulphide ores, as the mine transitions from processing mainly oxide ore, to a mix of oxide and sulphide ores.

### **Recommendations**

MSA's review of the Mupane Gold Mine makes the following recommendations:

- The mine is profitable and it is recommended that mining should continue until reserves are depleted, particularly in view of the very high current gold price.
- The mineral reserves need to be complemented by new reserves urgently. This may be achieved either through a new Whittle analysis of current resources or by exploration for new resources. A total budget (funded out of Mupane operational cash flow) of USD1.8 million has been made available for exploration drilling during 2011 in the 400 x 50 m area immediately south of the Tholo pit to confirm the down-dip extension of the Tholo orebody.
- The ongoing metallurgical test work to optimise processing of sulphide ore is a necessary project and should be completed with urgency. The cost benefit of implementing any changes recommended by the test work should be examined prior to implementing any changes.
- Plant availability issues should be addressed.
- Mine closure funding should be revisited based on the validity of the current funding plan.