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

GALANE GOLD LTD.

For the three month period ended March 31, 2017

Note to Reader:

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

GALANE GOLD LTD.

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

As at March 31, 2017 and December 31, 2016

	Notes	March 31, 2017	December 31, 2016
Assets			
Current assets:			
Cash	6	$ 1,241,089	$ 823,740
Trade and other receivables	7	1,376,533	1,369,988
Inventories	8	4,855,414	6,925,512
		7,473,036	9,119,240
Non-current assets			
Mining and exploration properties	9	36,028,092	37,133,946
Plant and equipment	9	2,802,701	2,374,730
		38,830,793	39,508,676
		$ 46,303,829	$ 48,627,916
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	11	$ 12,058,589	$ 11,384,627
Current portion of interest bearing loans and borrowings	12	8,542,064	6,276,950
		20,600,653	17,661,577
Non-current liabilities:			
Interest-bearing loans and borrowings	12	7,923,417	9,181,548
Warrants denominated in a foreign currency	14	144,052	142,523
Restoration and rehabilitation provision	10	5,814,872	5,620,295
		13,882,341	14,944,366
Shareholders' equity:			
Share capital	14	$ 37,303,801	$ 37,139,370
Reserves		1,975,563	2,077,781
Retained deficit		(27,458,529)	(23,195,178)
Equity attributable to Galane Gold Ltd. Shareholders		11,820,835	16,021,973
		$ 46,303,829	$ 48,627,916

Going Concern (Note 1)
Commitments and contingencies (Note 16);

Approved and authorized by the Board on May 26, 2017:

“Ravi Sood ” Director *“Ian Egan ”* Director

The notes on pages 5 to 17 are an integral part of these consolidated financial statements.

GALANE GOLD LTD.

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

Three month period ended March 31,

	Note		2017		2016
Mining Revenue		$	6,727,699	$	7,349,711
Mining Costs:	15		9,260,983		8,164,604
(Loss) Earnings from mining operations			(2,533,284)		(814,893)
Expenses:					
Exploration costs			34,783		7,371
Foreign exchange (loss) gain			413,853		469,664
Corporate general and administration	15		486,633		514,188
Financing costs	15		489,326		120,988
Other expenses	15		305,472		452,390
			1,730,067		1,564,601
(Loss) Earnings for the period before taxation		$	(4,263,351)	$	(2,379,494)
Taxation	13	$	-	$	-
Net loss and comprehensive loss for the period		$	(4,263,351)	$	(2,379,494)
Attributable to:					
Equity holders of Galane Gold Ltd.		$	(4,263,351)	$	(2,024,677)
Non-controlling interest	5	$	-	$	(354,817)
Net loss and comprehensive loss for the period		$	(4,263,351)	$	(2,379,494)
Basic (loss) earnings per common share	14	$	(0.03)	$	(0.03)
Diluted (loss) earnings per common share	14	$	(0.03)	$	(0.03)
Weighted average number of common shares – basic	14		145,732,833		71,314,422
Weighted average number of common shares – fully diluted	14		145,732,833		71,314,422

The notes on pages 5 to 17 are an integral part of these consolidated financial statements.

GALANE GOLD LTD.

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

Three month periods ended March 31, 2017 and 2016

		Capital Stock		Reserves				
	Notes	**Number**	**Amount**	**Stock based payments**	**Retained Deficit**	**Attributable to Galane Shareholders**	**Non-Controlling Interest**	**Total**
Balance as at December 31, 2015		71,314,442	36,401,916	1,814,369	(16,760,292)	21,455,993	610,811	22,066,804
Stock-based compensation for the period		-	-	47,455	-	47,455	-	47,455
Net loss for the three months ended March 31, 2016		-	-	-	(2,024,677)	(2,024,677)	(354,817)	(2,379,494)
Balance as at March 31, 2016		71,314,442	36,401,916	1,861,824	(18,784,969)	19,478,771	255,994	19,734,765
Balance as at December 31, 2016		145,088,978	37,139,370	2,077,781	(23,195,178)	16,021,973	-	16,021,973
Stock-based compensation for the period	15	-	-	62,213	-	62,213	-	62,213
Deferred Stock Units Issued	14	965,782	164,431	(164,431)	-	-	-	-
Net loss for the three months ended March 31, 2017		-	-	-	(4,263,351)	(4,263,351)	-	(4,263,351)
Balance as at March 31, 2017		146,054,760	37,303,801	1,975,563	(27,458,529)	11,820,835	-	11,820,835

The notes on pages 5 to 17 are an integral part of these consolidated financial statements.

GALANE GOLD LTD.

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

Three month period ended March 31,

	Notes	2017	2016
Cash flows from operating activities:			
Net (loss) earnings for the period		$ (4,263,351)	$ (2,379,494)
Items not involving cash:			
Depreciation and amortization	9	1,288,484	917,836
Share based compensation		62,213	47,455
Accretion – ARO	10	63,108	57,524
Accretion – Short term note	12	166,704	-
Interest expense	15	257,985	63,465
Foreign exchange loss		306,771	177,237
Change in fair value of warrants		1,529	2,473
Deferral of royalties payable	12	340,793	375,352
Working capital adjustments:			
Change in trade and other receivables		15,819	252,916
Change in inventories		2,070,098	783,424
Change in trade and other payables relating to operating activities		511,100	322,344
Cash flows from operating activities		821,253	620,532
Cash flows from investing activities:			
Mining assets acquired	9	(610,600)	(229,761)
Cash flows used in investing activities		(610,600)	(229,761)
Cash flow from financing activities:			
Short term note	12	499,888	-
Interest paid		(11,140)	-
Repayment of interest bearing loans		(265,860)	(60,000)
Capital lease obligations		(17,013)	(31,207)
Cash flows from financing activities		205,875	(91,207)
Increase (Decrease) in cash		416,528	299,564
Effect of unrealized foreign exchange gain on cash		820	10,088
Cash, at January 1		823,741	1,887,179
Cash, at March 31	6	$ 1,241,089	$ 2,196,831

The notes on pages 5 to 17 are an integral part of these consolidated financial statements.

1. Corporate Information and going concern

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

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

For the three months ended March 31, 2017, the Company incurred a net loss of $4.3 million, with operating activities generating a $0.8 million cash inflow. However, as at March 31, 2017, the Company had a working capital deficiency of $13.1 million (December 31, 2016 - $8.5 million). At March 31, 2017, the Company had unrestricted cash of $1.2 million and current assets of $7.5 million.

The Company's liquidity position was adversely impacted by the decline in gold price in late 2016, in conjunction with free cash flow being diverted to capital projects, primarily the Galaxy re-start, which given the current cash constraints has been placed into idle mode. The Company is due to repay the remaining balance of the Samsung financing facility of $1.7 million and commence the repayment of deferred royalties amounting to $3.2 million during the year ended December 31, 2017.

The Company`s ability to continue as a going concern is dependent upon its ability to generate cash flow from operations, renegotiate existing payment terms and, to the extent that this is not sufficient, to obtain additional funding from loans, equity financings or through other arrangements. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. These conditions may cast significant doubt on the validity of the going concern assumption.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Basis of preparation:

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the "Financial Statements") of the Company as at and for the three months ended March 31, 2017 have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

(b) Significant accounting judgments, estimates and assumptions

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The particular areas of estimation uncertainty and critical judgments are outlined in detail in the annual audited consolidated financial statements for the year ended December 31, 2016 (the "Annual Financial Statements").

(c) Basis of consolidation

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

	Country of Incorporation	% equity interest March 31, 2017	Accounting Method
Galane Gold Mines Ltd.	Canada	100%	Consolidation
Mupane Gold Mines Limited	Mauritius	100%	Consolidation
Gallery Gold Pty Ltd.	Australia	100%	Consolidation
Mupane Gold Mining (Pty) Ltd.	Botswana	100%	Consolidation
The Northern Lights Exploration Company (Pty) Ltd.	Botswana	100%	Consolidation
Galaxy Gold Mining Limited	South Africa	100%	Consolidation

The Company's other subsidiaries are Galane Gold Botswana (Pty) Ltd. (Botswana) (100% owned), Galaxy Gold Reefs (PTY) Ltd (100% owned) and Shashe Mines (Pty) Ltd. (Botswana) (85% owned).

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 are prepared for the same reporting period as the Company, using consistent accounting policies.

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

(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.

3. Significant Accounting Policies:

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

4. Future Accounting Policies:

The following new standards and amendments to standards and interpretations which were issued but not yet effective for the quarter ended March 31, 2017, have not been applied in preparing these Financial Statements. They are summarized as follows:

(a) IFRS 9 – Financial instruments
The IASB has issued IFRS 9, Financial Instruments, which is a four-part project proposing to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning or after January 1, 2018. The Company will evaluate the impact of the change to its financial statements based on the characteristics on its financial instruments at the time of adoption.

(b) IFRS 15 – Revenue from Contracts with Customers
In May 2015, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15). The standard replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfer of Assets From Customers” and SIC 31 “Revenue – Barter Transactions Involving Advertising Services”. IFRS 15 is effective for periods beginning on or after January 1, 2018, and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The Company is in the process of evaluating the requirements of the new standard.

(c) IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 “Leases” (“IFRS 16”). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

(d) Amendment to IFRS 2 – Classification and measurement of share based payment transactions
On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

5. Acquisitions:

Galaxy Acquisition:

On November 20, 2015 and December 23, 2015, the Company closed the acquisition of a majority of the issued and outstanding ordinary shares (each, a "Galaxy Share") of Galaxy, a gold mining company with operations in the Mpumalanga Province of South Africa. A wholly-owned subsidiary of the Company acquired approximately 74% of the issued and outstanding Galaxy Shares in exchange for 18,334,492 common shares with an aggregate value of approximately Cdn.$1.1 million, based on a market price of Cdn.$0.07 per common share, and common share purchase warrants exercisable to acquire an aggregate of up to 4,076,598 common shares until November 20, 2017 at Cdn.$0.102 per common share (Cdn.$0.175 before being adjusted as a result of the Rights Offering. See Note 15). The Company had advanced $149,853 to Galaxy before the acquisition to fund working capital upon acquisition this amount has been treated as part of the acquisition cost. The acquisition was accounted for as a business combination.

Mining properties	$	12,526,313
Inventory		59,504
Other current assets		250,300
Cash		2,329
Trade and other payables		(3,309,382)
Interest bearing loans		(6,330,133)
Restoration and rehabilitation provision		(1,539,922)
Net assets	$	1,659,009
Consideration:		
Cash consideration	$	149,853
Share and warrant consideration		
• 18,334,492 common shares		964,465
• 4,076,598 warrants to purchase common shares		113,349
Non-controlling interest (1)		431,342
Acquisition of subsidiary	$	1,659,009

(1) The non-controlling interest was measured at fair value at the date of the acquisition.

The Company then made an offer to all other shareholders of Galaxy to acquire the remaining Galaxy Shares on economically equivalent terms (the "Mandatory Offer"). On November 16, 2016, the Company completed the compulsory acquisition of the remaining holders of Galaxy Shares by the payment of approximately Cdn.$235,000 cash to holders of Galaxy Shares who elected to receive cash consideration under the Mandatory Offer and the issuance of 2,340,094 common shares and common share purchase warrants exercisable to acquire an aggregate of up to 520,016 common shares until November 16, 2018 at Cdn.$0.175 per common share to holders of Galaxy Shares who elected to subscribe for securities of the Company in lieu of cash consideration under the Mandatory Offer. As a result, the Company became the beneficial owner of 100% of the shares of Galaxy.

Acquisition costs:

The Company incurred $192,914 of professional costs that were directly attributable to the Galaxy Acquisition which are included within corporate general and administration on the statement of earnings (loss) and comprehensive earnings (loss) in the year ended December 31, 2015.

6. Financial instruments:

The following table presents the carrying and estimated fair values of the Company's financial instruments.

Financial Assets		Carrying and Fair value March 31, 2017		December 31, 2016
Cash (level 1 of fair value hierarchy [4])	$	1,241,089	$	823,740
Trade and other receivables [1]		1,376,533		1,369,988
	$	2,617,622	$	2,193,728

Financial Liabilities				
Accounts payable and accrued liabilities [2]	$	12,058,589	$	11,384,627
Warrants denominated in a foreign currency (level 2 of fair value hierarchy[4])		144,052		142,523
Loans and borrowings [3]		16,465,481		15,458,498
	$	28,668,122	$	26,985,648

(1) The fair value of trade and other receivables approximates the carrying amount given the short maturity period.
(2) The fair value of accounts payable and accrued liabilities approximates the carrying amount given the short maturity period.
(3) The fair value of loans and borrowings approximates the carrying amount given the short maturity period, and the fair market value rate of interest that it carries.
(4) The levels of the fair value hierarchy are defined as follows:
1. Level 1- there are quoted prices in active markets for identical assets or liabilities.
2. Level 2- there are inputs other than quoted prices that are either directly or indirectly observable for the asset or liability.
3. Level 3- these are inputs that are not based on observable market data.

7. Trade and other receivables

		March 31, 2017		December 31, 2016
Trade receivables	$	540,477	$	394,543
Other receivables		79,278		102,850
Taxes recoverable		364,594		297,525
Prepaid expenses		392,184		575,070
	$	1,376,533	$	1,369,988

8. Inventories

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

	March 31, 2017	December 31, 2016
Gold in process	$ 603,256	$ 1,379,742
Supplies	2,421,328	3,110,903
Ore Stockpiles	1,830,830	2,434,867
	$ 4,855,414	$ 6,925,512

9. Mining assets

The continuity of mining assets for the three months ended March 31, 2017 is as follows:

	Construction in Progress	Mining and Exploration Properties	Plant and Equipment	Total
Cost at December 31, 2016	$ 2,654,539	$ 82,806,525	$ 6,203,247	$ 91,664,311
Additions:				
Additions	(23,923)	634,524	-	610,601
Transfers	(586,386)	-	586,386	-
Cost at March 31, 2017	$ 2,044,230	$ 83,441,049	$ 6,789,633	$ 92,274,912
Accumulated depreciation and amortization at December 31, 2016	$ -	$ (48,327,118)	$ (3,828,517)	$(52,155,635)
Amortization	-	(1,130,069)	(158,415)	(1,288,484)
Accumulated depreciation and amortization at March 31, 2017	$ -	$ (49,457,187)	$ (3,986,932)	$ (53,444,119)
Net book value, March 31, 2017	$ 2,044,230	$ 33,983,862	$ 2,802,701	$ 38,830,793

10. Restoration and rehabilitation provision

		Restoration and rehabilitation provision
At December 31, 2016	$	5,620,295
Revaluation		131,469
Accretion during the three month period ended March 31, 2017		63,108
At March 31, 2017	$	5,814,872

11. Trade accounts payable and accrued liabilities:

		March 31, 2017		December 31, 2016
Trade accounts payable	$	10,087,698	$	9,566,761
Accrued liabilities		1,970,891		1,817,866
	$	12,058,589	$	11,384,627

12. Interest-bearing loans and borrowings:

		March 31, 2017		December 31, 2016
Current				
Mining Royalties (2)	$	4,757,097	$	2,932,110
Secured Facility Mupane (3)		1,713,000		1,990,000
Short Term Note (4)		666,592		-
Shareholder Loans Galaxy (5)		898,892		825,863
Capital lease obligation (6)		506,483		528,977
	$	8,542,064	$	6,276,950
Non-Current				
Debentures (1)	$	5,929,776	$	5,846,976
Mining Royalties (2)		1,585,699		2,932,110
Capital lease obligation (6)		407,942		402,462
	$	7,923,417	$	9,181,548

(1) The Company issued unsecured debentures to certain Galaxy loan holders and other parties as settlement of amounts previously due on the acquisition of Galaxy (Note 5). The terms of the debentures are as follows:

- Initial principal amount - $5,650,268.
- Principal repayment - on November 20, 2019.
- Interest rate - fixed rate of 4% per annum, compounded annually and payable on the principal repayment date.
- $3,249,432 of such principal is convertible into common shares at a price of Cdn.$0.58 per share, based on a pre-determined exchange rate, with interest convertible into common shares, based on a pre-determined exchange rate, at a price equivalent to the greater of Cdn.$1.00 and the Discounted Market Price (as defined by the TSX Venture Exchange) at the time of conversion, subject to acceptance of the TSX Venture Exchange.
- $2,400,836 of such principal is convertible into common shares at a price of Cdn.$0.58 per share, based on a pre-determined exchange rate, with interest convertible into common shares, based on a pre-determined exchange rate, at a price equivalent to the greater of Cdn.$0.58 and the Discounted Market Price (as defined by the TSX Venture Exchange) at the time of conversion, subject to acceptance of the TSX Venture Exchange.

(2) The Government of Botswana has agreed to the deferral of royalties payable on the sale of gold under the following terms:

- Royalties due to June 2016 have been deferred until July 2017
- Repayment of royalties due to June 2016 to commence in July 2017 over 12 months
- Interest to be charged from July 1, 2017 at Bank of Botswana commercial bank prime lending rate plus 5%

The deferral amount is unsecured.

(3) The Company entered into a loan facility and gold prepayment agreement with Samsung C&T UK Ltd dated as of August 22, 2014, as amended in November 2015, February 2017, March 2017 and April 2017. The current terms of the loan facility and the gold prepayment agreement are as follows:

- the remaining schedule of monthly payments is two installments of $138,500, four installments of $277,000 and one monthly instalment of $328,000 in October 2017;
- in each month during the repayment period, Mupane must deliver at least 1,607 ounces of gold at a price for the gold selected by Samsung from any one of the four London Bulletin AM or PM dollar gold fixing prices falling either on the delivery date or on the day immediately following the Delivery Date, less a discount of 1.25%;
- in each month following the repayment period and for such period as gold dore is produced Samsung will have the right to request delivery of all gold dore produced from the Tau ore body and the low grade stockpiles. In each case the price for the gold produced can be selected by Samsung from any one of the four London Bulletin AM or PM dollar gold fixing prices falling either on the delivery date or on the day immediately following the delivery date, less a discount of 2%;
- in each month following the repayment period Samsung has been provided with the right of first refusal to purchase all gold produced from the Company's operations in Botswana on terms that are no more favourable than offered by a third party;
- the rate of interest on the outstanding balance is 3% per annum, compounded annually; and
- the facility is secured by a first charge against the assets of Mupane.

(4) In January 2017, the Company issued an unsecured short term promissory note in the aggregate principal amount of $1,000,000, due July 17, 2017 and bearing interest at a rate of 4% per annum.

(5) There are numerous shareholder loan agreements on the acquisition of Galaxy (Note 5) denominated in South African Rand. The terms of the agreements are:

- the rate of interest is between 15% per annum and South African prime rate plus 6% calculated and compounded monthly; and
- the amounts outstanding are repayable on demand.

(6) The Company acquired one light vehicle in 2014 for use at the mine for total cost of $27,000 and financed the purchase through capital lease obligations. The capital leases are for a term of 36 months, with average monthly payments of $870 per month principal and interest and a final payment of $11,889, with the final payment in June 2017. In addition, the Company acquired a Komatsu Dozer in March 2015 and financed $535,000 of the acquisition costs. The lease term is 48 months with monthly payments of approximately $13,500 per month principal and interest. In December 2016, the Company acquired an Atlas Copco Simba drilling machine and financed $617,000 of the acquisition cost. The lease term is 24 months with monthly payments of approximately $28,616 in principal and interest.

13. Income and Mining Taxes:

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

As a result of the effect of utilization of loss carry forwards available to the Company, the Company reported no income tax expense for the three months ended March 31, 2017 (three months ended March 31, 2016 - $nil). The effective income tax rates vary from the combined Canadian federal and provincial statutory income tax rate of 26.50% for the three months ended March 31, 2017 (three months ended March 31, 2016 – 26.50%) due to the geographical distribution of earnings, which are subject to different tax rates, fluctuations in exchange rates and other non deductible expenses.

14. Share Capital

(a) Authorized share capital:
As at March 31, 2017, the authorized share capital of the Company consisted of an unlimited number of common shares. All issued shares are fully paid.

(b) Issued share capital:
As at March 31, 2017, 146,054,760 common shares are issued and outstanding.

The Company issued 965,782 common shares during the three month period ended March 31, 2017. The shares were issued pursuant to the Company's deferred share unit plan at a weighted average price of C$0.17.

The Company did not issue any common shares during the three month period ended March 31, 2016.

(c) Stock Options:
The Company has a stock option plan whereby options may be granted to directors, officers, employees and consultants. As at March 31, 2017, a maximum of 14,605,476 options to purchase common shares were issuable under the Company's stock option plan, of which 3,565,476 remained available for issuance.

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

	Three months ended March 31, 2017	Three months ended March 31, 2016
Loss attributable to Galane shareholders	$ (4,263,351)	$ (2,024,677)
Weighted average number of common shares outstanding for purposes of basic earnings per share	145,732,833	71,314,442
Dilutive options	-	-
Weighted average number of common shares outstanding for the purpose of diluted earnings per share	145,732,833	71,314,442
Earnings per share		
Basic	$ (0.03)	$ (0.03)
Diluted	$ (0.03)	$ (0.03)

Basic earnings (loss) per share is computed by dividing the earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of outstanding deferred share units and stock options in the weighted average number of common shares outstanding during the period, if dilutive. For Q1 2017 and Q1 2016, all instruments were considered anti-dilutive due to the net loss in the respective periods.

(e) Deferred Share Units
During the period ended March 31, 2017, the Company issued a total of 965,782 shares under the Company's deferred share unit plan at a weighted average price of C$0.17.

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 March 31, 2017, a maximum of 13,262,888 DSUs were issuable under the Company's deferred share unit plan, of which 9,423,844 remained available for issuance.

(f) Warrants:
The following is a summary of warrants outstanding as at March 31, 2017 and changes during the periods then ended:

	Number of Warrants	Weighted Average Exercise Price (Cdn.$)
Balance, March 31, 2016	4,076,598	0.10
Warrants issued November 16, 2016, expiring November 16, 2018	520,016	0.18
Balance, March 31, 2017 and December 31, 2016	4,596,614	0.11

15. Breakdown of loss and comprehensive loss items:

(a) Mining costs

		Three month period ended March 31, 2017	Three month period ended March 31, 2016
Mining and production	$	7,024,729	6,371,528
Administrative		918,740	875,240
Total costs	$	7,943,469	7,246,768
Depreciation and amortization		1,317,514	917,836
	$	9,260,983	8,164,604

(b) Corporate general and administration

		Three month period ended March 31, 2017		Three month period ended March 31, 2016
Professional fees	$	85,310	$	217,837
Corporate administration		339,110		248,896
Share-based compensation		62,213		47,455
	$	486,633	$	514,188

(c) Financing costs

	Three month period ended March 31, 2017	Three month period ended March 31, 2016
Interest on long term debt	$ 257,985	$ 63,465
(Decrease)/Increase in fair value of warrants denominated in foreign currency	1,529	-
Accretion	229,812	57,523
	$ 489,326	$ 120,988

(d) Other expenses

	Three month period ended March 31, 2017	Three month period ended March 31, 2016
Other income	$ (1,478)	$ (1,536)
Galaxy on-going costs	306,950	453,926
	$ 305,472	$ 452,390

16. Commitments and Contingencies

(a) Royalty expenses

Production from the Mupane operation is subject to government royalties (included in mining costs) of 5% of revenues based on market prices at the date of shipment. For the three month period ended March 31, 2017, the Company expensed $340,793 in royalties (2016 - $375,352)

(b) Operating contractual obligations

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

- To be incurred in the remainder of 2017 $257,433
- To be incurred 2018-2020 $1,308,641

(c) Claims

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 amounts have been provided for in the Financial Statements.

17. Segmented information

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

	Canada	South Africa	Botswana	Total
Cash	$36,184	$ 75,238	$ 1,129,667	$ 1,241,089
All other assets	5,453	12,781,977	32,275,310	45,062,740
Balance, March 31, 2017	$ 41,637	$ 12,857,215	$ 33,404,977	$ 46,303,829

18. Related party transactions

During the three months ended March 31, 2017, no related party transactions occurred:

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2017 are as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Salaries	$ 286,824	$ 258,052
Management fees(1)	44,468	30,000
Directors' fees	20,654	21,080
Share-based compensation(2)	62,213	31,168
	$ 414,159	$ 340,300

(1) Management fees represent compensation paid to officers of the Company pursuant to contracts for services.
(2) Share-based compensation is the fair value of options, deferred matching shares and DSUs granted to key management personnel.

19. Subsequent Events

On May 23, 2017, the Company announced that it entered into a letter of intent for the acquisition of all of the outstanding shares of Vantage Goldfields Limited, a gold mining company with operations in the Mpumalanga Province of South Africa.

Options and DSUs

On May 25, 2017, the Company authorized the grant of options to the Chief Financial Officer of the Company. Options to purchase up to 500,000 common shares were authorized for grant with a five year term and an exercise price equal to the closing price of the common shares on the TSX Venture Exchange on May 26, 2017. Such options shall vest according to the following schedule: 10% vest on the award date; 10% vest on the first anniversary of the award date; 15% vest on the second anniversary of the award date; and 32.5% vest on each of the fourth and fifth anniversary of the award date.

On May 25, 2017, the Company authorized the grant of DSUs to the Chief Executive Officer of the Company equal to 25% of his salary (approximately £62,500) and to the Chief Operating Officer of the Company equal to 25% of his salary (approximately $68,000), each determined based on the closing price of the common shares on the TSX Venture Exchange on May 26, 2017. Such DSUs shall vest in three equal instalments on the first, second and third anniversaries of the award date. The DSUs have been awarded based on the achievement of certain key performance indicators for the 2016 financial year as previously approved by the Compensation Committee of the Company in May 2016.