

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

**GALANE GOLD LTD.**

For the three month periods ended March 31, 2022 and March 31, 2021

# GALANE GOLD LTD.

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

As at March 31, 2022 and December 31, 2021

	Notes	March 31, 2022	December 31, 2021 <sup>1</sup>
<b>Assets</b>			
Current assets:			
Cash		523,229	889,561
Trade receivables and other assets	8	705,849	520,942
Inventories	9	666,122	446,786
Assets held for sale	6	17,271,957	18,270,822
		19,167,157	20,128,111
Non-current assets:			
Mining properties and plant and equipment	10	41,066,901	41,198,985
		41,066,901	41,198,985
		60,234,058	61,327,096

## Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities	12	2,607,136	2,532,352
Interest bearing loans and borrowings	13	1,309,196	2,317,484
Liabilities held for sale	6	17,271,956	18,270,821
		21,188,288	23,120,657
Non-current liabilities:			
Restoration and rehabilitation provision	11	3,167,805	2,834,859
Warrants denominated in a foreign currency	15	1,481,785	1,139,262
		4,649,590	3,974,121
Shareholders' equity:			
Share capital	15	58,149,241	58,149,241
Reserves	15	2,756,742	2,744,270
Deficit		(26,509,803)	(26,661,193)
		34,396,180	34,232,318
		60,234,058	61,327,096

<sup>1</sup> The comparative period results have been restated due to the impact of amendments to IAS 16. Refer to Note 5.

Going Concern (Note 2)  
Subsequent Event (Note 19)

Approved and authorized by the Board for issue on May 26, 2022:

“Ravi Sood ” Director “Dino Titaro ” Director

See accompanying notes to the consolidated financial statements.

# GALANE GOLD LTD.

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

	Notes	Three months ended March 31,	
		2022	2021 <sup>1,2</sup>
Mining revenue		4,485,758	883,901
Mining cost	16	2,667,379	1,227,316
Earnings (loss) from mining operations		1,818,379	(343,415)
Expenses:			
Foreign exchange loss		706,992	20,910
Corporate general and administration	16	605,956	779,970
Financing costs	16	458,648	105,888
Other expenses	16	-	412,729
		1,771,596	1,319,497
Earnings (loss) from continuing operations before taxation		46,783	(1,662,912)
Taxation	14	-	-
Net earnings (loss) and comprehensive income (loss) from continuing operations		46,783	(1,662,912)
Net earnings and comprehensive income from Discontinued operations	6	104,607	950,605
Net earnings (loss) and comprehensive income (loss)		151,390	(712,307)
Basic and diluted earnings (loss) per common share from continuing operations	15	0.00	(0.01)
Basic and diluted earnings (loss) per common share from discontinued operations	15	0.00	0.00
Total basic and diluted earning (loss) per common share		0.00	0.00
Weighted average number of common shares – basic	15	356,366,541	254,964,760
Weighted average number of common shares – diluted	15	365,269,356	254,964,760

<sup>1</sup> The results of the Mupane operation, as well as the restated comparative period, have been presented as discontinued operations. Refer to Note 6.

<sup>2</sup> The comparative period results have been restated due to the impact of amendments to IAS 16. Refer to Note 5.

See accompanying notes to the 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, 2022 and 2021

	Notes	Capital Stock		Reserves	Deficit	Total
		Number	Amount	Stock based payments		
<b>Balance as at December 31, 2020</b>		254,964,760	46,215,643	2,848,215	(25,249,428)	23,814,430
Opening retained earnings adjustment – IAS 16	5				15,342	15,342
Stock-based compensation	15	-	-	12,529	-	12,529
Net loss and comprehensive loss for the period		-	-	-	(712,307)	(712,307)
<b>Balance as at March 31, 2021<sup>1</sup></b>		254,964,760	46,215,643	2,860,744	(25,946,393)	23,129,994
Balance as at December 31, 2021 <sup>1</sup>		356,366,541	58,149,241	2,744,270	(26,661,193)	34,232,318
Stock-based compensation	15	-	-	12,472	-	12,472
Net income and comprehensive income for the period		-	-	-	151,390	151,390
<b>Balance as at March 31, 2022</b>		356,366,541	58,149,241	2,756,742	(26,509,803)	34,396,180

<sup>1</sup> The comparative period results have been restated due to the impact of amendments to IAS 16. Refer to Note 5.

See accompanying notes to the consolidated financial statements.

# GALANE GOLD LTD.

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

Three month periods ended March 31, 2022 and 2020

	Notes	Three months ended March 31,	
		2022	2021 <sup>1</sup>
Cash flows from operating activities:			
Net earnings (loss) for the period		46,783	(1,662,912)
Items not involving cash:			
Depreciation and amortization	10	513,660	-
Share based compensation	16	12,472	12,529
Accretion	16	61,579	62,723
Interest expense	16	54,546	43,166
Foreign exchange loss (gain)		554,802	(29,823)
Change in fair value of warrants	15	342,523	-
Deferred financing charges		-	27,354
Working capital adjustments:			
Change in trade and other receivables		(104,068)	87,902
Change in inventories		(169,251)	14,680
Change in trade and other payables		(296,213)	754,446
Cash flows from operating activities			
Continuing operations		1,016,833	(689,935)
Discontinuing operations		305,675	2,336,006
Cash flows from investing activities:			
Mining assets acquired	10	(381,575)	(1,217,257)
Cash flows used in investing activities			
Continuing operations		(381,575)	(1,217,257)
Discontinuing operations		(234,029)	(1,100,075)
Cash flow from financing activities:			
Barak facility repayment and royalty	13	(1,062,731)	(868,589)
Repayment of shareholder loan from discontinued operations			2,422,594
Cash flows from financing activities			
Continuing operations		(1,062,731)	1,554,005
Discontinuing operations		(89,514)	(2,946,964)
(Decrease) Increase in cash			
		(445,341)	(2,064,220)
Effect of unrealized foreign exchange gain on cash		61,141	(1,811)
Cash, at January 1		963,350	4,971,880
Cash, at March 31, of which:		579,150	2,905,849
Continuing operations		523,229	448,295
Discontinuing operations		55,921	2,457,554

<sup>1</sup> The results of the Mupane operation, as well as the restated comparative period, have been presented as discontinued operations. Refer to Note 6.

See accompanying notes to the consolidated financial statements.

# **GALANE GOLD LTD.**

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

For the three months ended March 31, 2022 and 2021

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## **1. Corporate Information**

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

## **2. Going Concern**

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

As at March 31, 2022, the Company had a working capital deficiency (current assets less current liabilities) of \$2.0 million compared to a deficiency of \$3.0 million at December 31, 2021. Earnings from continuing mining operations were \$1.8 million (earnings from discontinuing mining operations were \$0.8 million) for the three months ended March 31, 2022. Cashflow from continuing operating activities was \$1.0 million (cashflow from discontinuing operating activities of \$0.3 million) for the three months ended March 31, 2022. The Company has no material commitments for capital expenditures at the Mupane or Galaxy mines as of March 31, 2022.

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

The Company’s financial position and the ability to generate sufficient positive cash flow from operating activities result in material uncertainties that give rise to significant doubt as to the ability of the Company to continue as a going concern. Because of these uncertainties, there can be no assurance that the measures that management is taking to mitigate the Company’s liquidity position will be successful.

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

## **3. Basis of preparation**

### **(a) Statement of compliance**

The unaudited condensed consolidated interim financial statements (the “Financial Statements”) of the Company as at and for the three months ended March 31, 2022 have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

### **(b) Significant accounting judgments, estimates and assumptions**

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

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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, 2021 (the “Annual Financial Statements”).

## (c) Functional and presentation currency

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

## 4. Significant Accounting Policies

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

## 5. New and amended IFRS Standards that are effective for the current year

### IAS 16 – Property Plant and Equipment

On May 14, 2020, the International Accounting Standard Board (IASB) published the narrow scope amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related costs in profit and loss.

The effective date was for periods beginning on or after January 1, 2022.

The amendments have been applied retrospectively for items of property, plant and equipment that are made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The impact of these amendments has resulted in the following restatements to the comparative period.

- Increased mining properties by \$15,342 as at March 31, 2021;
- Increased shareholders’ equity by \$15,342 as at March 31, 2021;
- Increased mining properties by \$2,541,446 as at December 31, 2021;
- Increased shareholders’ equity by \$2,541,446 as at December 31, 2021;
- Increased revenue by \$883,901 for the three month period ended March 31, 2021;
- Increased mining cost by \$1,227,316 for the three month period ended March 31, 2021; and
- Reduced cash flows from operating activities by \$343,415 and increased cash flows from investing activities by \$343,415 for the three month period ended March 31, 2021.

## 6. Assets held for sale and discontinuing operations

On November 29, 2021, the board of directors approved the disposition of the Company’s interests in Botswana, namely the Mupane gold mine in Botswana (the “Mupane Property” or the “Disposal Group”).

On February 7, 2022, the Company entered into definitive agreements to sell 100% of the issued and outstanding share capital of the Company’s subsidiaries that own the Mupane Property to Hawks Mining Company Proprietary Limited (the “Purchaser”), a company registered under the laws of Botswana and owned by certain individuals forming part of the Company’s local Botswana management team. On May 3, 2022 the disposal of the Mupane Property was completed (see Note 19).

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
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Consequently, all assets and liabilities of the Mupane Property were classified as assets / liabilities held for sale as at March 31, 2022. Measurement of the Mupane Property's net assets at fair value less costs to sell resulted in a loss of \$362,334 which is included in the net loss from discontinued operations.

The carrying amounts of assets and liabilities in the Disposal Group were as follows:

	March 31, 2022
<i>Assets:</i>	
Cash	55,921
Trade receivables and other assets	1,041,498
Inventories	3,800,899
Mining and exploration properties and plant and equipment	12,373,639
	<u>17,271,957</u>
<i>Liabilities:</i>	
Accounts payable and accrued liabilities	8,734,007
Interest-bearing loans and borrowings	5,876,418
Restoration and rehabilitation provision	2,661,531
	<u>17,271,956</u>

The net earnings (loss) from discontinued operations for the three month periods ended March 31, 2022 and 2021 were as follows:

	2022	2021
Mining revenue	7,296,386	10,069,739
Mining cost	(6,512,124)	(9,179,180)
Earnings from mining operations	784,262	890,559
Expenses:		
Foreign exchange (gain) loss	199,303	(143,224)
Corporate general and administration		
Financing costs	118,769	85,946
Impairment	362,334	-
Other expenses (income)	(751)	(2,768)
	<u>679,655</u>	<u>(60,046)</u>
Earnings (loss) from discontinuing operations before taxation	104,607	950,605
Taxation	-	-
Net earnings (loss) and comprehensive income (loss) from discontinuing operations	<u>104,607</u>	<u>950,605</u>

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended March 31, 2022 and 2021

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## 7. Summit Acquisition

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

The aggregate consideration to be paid for the Assets is up to \$17.0 million, of which \$8.8 million has been paid, consisting of (i) cash consideration of \$6.0 million paid on closing of the acquisition; (ii) the issuance to the Seller on closing of the acquisition of 16 million common shares of the Company (“common shares”) at a fair value of C\$0.24 per common share and warrants to purchase up to 16 million common shares exercisable at a price of C\$0.30 per common share for a period of three years from closing; and (iii) cash consideration of \$8.2 million upon commencement of production at the mine.

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

## 8. Trade receivables and other assets

	March 31, 2022	December 31, 2021
Trade receivables	305,589	184,465
Taxes recoverable	77,371	56,956
Prepaid expenses	110,785	70,845
Other receivables	212,104	208,676
	705,849	520,942

## 9. 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, 2022	December 31, 2021
Finished goods	395,196	96,785
Supplies	119,865	282,792
Ore Stockpiles	151,061	67,209
	666,122	446,786

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

For the three months ended March 31, 2022 and 2021

## 10. Mining assets and plant and equipment

The continuity of mining assets for the period ended March 31, 2022 is as follows:

	Mining Properties	Construction in Progress	Plant and Equipment	Total
Cost at December 31, 2021	111,558,265	723,653	16,801,764	129,083,682
Movements:				
Additions	603,415	-	12,190	615,605
Impairment	(362,334)			(362,334)
Cost at March 31, 2022	111,799,346	723,653	16,813,954	129,336,953
Accumulated depreciation and amortization at December 31, 2021	(68,047,024)	-	(7,335,729)	(75,382,753)
Depreciation and amortization	(346,774)	-	(166,886)	(513,660)
Accumulated depreciation and amortization at March 31, 2022	(68,393,798)	-	(7,502,615)	(75,896,413)
Net book value, March 31, 2022				
- continuing	34,083,705	567,911	6,415,285	41,066,901
- held for sale	9,321,843	155,742	2,896,054	12,373,639
	43,405,548	723,653	9,311,339	53,440,540

# GALANE GOLD LTD.

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

For the three months ended March 31, 2022 and 2021

The continuity of mining assets for the year ended December 31, 2021 is as follows:

	Mining Properties	Construction in Progress	Plant and Equipment	Total
Cost at December 31, 2020	93,482,856	11,890,761	7,890,685	113,264,302
Movements:				
IAS 16 Amendment	2,541,446			2,541,446
Additions <sup>(1)</sup>	17,156,124	1,086,323	292,907	18,535,354
Capitalised Interest	450,430	-	-	450,430
Impairment	(5,707,850)			(5,707,850)
Transfers	3,635,259	(12,253,431)	8,618,172	-
Cost at December 31, 2021	111,558,265	723,653	16,801,764	129,083,682
Accumulated depreciation and amortization at December 31, 2020	(65,532,652)	-	(6,313,393)	(71,846,045)
Depreciation and amortization	(2,514,372)	-	(1,022,336)	(3,536,708)
Accumulated depreciation and amortization at December 31, 2021	(68,047,024)	-	(7,335,729)	(75,382,753)
Net book value, December 31, 2021				
- continuing	34,048,902	567,912	6,582,171	41,198,985
- held for sale	9,462,339	155,741	2,883,864	12,501,944
	43,511,241	723,653	9,466,035	53,700,929

## 11. Restoration and rehabilitation provision

At December 31, 2021	2,834,859
Foreign exchange revaluation	271,367
Accretion	61,579
At March 31, 2022	3,167,805

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended March 31, 2022 and 2021

## 12. Trade accounts payable and accrued liabilities

	March 31, 2022	December 31, 2021
Trade accounts payable	2,398,997	2,303,287
Accrued liabilities	208,139	229,065
	<u>2,607,136</u>	<u>2,532,352</u>

Trade payables and accrued liabilities are non-interest bearing.

## 13. Loans and borrowings

	March 31, 2022	December 31, 2021
Current:		
Barak loan facility	1,197,637	2,152,532
Barak royalty	111,559	164,952
	<u>1,309,196</u>	<u>2,317,484</u>

On October 2, 2018, the Company entered into a loan agreement with Barak Fund SPC Limited (“Barak”) with respect to a \$5,000,000 secured loan facility (the “Barak Facility”), for a term ending three years from the date of the first drawdown and bearing interest at a rate of 14% per annum. The funds have been used towards the refurbishment and expansion of the processing facilities and restarting underground mining operations at the Galaxy gold mine in Barberton, South Africa. The Company has agreed to pay to Barak, or its nominee, 0.75% of the net proceeds accruing to Galaxy under an off-take agreement covering the annual gold concentrate production of the Agnes gold mine in Barberton owned and operated by Galaxy, after taking into account all attributable logistics and freight costs, State Royalties (as defined in the Barak Facility) and value-added tax (if applicable). The Company received the funds from drawdown requests totalling \$5,000,000 under the Barak Facility by December 31, 2019. The Company was in breach of certain covenants as at March 31, 2021 and December 31, 2021 and subsequent to the period end was placed in default by Barak (see Note 19). The Barak Facility is guaranteed by the Company and secured by all of the assets of Galaxy and the Company’s subsidiary that indirectly owns those assets.

## 14. 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, 2022 (three months ended March 31, 2021 - \$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, 2022 (three months ended March 31, 2021 – 26.50%) due to the geographical distribution of earnings, which are subject to different tax rates, fluctuations in exchange rates, changes in unrecognized deferred tax assets and other non-deductible expenses.

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended March 31, 2022 and 2021

## 15. Share Capital

### (a) Authorized share capital:

As at March 31, 2022, 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, 2022, 356,366,541 common shares are issued and outstanding.

On April 8, 2021 the Company completed a private placement of 44,028,700 subscription receipts at a price of C\$0.22 per subscription receipt. Upon completion of the Summit Acquisition on May 19, 2021, each subscription receipt holder received one common share and one common share purchase warrant of the Company (a "SR Warrant"). Each SR Warrant entitles the holder thereof to purchase one common share at a price of C\$0.30, for a period of three years following the closing of the Summit Acquisition. As partial consideration for the Summit Acquisition, the Company issued an additional 16,000,000 common shares at a fair value of C\$0.24 per common share, and warrants to purchase up to 16,000,000 common shares on the same terms as the SR Warrants.

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

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

On November 11, 2021, the Company issued 23,844,897 common shares pursuant to the conversion of \$2,649,433 of principal amount of debenture.

### (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, 2022, a maximum of 35,636,654 options to purchase common shares were issuable under the Company's stock option plan, of which 30,136,654 remained available for issuance.

The following is a summary of stock options outstanding as at March 31, 2022 and December 31, 2021 along with changes during the periods then ended:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Balance December 31, 2020	12,700,000	\$ 0.10
Options granted	(5,200,000)	0.12
Options forfeited	(2,000,000)	0.12
Balance December 31, 2021	5,500,000	0.09
Balance March 31, 2022 <sup>(1) (2)</sup>	5,500,000	\$ 0.09

<sup>(1)</sup> The weighted average time to expiration for outstanding options is 2.2 years. The range of exercise price is Cdn.\$0.085 to Cdn.\$0.125.

<sup>(2)</sup> As at March 31, 2022, 2,250,000 options were exercisable (December 31, 2021 – 2,250,000).

# GALANE GOLD LTD.

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

For the three months ended March 31, 2022 and 2021

## (d) Earnings (loss) per share:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Earnings (loss) attributable to Galane Shareholders		
- Continuing operations	46,783	(1,662,912)
- Discontinuing operations	104,607	950,605
Weighted average number of common shares outstanding for purposes of basic earnings per share	356,366,541	254,964,760
Dilutive deferred share units	7,170,046	-
Dilutive options	1,732,769	-
Weighted average number of common shares outstanding for the purpose of diluted earnings per share	365,269,356	254,964,760
Earnings (loss) per share		
- Continuing operations – Basic and Diluted	0.00	(0.01)
- Discontinuing operations – Basic and Diluted	0.00	0.00

The calculation of earnings (loss) per share is based on the following data: Basic earnings (loss) per share is computed by dividing the earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of outstanding deferred share units, warrants and stock options in the weighted average number of common shares outstanding during the period, if dilutive. For the three months ended March 31, 2022, the dilutive impact of these instruments has been recognised, while for the three months ended March 31, 2021 all instruments were anti-dilutive.

## (e) Deferred Share Units

The Company has established a deferred share unit plan whereby deferred share units (“DSUs”) may be granted to directors, officers, employees and consultants. As at March 31, 2022, a maximum of 13,262,888 DSUs were issuable under the Company’s deferred share unit plan, of which 4,967,060 remained available for issuance.

During the three month period ended March 31, 2022, the Company did not issue any shares under the Company’s deferred share unit plan.

## (f) Warrants:

The following is a summary of warrants outstanding as at March 31, 2022 and December 31, 2021 and changes during the periods then ended:

	Number of Warrants	Weighted Average Exercise Price (CDN\$)
Balance, December 31, 2020	-	-
Issued	63,077,302	0.30
Balance, December 31, 2021	63,077,302	0.30
Balance, March 31, 2022	63,077,302	0.30

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

For the three months ended March 31, 2022 and 2021

The outstanding warrants have expiry dates between May 19, 2023 and May 19, 2024

The following is a summary of the value of the warrants outstanding as at March 31, 2022 and December 31, 2021 and changes during the periods then ended:

	Warrants denominated in a foreign currency (\$)
Balance, December 31, 2020	-
Exercised	5,643,823
Revaluation at exercise date	(4,504,561)
Balance, December 31, 2021	1,139,262
Revaluation at balance date	342,523
Balance, March 31, 2022	1,481,785

## 16. Breakdown of costs

### (a) Mining costs

	Three months ended March 31, 2022	Three months ended March 31, 2021
Mining and production	1,443,118	939,282
Administrative	710,601	288,034
Total	2,153,719	1,227,316
Depreciation and amortization	513,660	-
	2,667,379	1,227,316

### (b) Corporate and General Administration

	Three months ended March 31, 2022	Three months ended March 31, 2021
Professional Fees	259,512	332,390
Share Based Compensation	12,472	12,529
Corporate Administration	333,972	435,051
	605,956	779,970

# GALANE GOLD LTD.

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## (c) Financing (income) costs

	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest on long term debt	54,546	43,165
Increase in fair value of warrants denominated in foreign currency	342,523	-
Accretion	61,579	62,723
	458,648	105,888

## (d) Other expenses

	Three months ended March 31, 2022	Three months ended March 31, 2021
Other expenses (income)	-	27,354
Galaxy pre-start costs	-	385,375
	-	412,729

## 17. Related party transactions

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2022 are as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Salaries	265,908	379,225
Management fees <sup>(1)</sup>	44,197	45,589
Directors fees	28,878	28,517
Share-based compensation <sup>(2)</sup>	12,472	12,529
	351,455	465,860

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

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

On August 13, 2020, the Company entered into loan agreements with its CEO, COO and former CFO (the "Executives") as partial compensation for the services provided by the Executives in 2019. The loans are non-interest bearing, non-recourse loans with a term of three years. Pursuant to the terms of the loan agreements, the Executives used the proceeds of the loans to exercise 4,563,000 warrants held by the Executives. The shares issued to the Executives on exercise of the warrants are held by the Company as security for the outstanding loan balance. In February 2022, the Company settled C\$118,482 of the loans with certain Executives. The loan receivable balance at March 31, 2022 is C\$109,668.

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## 18. Segmented information

The Company operates in one reportable segment, being the exploration, development and operation of gold mining properties. All of the Company's equipment and mining assets are located in the Republic of Botswana (Assets held for sale), North America and the Republic of South Africa. A breakdown of the total assets by geographic segment is as follows:

	North America	South Africa	Botswana (Assets held for sale)	Total
Cash	52,823	470,406	55,921	579,150
All other assets	11,629,274	30,809,598	17,216,036	59,654,908
Balance, March 31, 2022	11,682,097	31,280,004	17,271,957	60,234,058

## 19. Subsequent Events

On May 3, 2022, the Company completed its disposition of the Mupane Property through the sale of 100% of the issued and outstanding share capital of Mupane Gold Mining (Proprietary) Limited and Galane Gold Botswana (Proprietary) Limited to certain members of the Mupane Property's management team.

On May 23, 2022, the Company was notified by Barak that it was in default under the Barak Facility (see Note 13) as a result of non-compliance of certain obligations. The Company is in discussions with Barak to remedy these breaches.