

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2015

Dated: April 29, 2016.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Galane Gold Ltd. ("Galane" or the "Company") was prepared by management as at April 29, 2016. Throughout this MD&A, unless otherwise specified, "Galane", "the Company", "we", "us" or "our" refer to Galane Gold Ltd. and its subsidiaries and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2015 (the "Financial Statements").

The Financial Statements have been prepared by management and have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All amounts are expressed in U.S. dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

The Company's certifying officers are responsible for ensuring that the Financial Statements and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's certifying officers certify that the Financial Statements together with the other financial information included in the Financial Statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company as the date of and for the periods presented in the Financial Statements.

The Audit Committee and the Board of Directors provide an oversight role with respect to all public financial disclosures by the Company. The Board of Directors approves the Financial Statements and MD&A after the completion of its review and recommendation for approval by the Audit Committee, which meets periodically to review all financial reports, prior to filing.

Certain statements contained in this MD&A constitute "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, proposed acquisitions, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to: the Company's dependence on two mineral projects; gold price volatility; risks associated with the conduct of the Company's mining activities in Botswana and South Africa; regulatory, consent or permitting delays; risks relating to the Company's exploration, development and mining activities being situated in Botswana and South Africa; risks relating to reliance on the Company's management team and outside contractors; risks regarding mineral resources and reserves; the Company's inability to obtain insurance to cover all risks, on a commercially reasonable basis or at all; currency fluctuations; risks regarding the failure to generate sufficient cash flow from operations; risks relating to project financing and equity issuances; risks arising from the Company's fair value estimates with respect to the carrying amount of mineral interests; mining tax regimes; risks arising from holding

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FORWARD-LOOKING STATEMENTS (continued...)

derivative instruments; the Company's need to replace reserves depleted by production; risks and unknowns inherent in all mining projects, including the inaccuracy of reserves and resources, metallurgical recoveries and capital and operating costs of such projects; contests over title to properties, particularly title to undeveloped properties; 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 Company's interactions with surrounding communities and artisanal miners; the Company's ability to successfully integrate acquired assets; risks related to restarting production; the speculative nature of exploration and development, including the risks of diminishing quantities or grades of reserves; development of the Company's exploration properties into commercially viable mines; stock market volatility; conflicts of interest among certain directors and officers; lack of liquidity for shareholders of the Company; risks related to the market perception of junior gold companies; and litigation risk. See "Risks and Uncertainties" below. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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

CORPORATE OVERVIEW

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

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OUTLOOK

Certain information set out in this section is forward looking information and is based on a number of risks and assumptions, including those related to gold price volatility, delays in production, regulatory risk, currency fluctuations, integrating successfully new acquired assets and risks and uncertainties inherent with all mining operations. For more details please see above under "Forward-Looking Statements" and below under "Risks and Uncertainties".

Mupane Property

The Company continues to carry out its improvement and exploration plan in Botswana, with a focus on the optimisation of the mining operations and the expansion of the resource base.

The Company completed a new five year mine plan for the Mupane Property in 2015 which will form the guide for the Company's short term goals and long term strategy. The Company intends to utilize the following resources during 2016:

- Tau Underground – the Company has previously disclosed its intention to exploit the reported measured and indicated mineral resources of approximately 128,600 ounces of gold for Tau through underground mining. The Company commenced stoping in August 2015 in the Eastern mineralised body which will continue for approximately six months. Development will continue in some instances through reef to reach the main mineralised body which lies under the current open pit. It is currently anticipated that the Company will commence stoping on the main mineralised body in Q3 2016. It is estimated that the Company will process approximately 200,000 tonnes at an average grade of 2.4 grams per tonne ("g/t") with the grade increasing when the Company reaches the main mineralised body. While developing underground the Company intends to commence exploration to attempt to confirm the extension of the Tau mineralised body at depth.
- Low Grade Stockpiles – the Company will process approximately 700,000 tonnes of low grade stockpile at an average grade of 0.80 g/t, which is located at the run-of-mine pad at the processing plant. The stockpiles being used form part of the 1.4 million tonnes of low grade stockpiles which the Company reviewed during 2015.
- Tekwane – the Company will continue to selectively strip mine the high grade areas and will use a screening plant at the mine site to reduce the tonnage and increase the potential grade to be delivered to the plant. The Company is planning to process approximately 23,000 tonnes at an average grade of 2.3 g/t.

The Mupane Property mine plan is subject to change according to the prevailing gold price. The Company will adopt the appropriate plan for that prevailing gold price environment.

The Mupane processing plant continues to focus on on-going stabilisation and optimisation of the processing operations. There are no major plant projects scheduled at the Mupane Property for 2016 as the Company believes it has implemented all material optimisation projects.

Galaxy Property

On November 20, 2015, the Company closed the acquisition of a majority of the issued and outstanding ordinary shares of Galaxy Gold Mining Limited ("Galaxy"), a gold mining company with operations in the Mpumalanga Province of South Africa which owns the Galaxy Property. For the remainder 2015, the Company prepared a short term plan to refurbish the existing plant, construct a new tailings retreatment facility and recommence underground mining operations at the Galaxy Property. Implementation of the plan is subject to the Company raising sufficient funds, which the Company is currently targeting to do in Q2 2016.

- Plant refurbishment – the plant is a standard crush, mill, float and carbon in leach ("CIL") with a capacity of 15,000 tonnes per month. To refurbish the whole plant the Company estimates that it will take three months and material parts of the refurbishment will be a new crusher, maintenance of the conveyors, a new ball mill gearbox, relining tanks, new gearboxes and agitators for the CIL plant, complete refurbishment of the elution plant and a new cyanide plant.

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OUTLOOK (Continued...)

- Tailings retreatment facility – the Company plans to build a CIL plant within the footprint of the existing plant to process 25,000 tonnes per month of tailings material. It is estimated that the construction of the plant will take four months from commencement. It will involve the construction of six CIL leach tanks, a CIL feeding section, carbon recovery plant and the associated civils.
- Underground – the underground operations have been maintained to a good standard while under care and maintenance. Operations underground can be recommenced within a month of commencement with minor refurbishment to the tramming infrastructure, new hoppers, increased ventilation, a new compressor and refurbishment of the electrical cabling. The Company intends to use the same mining contractor it uses at Mupane and they will provide the necessary underground labour and mining equipment.

The short term plan will process material from three sources:-

- Giles and Woodbine – Giles has a measured and indicated mineral resource of 898,268 tonnes at 3.94 g/t and Woodbine 614,813 tonnes at 3.82 g/t. Mining will be done using the reef over hand method in stopes that have already been developed. It is estimated that in the first year of mining 20,000 tonnes at an average grade of 3.0 g/t can be mined taking into account dilution.
- Princeton – Princeton has a measured and indicated mineral resource of 1,094,862 tonnes at 4.87 g/t. Mining will be long hole stoping using trackless mining equipment. It is estimated that it will take up to five months to undertake the necessary development to restart operations and annual production from then on will be in the region of 135,000 tonnes at 4.5 g/t based on the Company's internally generated mine plan.
- Tailings – next to the existing plant are the Hostel East and West Dumps which contain 1,443,397 tonnes at 0.79 g/t. These will be sluiced to the plant with feed going to the new tailings retreatment facility and into the existing plant to fill the plant as required.

The short term plan estimates that in steady state annual production will be approximately 17,000 ounces of gold.

Work has already commenced on an expansion plan to take annual production up to 60,000 ounces of gold over nine years with the expansion commencing in year three after commencement of the short term plan. It is currently envisaged that the Company will commence a desk stop study first the results of which will then be used to support a pre-feasibility study to be completed within two years.

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DISCUSSION OF OPERATIONS

For the three months and the year ended December 31, 2015

The following is an analysis of the Company's operating results for the three months ended December 31, 2015 ("Q4 2015") and the year ended December 31, 2015 ("2015").

Operating activity:

Commentary regarding the Company's operating activity during Q4 2015 and 2015 follows:

Mining

The following table sets forth certain key mining statistics for the Mupane Property for 2014 and 2015:

		2015				2015	2014				2014
		Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1	
Mupane (Tholo, Kwena, & Tawana)	Ore (t)	-	702	5,211	88,488	94,401	47,137	104,597	117,959	102,071	371,764
	Grade (g/t)	-	1.27	1.20	1.45	1.43	1.75	1.68	1.92	2.19	1.91
	Waste (t)	-	1,680	6,838	207,051	215,569	163,120	488,305	436,016	816,759	1,904,200
Mupane (Tau)	Ore (t)	37,316	25,580	21,487	9,234	93,617	1,956	2,647	3,384	-	7,987
	Grade (g/t)	3.02	3.18	1.84	2.49	2.74	3.20	3.27	2.85	-	3.07
	Waste (t)	25,521	29,419	21,878	21,320	98,138	30,130	25,627	6,886	-	62,643
Golden Eagle	Ore (t)	-	-	48,605	-	48,605	71,988	64,860	15,100	1,106	153,054
	Grade (g/t)	-	-	1.36	-	1.36	1.43	1.64	1.66	1.58	1.54
	Waste (t)	-	-	234,463	-	234,463	376,375	649,249	525,005	369,729	1,920,358
Tekwane and Shashe Pencils	Ore (t)	19,440	21,164	13,634	-	54,238	-	-	671	993	1,664
	Grade (g/t)	0.40	0.52	0.50	-	0.47	-	-	2.92	4.04	3.59
	Waste (t)	11,956	33,909	25,996	-	71,861	-	-	9,019	5,187	14,206
Tailing Dump Material	Ore (t)	-	-	-	-	-	-	30,201	12,709	17,270	60,180
	Grade (g/t)	-	-	-	-	-	-	1.25	0.70	1.50	1.21
	Waste (t)	-	-	-	-	-	-	-	-	-	-

The Company has operated four mining operations at the Mupane Property during 2015. They are:

- Tholo and Kwena - in Q4 2015, the Company ceased mining at Tholo and Kwena (Q4 2014 – 47,137 tonnes at 1.75 g/t). The Company completed mining in Tholo pit in Q1 2015 and in Kwena in Q3 2015. In 2015, 94,401 tonnes of ore at 1.43 g/t were mined, which is a reduction compared to 2014 due to the closure of the Tholo and Kwena open pit.
- Tau – the Company continued development of the Tau underground in Q4 2015 with 37,316 tonnes at 3.02 g/t being mined (Q4 2014 – 1,956 tonnes at 3.20 g/t). The increase during Q4 2015 is a result of the Company commencing stoping in Q3 2015. 2015, 93,617 tonnes at 2.74 g/t were mined compared to 7,987 tonnes at 3.07 g/t in 2014 with the increase due to the same reason.
- Golden Eagle – the Company ceased mining at Golden Eagle in Q3 2015 (Q4 2014 – 71,988 tonnes of ore at 1.43 g/t). In Q3 2015, the cancellation of mining was a result of the poor gold price making the current pit un-economic. In 2015, 48,605 tonnes of ore were mined at 1.36 g/t and 153,054 tonnes of ore at 1.54 g/t in 2014.
- Tekwane and Shashe Pencils - in Q4 2015, the Company continued strip mining at Tekwane and mined 19,440 tonnes of ore at 0.40 g/t. The Company screens at the site to increase the grade and reduce the tonnage to be transported to site. In 2015, 54,238 tonnes of ore at 0.47 g/t were mined. In 2014, 1,664 tonnes of ore at 3.59 g/t were mined from the Shashe Pencils which are no longer mined.

The reduction in the total amount mined is consistent with the current mine plan as the Company transitions from open pit mining to underground mining. The Company continues to process low grade stockpiles which are situated next to the plant to supplement feed.

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DISCUSSION OF OPERATIONS (continued...)

Processing

The following table sets forth certain key processing statistics at the Mupane Property for 2014 and 2015:

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Ore milled (000 t)	216	228	206	159	810	176	200	181	188	745
Head grade (g/t)	1.30	1.37	1.08	1.41	1.29	1.51	1.68	1.58	1.96	1.69
Recovery (%)	75.5%	76.0%	67.2%	69.9%	72.1%	70.6%	76.0%	73.7%	78.8%	76.0%
Gold production (oz.)	6,825	7,637	4,829	5,030	24,321	6,044	8,206	7,195	9,346	30,791

Gold production in Q4 2015 was 6,825 ounces compared to 6,044 ounces in Q4 2014. The grade and recovery in Q4 2015 of 1.30 g/t and 75.5% was lower than the grade and better than the recovery in Q4 2014. In Q4 2015, a higher proportion of the ore milled was from the low grade stockpiles. Processing and gold production in Q4 2014 was effected by the failure of the trunion end on the ball mill in September which meant it had to be stopped. The ball mill was fully operational again in December 2014. The ball mill creates a fine grind required to assist in recovery of gold from sulphide ores and as such the Company saw a fall in the recovery rate in Q4 2014.

Gold production in 2015 was 24,321 ounces compared to 30,791 ounces in 2014. The grade and recovery in 2015 of 1.29 g/t and 72.1% was lower than the grade and recovery in 2014. During 2015, a higher proportion of the ore milled was from the low grade stockpiles. The reduction in the amount milled in 2014 was because of the SAG mill motor failure, with 745,196 tonnes milled in 2014 compared to 809,827 tonnes in 2015.

For both the Q4 2015 and 2015 the reduction in production is consistent with the current mine plan as the Company transitions from open pit mining to underground mining.

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DISCUSSION OF OPERATIONS (continued...)

Revenue and earnings from mining operations

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

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Revenue (000)	\$ 6,759	\$ 8,533	\$ 5,173	\$ 5,765	\$ 26,230
Gold sold (oz.)	6,484	7,483	5,098	5,140	24,205
Earnings (Loss) from mining operations (000)	\$ (4,279)	\$ (32)	\$ (2,571)	\$ (1,336)	\$ (8,218)
Earnings from mining operations (\$/oz.) ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -
Operating cash cost excluding royalties (\$/oz.) ⁽¹⁾	\$ 823	\$ 875	\$ 1,457	\$ 1,270	\$ 1,039

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Revenue (000)	\$ 7,789	\$ 9,461	\$ 10,773	\$ 12,437	\$ 40,460
Gold sold (oz.)	6,370	7,479	8,308	9,596	31,753
Earnings (Loss) from mining operations (000)	\$ 706	\$ 977	\$ 224	\$ 2,578	\$ 4,485
Earnings from mining operations (\$/oz.) ⁽¹⁾	\$ 110	\$ 131	\$ 27	\$ 269	\$ 141
Operating cash cost excluding royalties (\$/oz.) ⁽¹⁾	\$ 1,101	\$ 886	\$ 1,201	\$ 764	\$ 965

Note:

(1) Earnings from mining operations per ounce and operating cash cost excluding royalties per ounce are non-GAAP measures. See "Supplemental Information to Management's Discussion and Analysis".

In the three months ended December 31, 2015, the Company generated \$6.8 million in revenue from the sale of 6,484 ounces of gold plus incidental silver at an average combined price of \$1,090 per ounce and loss from mining operations of \$4.3 million. This compares to \$7.8 million in revenue from the sale of 6,370 ounces of gold plus incidental silver at an average combined price of \$1,223 per ounce and earnings from mining operations of \$0.7million in Q4 2014.

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DISCUSSION OF OPERATIONS (continued...)

The reason for the change in earnings from mining operations from Q4 2015 to Q4 2014 is a result of several factors:

- Gold sales for Q4 2015 were 114 ounces more than in Q4 2014. This was offset with a reduction in the average gold price achieved between the two quarters of \$133 per ounce. As a result, revenue was \$0.7 million less in Q4 2015.
- Mining costs in Q4 2015 were \$2.6 million compared to \$2.5 million in Q4 2014.
- Processing costs were \$3.4 million in both quarters. The actual tonnes milled increased from 175,960 tonnes in Q4 2014 to 216,172 tonnes in Q4 2015, but this did not reflect in the costs. This was due to using ore sources with less consumable consumption.
- General and administration costs in Q4 2015 were \$0.3 million compared to \$1.2 million in Q4 2014. An adjustment was made in Q4 2015 to reverse over provision for staff costs which had been reduced during the year.
- Depreciation and amortization of \$0.6 million were also recognized in Q4 2015 compared to \$nil in Q4 2014. The nil depreciation in Q4 2014 was as a result of a reconciliation of asset life versus actual life depreciated.
- In Q4 2015, a de-recognition of stripping costs of \$3.9 million was expensed for pre-stripping costs that had been capitalized as the decision has been made by management of the Company that it will not recommence open pit mining at Golden Eagle.

As a result of the above factors the operating cash cost per ounce (excluding royalties) in Q4 2015 was \$823 compared to \$1,101 per ounce in Q4 2014.

For the year ended December 31, 2015, the Company generated \$27.8 million in revenue from the sale of 24,205 ounces of gold plus incidental silver at an average combined price of \$1,148 per ounce (the table above shows the revenue and ounces sold after the offset of \$1.6 million (1,342 ounces) against capital expenditures for Tau underground) and a loss from mining operations of \$8.2 million. This compares to \$40.5 million in revenue from the sale of 31,753 ounces of gold plus incidental silver at an average combined price of \$1,274 per ounce and earnings from mining operations of \$4.5 million for 2014.

The reason for the change in earnings from mining operations from 2015 to 2014 is a result of several factors:

- Gold sales for 2015 were 7,548 ounces less than in 2014. This was coupled with a reduction in the average gold price achieved between the two years of \$126 per ounce. As a result revenue was \$14.0 million less in 2015. The reasons for the reduction in ounces sold are discussed under "Mining" and "Processing" above.
- For 2015 revenue was decreased by \$1.6 million (1,342 ounces) that were offset against the capital costs of the Tau underground development costs as Tau was not in commercial production until Q3 2015 (YTD 2014 - \$nil)
- Mining costs for 2015 were \$9.1 million compared to \$10.6 million for 2014, with the main variance being explained by the reduction in volume mined.
- Processing costs decreased to \$14.9 million for 2015 from \$16.5 million for 2014. The actual tonnes milled increased from 745,195 tonnes in 2014 to 809,827 tonnes in 2015. Savings were made to fixed costs during the year and the change in ore sources reduced consumable consumption.
- General and administration costs for 2015 were \$3.8 million compared to \$4.8 million for 2014, as a result of cost saving initiatives introduced by the Company during 2015.
- Depreciation and amortization of \$2.9 million were also recognized for 2015 compared to \$4.0 million for 2014 with the decrease consistent with the reduced ounces produced in 2015.
- De-recognition of stripping costs charge of \$3.9 million was recorded in 2015 compared to nil in 2014. For additional information, see "De-recognition of stripping costs" below.

As a result of the above factors the operating cash cost per ounce (excluding royalties) for 2015 was \$1,039 compared to \$965 per ounce in 2014.

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DISCUSSION OF OPERATIONS (continued...)

De-recognition of stripping costs

	Three months ended December 31, 2015	2015	Three months ended December 31, 2014	2014
Mining and Exploration Property	\$ 3,893,479	\$ 3,893,479	\$ -	\$ -
	\$ 3,893,479	\$ 3,893,479	\$ -	\$ -

During the fourth quarter of 2015 the Company concluded that future mining operations at its Golden Eagle resource would use underground mining methods. The Company had historically operated Golden Eagle as an open pit and had recorded an asset of \$3,893,479 in relation to stripping costs. As the Company no longer intends to operate an open pit at Golden Eagle it made the decision that the change in mining method required a de-recognition of the stripping costs. As a result, the Company recorded a charge of \$3,893,479 within mining costs in the consolidated statement of earnings (loss).

Earnings

The Company's earnings comprised of:

	Q4 2015	2015	Q4 2014	2014
Income from mining operations	\$(4,279,263)	\$ (8,218,651)	\$ 706,182	\$ 4,484,813
Exploration costs	(4,309)	(115,725)	(31,350)	(116,713)
Corporate general and administrative costs	(506,967)	(1,892,351)	(691,780)	(2,164,298)
Stock-based compensation	(107,276)	(370,890)	(105,548)	(346,630)
Foreign exchange (loss) gain	2,522,985	3,022,957	511,529	722,271
Interest on long term debt	(162,651)	(370,328)	(57,947)	(174,809)
Other (expenses) income	24,231	(245,655)	55,300	(562,460)
Other financing income (costs)	(83,754)	(322,857)	276,209	34,434
	\$(2,597,004)	\$ (8,513,499)	\$ 662,595	\$ 1,876,608

Included in 2015 "other expenses" is a cost of \$0.3 million for staff retrenchment costs in relation to the reorganization of administration staff and in 2014 included \$0.3 million for staff retrenchment costs. Also included in 2014 "other expenses" is a loss on disposal of \$0.3 million which relates to the disposal of redundant mining equipment no longer utilized by the Company.

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DISCUSSION OF OPERATIONS (continued...)

Corporate general and administration costs includes the following:

	Q4 2015	2015	Q4 2014	2014
Professional Fees	\$ 129,229	\$ 291,608	\$ 263,456	\$ 654,502
Management fees to officers	269,099	1,156,879	242,363	951,198
Investor relations	2,696	96,607	49,707	109,028
Corporate general and administration	105,943	347,257	136,254	449,570
	\$ 506,967	\$1,892,351	\$ 691,780	\$2,164,298

SUMMARY OF FINANCIAL POSITION

Selected Consolidated Statement of Financial Position Data:

	December 31, 2015 \$	September 30, 2015 \$	June 30, 2015 \$	March 31, 2015 \$
Total current assets	11,476,338	12,595,640	15,336,093	13,294,047
Total current liabilities	14,248,390	9,737,844	13,072,175	11,500,247
Working capital	(2,772,052)	2,857,796	2,263,918	1,793,800
Mining assets	36,804,499	28,224,050	27,224,835	31,106,556
Non-current liabilities	11,965,643	7,921,121	5,738,207	5,943,231
Total shareholders' equity	22,066,804	23,160,725	23,750,546	26,957,125

	December 31, 2014 \$	September 30, 2014 \$	June 30, 2014 \$	March 31, 2014 \$
Total current assets	17,828,377	17,803,595	16,329,277	17,211,476
Total current liabilities	11,303,250	9,398,810	8,931,132	7,768,542
Working capital	6,525,127	8,404,785	7,398,145	9,442,934
Mining assets	29,391,948	28,723,466	27,128,311	25,115,168
Non-current liabilities	7,103,470	9,082,789	6,390,290	5,819,343
Total shareholders' equity	28,813,606	28,045,462	28,136,166	28,738,759

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SUMMARY OF FINANCIAL POSITION (Continued...)

The acquisition of Galaxy in Q4 2015 had a significant impact on the financial position of Galane. See "Galaxy Acquisition".

In Q4 2015, the Company decreased working capital by \$5.7 million from the end of Q3 2015. The decrease in working capital was mainly due to the following movements:

- an increase in accounts payable of \$2.1 million of which \$2.9 million relates to the acquisition of Galaxy offset by a reduction at Mupane;
- an increase in the current portion of interest bearing loans of \$2.5 million:
 - \$4.5 million of short term debt acquired from Galaxy of which \$3.9 million has been converted to long term debt after the year end (see "Subsequent Events")
 - offset by \$2.0 million rescheduling of the repayment terms of the Samsung facility;
- a decrease in cash balance of \$1.0 million:
 - operating cash inflow after working capital of \$0.5 million;
 - acquisition of mining assets of \$1.1 million which includes \$0.9 million on Tau underground development; and
 - \$0.4 million used in financing activities of which \$0.2 million was used on the acquisition of Galaxy.

In Q4 2015, non-current liabilities increased by \$4.1 million from Q3 2015 as a result of:

- an increase in interest bearing loans of \$3.6 million
 - \$2.0 million as a result of the rescheduling of the Samsung facility
 - \$1.6 million of debentures issued by Galane to reschedule current debt acquired as part of the Galaxy transaction;
- restoration and rehabilitation provision increased by \$0.3 million with the acquisition of Galaxy adding an additional liability of \$1.5 million offset by a foreign exchange revaluation of \$1.2 million; and
- \$0.1 million of warrants to purchase Common Shares of the Company were issued as part of the Galaxy acquisition

Mining assets increased in Q4 2015 by \$8.4 million, with \$0.9 million of expenditures incurred in connection with the infrastructure and development for Tau underground and \$12.4 million incurred as a result of the acquisition of the Galaxy Property, which was offset by a \$3.9 million impairment of Golden Eagle stripping costs.

For 2015, the Company decreased working capital by \$9.3 million from 2014. The decrease in working capital was mainly due to the following movements:

- an increase in accounts payable of \$1.9 million of which \$2.9 million relates to the acquisition of Galaxy offset by a reduction of \$1.0 million at Mupane;
- an increase in the current portion of interest bearing loans of \$1.0 million:
 - \$4.5 million of short term debt acquired from Galaxy of which \$3.9 million has been converted to long term debt after the year end (see "Subsequent Events")
 - offset by \$1.8 million rescheduling of the repayment terms of the Samsung facility and \$1.7 million as a result of rescheduling royalty repayments;
- a decrease in cash balance of \$7.8 million:
 - operating cash inflow after working capital of \$2.3 million;
 - acquisition of mining assets of \$7.3 million which includes \$5.2 million on Tau underground development; and
 - \$2.7 million used in financing activities of which \$2.0 million was used to repay the Samsung facility.
- a reduction in trade payables and other receivables of \$1.0 million mainly due to a receivable on an insurance claim in 2014 paid in 2015; and
- an increase in current inventories of \$2.4 million due to a reclassification of long term stockpiles to current assets.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2015

SELECTED ANNUAL INFORMATION

	December 31, 2015	December 31, 2014	December 31, 2013
Mining Revenue:	\$ 26,229,491	\$ 40,460,334	\$ 53,819,642
Mining Costs:			
- Cash	(27,697,446)	(31,932,040)	(52,048,012)
- Non-Cash – Depreciation, Asset Retirement Obligation and Impairment	(6,750,676)	(4,043,481)	(26,053,985)
	(8,218,651)	4,484,813	(24,282,355)
Corporate General and administration:			
- Cash	(1,892,352)	(2,164,298)	(2,704,030)
- Share-based compensation	(370,890)	(346,630)	(103,926)
	(2,263,242)	(2,510,928)	(2,807,956)
Earnings (Loss) from operations	\$ (10,481,893)	\$ 1,973,885	\$ (27,090,311)
Other (expenses) income	1,968,394	(97,277)	119,761
Net (loss) earnings before taxation	\$ (8,513,499)	\$ 1,876,608	\$ (26,970,550)
Attributable to:			
Non-controlling interest	179,469	-	-
Equity holders of Galane	\$ (8,692,968)	\$ -	\$ -
Per share			
- Basic	\$ (0.16)	\$ 0.04	\$ (0.57)
- Fully diluted	\$ (0.16)	\$ 0.03	\$ (0.57)

The information in the above table is prepared in accordance with IFRS. All amounts are expressed in U.S. dollars.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2015

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended			
	December 31, 2015 \$	September 30, 2015 \$	June 30, 2015 \$	March 31, 2015 \$
Revenue	6,758,292	8,533,141	5,173,304	5,764,755
Mining costs				
- Cash	(6,375,977)	(8,247,589)	(6,661,557)	(6,412,343)
- Non-cash (depreciation, amortization and impairment)	(4,661,579)	(317,779)	(1,083,030)	(688,288)
Total mining costs	(11,037,556)	(8,565,368)	(7,744,587)	(7,100,631)
Non Mining Expenses	1,682,260	(607,741)	(735,876)	(633,492)
(Loss) earnings	(2,597,004)	(639,968)	(3,307,159)	(1,969,368)
(Loss) earnings per share				
- Basic	(0.05)	(0.01)	(0.06)	(0.04)
- Fully diluted	(0.05)	(0.01)	(0.06)	(0.04)
Total assets at end of quarter	48,280,837	40,819,690	42,560,928	44,400,603
Total liabilities at end of quarter	26,214,033	17,658,965	18,810,382	17,443,478
Total equity at end of quarter	22,066,804	23,160,725	23,750,546	26,957,125

	Three months ended			
	December 31, 2014 \$	September 30, 2014 \$	June 30, 2014 \$	March 31, 2014 \$
Revenue	7,789,117	9,460,910	10,773,110	12,437,196
Mining costs				
- Cash	(7,080,697)	(6,724,357)	(9,422,080)	(8,704,905)
- Non-cash (depreciation, amortization and impairment)	(2,238)	(1,759,397)	(1,127,055)	(1,154,791)
Total mining costs	(7,082,935)	(8,483,754)	(10,549,135)	(9,859,696)
Non Mining Expenses	(43,587)	(1,189,257)	(918,916)	(456,445)
Earnings (loss)	662,595	(212,101)	(694,941)	2,121,055
Earnings (loss) per share				
- Basic	0.01	(0.00)	(0.01)	0.04
- Fully diluted	0.01	(0.00)	(0.01)	0.04
Total assets at end of quarter	47,220,325	46,527,061	43,457,588	42,326,644
Total liabilities at end of quarter	18,406,721	18,481,599	15,321,422	13,587,885
Total equity at end of quarter	28,813,604	28,045,462	28,136,166	28,738,759

Note:

(1) Information for all periods is presented in accordance with IFRS and in U.S. dollars.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2015

ACQUISITIONS

Galaxy Acquisition:

On November 20, 2015, the Company closed the acquisition of a majority of the issued and outstanding ordinary shares (each, a "Galaxy Share") of Galaxy Gold Mining Limited ("Galaxy"), a gold mining company with operations in the Mpumalanga Province of South Africa. The Company has also made an offer to all other shareholders of Galaxy to acquire the remaining Galaxy Shares on economically equivalent terms (the "Mandatory Offer").

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 price of Cdn.\$0.07 per Common Share, and common share purchase warrants ("Warrants") exercisable to acquire an aggregate of up to 4,076,598 Common Shares for a period of two years at Cdn.\$0.175 per Common Share. 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 preliminary allocation of the purchase price to assets and liabilities acquired is provided below. Final valuations of assets and liabilities are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. The preliminary allocation is subject to adjustment with the final allocation to be completed in 2016.

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)
<hr/>	
Net assets	\$ 1,659,009
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Consideration:	
Cash consideration	\$ 149,853
Share and warrant consideration	
• 18,332,492 common shares	964,465
• 4,076,598 warrants to purchase Common Shares	113,349
Non-controlling interest	431,342
Acquisition of subsidiary	\$ 1,659,009

Galaxy contributed no revenue and a pre-tax income of \$690,265 (largely due to unrealized foreign exchange gains) for the period from November 20, 2015 to December 31, 2015. On a pro-forma basis, if the Galaxy Acquisition had occurred at January 1, 2015, Galaxy would not have contributed to the consolidated revenue, an operating profit of \$234,565 to the consolidated operating loss of the Company. This pro-forma consolidated financial statement information is not intended to be indicative of the results that actually would have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated, and is subject to change as a result of finalization of the valuation of the net assets acquired. Any potential synergies that may be realized and integration costs that may be incurred have been excluded from this pro forma financial information.

The Company incurred \$192,914 of professional costs that were directly attributable to the Galaxy Acquisition.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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MINERAL RESOURCE UPDATE

On January 26, 2016, the Company filed a National Instrument 43-101 ("NI 43-101") technical report (the "Technical Report") for the Galaxy Property. The Technical Report titled "A Technical Report on the Galaxy Gold Mine, Mpumalanga Province, South Africa" issued on January 4, 2016 with an effective date of September 1, 2015 was prepared by Minxcon (Pty) Ltd and approved by Daniel van Heerden, B Eng (Min.), MCom (Bus. Admin.), Pr. Eng., FSAIMM, AMMSA, a Qualified Person as defined by NI 43-101. The report was reviewed by the Directors of Minxcon (Pty) Ltd, specifically, Daniel van Heerden; Uwe Engelmann, BSc (Zoo. & Bot.), BSc Hons (Geol.), Pr.Sci.Nat., MGSSA; Dario Clemente, NHD (Ext. Met.), GCC, BLDP (WBS), MMMA, FSAIMM; and Johan Odendaal, BSc (Geol.), BSc (Min. Econ.), MSc (Min. Eng.), Pr.Sci.Nat., FSAIMM, MGSSA, all of whom are Qualified Persons as defined by NI 43-101 and independent of the Company for the purposes of NI 43-101. The Technical Report is available for review under the Company's profile on SEDAR (www.sedar.com) and on the Company's website (www.galanegold.com).

Mineral Resource and Mineral Reserve Estimates

The mineral resources for Galaxy Property are summarized below and have been classified in accordance with the requirements of The Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended ("CIM") and NI 43-101:

Summarised Galaxy Property Mineral Resources as at August 31, 2015

Mineral Resource Category	Tonnes t	Grade Au g/t	Content Au Oz
Measured mineral resource	1,876,126	3.37	203,435
Indicated mineral resource	4,350,781	2.85	399,261
Measured and Indicated	6,226,907	3.01	602,696
Inferred mineral resource	8,095,521	3.40	886,199

Notes:

1. Mineral resource estimation was carried out by Mr. P. Obermeyer of Minxcon (BSc Hons (Geol.), Pr.Sci.Nat.) under supervision of and verified by Mr. U. Engelmann, as qualified person of the Technical Report.
2. The inferred mineral resources have a large degree of uncertainty as to their existence and whether they can be mined economically or legally.
3. Only mineral resources lying within the legal boundaries are reported.
4. Mineral resources are inclusive of mineral reserves.
5. Mineral resources are declared at cut-offs: Galaxy, Woodbine, Giles, Golden Hill, Princeton, Pioneer & Tiger Trap, Ivy shaft Pillar, Ivy to Agnes 3-11 Level = 1.8 g/t; Agnes Top = 1.00 g/t; surface dumps = 0.30 g/t.
6. All figures are in metric tonnes.
7. 1 kg = 32.15076 oz.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2015

MINERAL RESOURCE UPDATE (Continued...)

The mineral reserves for Galaxy Property are illustrated in the table below and have been classified in accordance with the requirements of CIM and NI 43-101:

Summarised Galaxy Property Mineral Reserve Statement as at August 31, 2015

Mineral Reserve Category	Tonnes t	Grade Au g/t	Content Au Oz
Probable Mineral Reserves	1,457,322	3.37	169,586
Total Mineral Reserves	1,457,322	3.37	169,586

Notes:

1. Tonnages refer to tonnes delivered to the metallurgical plant.
2. All figures are in metric tonnes.
3. 1 kg = 32.15076 oz.
4. Different dilution, recovery and mine call factor applied to each ore body and tailings storage facility.
5. Pay limits calculated: USD/oz. = \$1,130 and exchange rate of ZAR11.70/\$1.00.

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 the MD&A will be converted to mineral reserves. There is also no guarantee that any of the inferred mineral resources will be upgraded to measured or indicated mineral resources. Information of a technical and scientific nature that forms the basis of the disclosure in the MD&A has been approved by Charles Byron Pr. Sci. Nat., MAusIMM., MGSSA and Chief Geologist of Galane, and a "qualified person" as defined by National Instrument 43-101.

EXPLORATION

On the tenements covering the Tati greenstone belt, Jim's Luck, which forms part of the Mupane Property, was granted a mining licence on June 22, 2015 for a period of five years, and all prospecting and mining licences are in good standing.

LIQUIDITY AND CAPITAL RESOURCES

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

In order to fund the business activities intended in its current business plan, management expects that the Company's mining operations will continue to provide positive cash flow from its operations that is more than sufficient to support its corporate expenses, capital expenditure requirements and exploration activities. As described above under "Summary of Financial Position", at December 31, 2015, the Company had a working capital deficiency of \$2.7 million and generated \$2.3 million in cash flow from operations for the year ended December 31, 2015. A continuation of the positive cash flows from operations is expected to provide sufficient capital to the Company to fund annual operating expenses, repayment of all outstanding facilities, capital commitments budgeted and the exploration program contemplated until the end of 2016. To assist short term liquidity, after year end, the Company issued \$3.2 million in convertible debentures which mature in November 2019 in exchange for short term debt. If the debentures had been issued prior to the year end, the Company would have had positive working capital in the amount of \$1.2 million. In addition, in March 2016, the Company announced a rights offering. A fully subscribed rights offering is expected to generate gross proceeds of approximately Cdn.\$713,000. See "Subsequent Events".

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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LIQUIDITY AND CAPITAL RESOURCES (continued...)

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

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

ENVIRONMENTAL DISCUSSION

The mining activities of the Company can give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation work can include land rehabilitation and site restoration. The extent of work required and the associated costs are dependent on the requirements in the local jurisdiction and the interpretations of the requirements by relevant authorities.

Provision for the cost of the Company's restoration and rehabilitation program is recognized at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass obligated and reasonably estimable restoration and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate restoration and rehabilitation activities such as waste material handling conducted as an integral part of a mining or production process are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation that is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are the ones most appropriate for the location of the mine. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements. As at December 31, 2015, the amount reflected in the Company's restoration and rehabilitation provision is \$4.8 million (on an undiscounted basis, the total payments are estimated at \$5.9 million) which was calculated by an independent contractor.

The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognized as part of finance costs. Potential changes in the laws and regulations could have an adverse risk on the actual restoration costs that the Company could incur in the future.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, interest bearing loans and borrowing, and warrants denominated in foreign currencies. The fair value of the Company's trade and other receivables, and accounts payable and accrued liabilities approximate their carrying value, which is the amount disclosed on the balance sheet dates due to their short-term maturities or ability of prompt liquidation. Cash, under the fair value hierarchy, is based on level-one quoted prices in active markets for identical assets or liabilities. The Company's other financial instruments, specifically interest bearing loans and borrowings and warrants denominated in foreign currency are recorded at amortized cost using the effective interest rate method.

Strategic and operational risks are risks that arise if the Company fails to identify opportunities and/or threats arising from changes in the markets in which the Company operates. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory developments and competitor actions. These risk factors are more fully addressed under the "Risks and Uncertainties" section of this MD&A.

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. The Company currently has no trade receivables for the purchase of the gold it produces, and other receivable balance consists of amounts outstanding on tax credits from governmental authorities, each of which are expected to be paid in the near term at face value. The Company's exposure to credit risk is minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2015, the Company had a cash, gold inventory and receivables balance of \$11,476,338 (December 31, 2014 - \$17,828,377) to settle current liabilities of \$14,248,390 (December 31, 2014 - \$11,303,250). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. See "Liquidity and Capital Resources" section for further commentary on the Company's liquidity risks.

Interest risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in market risk.

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

Market risk is the risk that the fair values or future cash flows of the Company will fluctuate because of changes in market commodity rates. The Company's efforts are currently focused on the production of gold. As such, the Company's future cash flows and valuation of its future mineral assets will be exposed to market risk on the price fluctuations of gold as a commodity.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2015

ISSUED AND OUTSTANDING SHARE CAPITAL

The Company's authorized capital consists of an unlimited number of Common Shares, of which 71,314,442 Common Shares are issued and outstanding as of the date of this MD&A.

The Company adopted a stock option plan (the "Option Plan"). Under the terms of the Option Plan, officers, directors, employees and consultants are eligible to receive grants of stock options to purchase Common Shares for a period of up to ten years from the date of grant, provided that the number of Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Common Shares at the date of the grant. As of the date of this MD&A, subject to the terms of the Option Plan, options to purchase 3,255,000 Common Shares are outstanding and options to purchase 3,876,444 Common Shares are available for grant.

The Company adopted a share purchase plan ("SPP") on June 12, 2012. Under the terms of the SPP, each participating officer, director, or employee that has been employed with the Company or its subsidiaries for at least six months is entitled to receive the matching number of Common Shares acquired pursuant to the SPP at no cost to such officer, director or employee. Subject to certain conditions, such deferred matching shares will be issued to the participating officers, directors or employees over a three-year period following the date of the purchase of the qualifying shares. As of the date of this MD&A, the participating officers, directors and employees of the Company are entitled to be issued, subject to the terms of the SPP, an additional aggregate of 120,000 deferred matching shares.

The Company adopted a deferred share unit plan (the "DSU Plan") on June 3, 2014. Subject to adjustment in certain circumstances, the maximum aggregate number of Common Shares that may be reserved for issuance pursuant to the DSU Plan is 5,266,062 Common Shares. As of the date of this MD&A, subject to the terms of the DSU Plan, participating officers, directors, employees and consultants of the Company may be issued an aggregate of up to 3,629,044 Common Shares pursuant to deferred share units awarded under the DSU Plan.

The Company is obligated to issue up to 7,375,000 additional Common Shares to the shareholders of Northern Lights Exploration Pty. ("NLE"), on a pro rata basis, if by July 27, 2018 certain exploration milestones are met within the NLE properties in the Tati Greenstone Belt in Botswana (the "NLE Properties").

In connection with the Galaxy Acquisition, the Company issued the Warrants. See "Galaxy Acquisition".

DEBENTURES

The Company also issued approximately \$1.7 million aggregate principal amount of unsecured convertible debentures (the "Galaxy Debentures") to settle outstanding debt or contractual obligations owed by Galaxy and its subsidiary Galaxy Gold Reefs (Pty) Ltd. The Galaxy Debentures mature on November 20, 2019 and bear 4% interest per annum, accrued and paid at maturity. The principal is convertible at maturity into Common Shares, based on a pre-determined exchange rate of \$1.00: Cdn.\$1.30, at a price of Cdn.\$1.00 per share. The interest payable on maturity is convertible into Common Shares, based on a pre-determined exchange rate of \$1.00: Cdn.\$1.30, at a price per share equivalent to the greater of Cdn.\$1.00 and the Discounted Market Price (as defined by the TSX Venture Exchange), subject to acceptance of the TSX Venture Exchange. Subsequent to year end, the Company issued additional Galaxy Debentures in the approximate principal amount of \$0.68 million. See "Subsequent Events". The conversion price of the principal and interest and the resulting number of Common Shares issuable upon conversion of the Galaxy Debentures are subject to standard anti-dilution adjustment provisions and therefore, upon the completion of the Rights Offering (as defined below), the conversion price will be adjusted downward and the number of Common Shares issuable on conversion will be adjusted upward. Subsequent to year end, the Company also issued the Traxys Debentures (as defined below). See "Subsequent Events".

GALANE GOLD LTD.
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TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2015 and 2014, the following related party transactions occurred:

- Charles Byron, a director of the Company:
 - In 2014, Mr Byron was issued 660,000 Common Shares that were payable pursuant to the acquisition of NLE;
 - The Company paid rent of \$10,968 for office premises to Great African Services (Pty) Ltd., a company owned by a consortium of individuals that includes Charles Byron (2014 - \$10,968);
- IAMGOLD, a shareholder that held in excess of 20% of the Common Shares of the Company:
 - In 2014, the Company paid to IAMGOLD \$2,533,333 in cash representing the final payment on its interest bearing note; and
 - the Company paid \$191,978 to IAMGOLD representing the final interest payable on its interest bearing note.
- Wayne Hatton-Jones, the Chief Operating Officer of the Company and the General Manager of Mupane
 - Mr. Hatton-Jones was a shareholder of Galaxy at the time of the Galaxy Acquisition. In connection with the Galaxy Acquisition, Mr. Hatton-Jones received 1,229,515 Common Shares and 273,378 Warrants. Mr. Hatton-Jones continues to hold shares of Galaxy and may therefore sell his remaining Galaxy Shares pursuant to the Mandatory Offer.

NEW AND AMENDED ACCOUNTING POLICIES ADOPTED BY THE COMPANY

The following accounting standards are to be adopted in the future:

(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, with early adoption permitted. 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 2014, 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, permits early adoption, 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.

GALANE GOLD LTD.
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For the year ended December 31, 2015

(c) IAS 16 – Property, Plant and Equipment and IAS 38

In May 2014, the IASB issued amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets. The amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. The amendments clarify the factors in assessing the technical or commercial obsolescence and the resulting depreciation period of an asset and state that a depreciation method based on revenue is not appropriate. The Company is in the process of evaluating the requirements of the new standard.

(d) 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.

COMMITMENTS

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

(a) Royalty expenses

Production from the Mupane operation is subject to third party royalties (included in mining costs) of 5% of revenues based on market prices at the date of shipment. For the year to December 31, 2015, the Company accrued \$1,397,381 in royalties (2014 - \$2,016,395).

(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 2016	\$310,060
• To be incurred in 2017	\$259,069
• To be incurred 2018-2019	\$882,698

(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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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RISKS AND UNCERTAINTIES

There are a number of risk factors that could cause future results to differ materially from those described herein. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business.

Risk Factors relating to the Business of Galane

Galane depends on two mineral projects

The Mupane Property and the Galaxy Property are the Company's only material properties, and account for all of the Company's current mineral resources and reserves and the potential for the future generation of revenue under the current work program. Any adverse development affecting the progress of the Mupane Property or the Galaxy Property such as, but not limited to, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, hiring suitable personnel and engineering contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on the Company's financial performance and results of operations.

Gold price volatility may affect the future production, profitability, financial position and financial condition of the Company

The development and success of the Mupane Property and the Galaxy Property are primarily dependent on the future price of gold. Gold prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold and other precious metals has fluctuated widely in recent years and declined dramatically in 2013, and future serious price declines could cause continued development of, and commercial production from, the Company's properties to be impracticable or uneconomic. Depending on the price of gold, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue development and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on gold prices that are adequate to make these properties economically viable.

Furthermore, reserve calculations and life-of-mine plans using lower gold prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges. In addition to adversely affecting the Company's mineral reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Fluctuations in gold prices may materially adversely affect the Company's financial performance or results of operations. If the world market price of gold was to drop and the prices realized by the Company on gold sales were to decrease and remain at such a level for any substantial period, the profitability of the Company and cash flow would be negatively affected. The world market price of gold has fluctuated widely during the last several years. If the market price of gold falls and remains below production costs of the Company's mining operations for a sustained period, losses would be sustained, and, under certain circumstances, there may be a curtailment or suspension of some or all of its mining and exploration activities. The Company would also have to assess the economic impact of any sustained lower gold prices on recoverability and, therefore, the cut-off grade and level of the

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Company's gold mineral reserves and resources. These factors could have an adverse impact on the Company's production estimates, future cash flows, earnings, results of operations, stated mineral reserves and financial condition.

Foreign investments and operations are subject to numerous risks associated with operating in foreign jurisdictions

The Company conducts its mining, development and exploration activities in Botswana and South Africa. The Company's foreign mining investments are subject to the risks normally associated with the conduct of business in foreign countries. The occurrence of one or more of these risks could have a material and adverse effect on the Company's profitability or the viability of its affected foreign operations, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Risks may include, among others, labour disputes, invalidation of governmental orders and permits (including permits necessary for executives and key employees to work in Botswana and South Africa), corruption, uncertain political and economic environments, sovereign risk, war (including in neighbouring states), civil disturbances and terrorist actions, arbitrary changes in laws or policies of particular countries, the failure of foreign parties to honour contractual relations, corruption, foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by the government of Botswana or government of South Africa or by their respective court systems. These risks may limit or disrupt the Company's operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

The economies and political systems of Botswana and South Africa should be considered by investors to be less predictable than those in countries in which the majority of investors are likely to be resident. The possibility that the current, or a future, government may adopt substantially different policies, take arbitrary action which might halt production, extend to the re-nationalization of private assets or the cancellation of contracts, the cancellation of mining and exploration rights and/or changes in taxation treatment cannot be ruled out, the happening of any of which could result in a material and adverse effect on the Company's results of operations and financial condition.

The Company may experience regulatory, consent or permitting delays

The business of mineral exploration, project development, mining and processing is subject to various national and local laws and plans relating to: permitting and maintenance of title; environmental consents; taxation; employee relations; heritage/historic matters; health and safety; royalties; land acquisition; and other matters.

There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, project development, or mining may not be obtained under conditions or within time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

The Company's exploration, development and mining activities are situated entirely in two countries

The Company conducts its exploration, development and mining activities entirely in Botswana and South Africa. Galane believes that the Government of Botswana and the Government of South Africa support the development of natural resources. There is no assurance that future political and economic conditions in Botswana and South Africa will not result in their respective governments adopting different policies respecting foreign development and ownership of mineral resources. Any such change in policy may result in changes in laws affecting ownership of assets, land tenure and mineral concessions, taxation, royalties, rates of exchange, environmental protection, labour relations,

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repatriation of income and return of capital, which may affect both the Company's ability to undertake exploration and development activities in respect of future properties as well as its ability to continue to explore, develop and mine those properties in respect of which it has obtained mineral exploration rights to date.

The Company relies on its management team and outside contractors, and the loss of one or more of these persons may adversely affect Galane

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management and outside contractors. The Company's management team is concentrated on a small number of key employees. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors. Galane does not have in place formal programs for succession of management and training of management, nor does it hold key person insurance on these individuals. The loss of one or more of these key employees or contractors, if not replaced, could adversely affect the Company's profitability, results of operations and financial condition. Certain executives and key employees of the Company require permits to work and reside in Botswana or South Africa. There is no guarantee that the Government of Botswana or the Government of South Africa, as applicable, will grant such permits, or if granted, that such permits will be renewed or not revoked.

Galane's insurance coverage does not cover all of its potential losses, liabilities and damages related to its business and certain risks are uninsured or uninsurable

Galane's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes or slowdowns, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment or laws, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Galane's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover certain risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Galane or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, labour force disruptions, unavailability of materials and equipment, weather conditions, pit wall failures, rock bursts, groundfalls, slope failures, cave-ins, flooding, seismic activity, water conditions and gold bullion losses and other natural or man-provoked incidents that could affect the mining of ore, most of which are beyond the Company's control. These risks and hazards could result in: damage to, or destruction of, mineral properties or production facilities; personal injury or death; environmental damage; delays in mining; and monetary losses and possible legal liability. As a result, production may fall below historic or estimated levels and the Company may incur significant costs or experience significant delays that could have a material adverse effect on the Company's financial performance, liquidity and results of operations. To minimize risks in these areas, the Company provides training programs for employees and has joint management-worker committees to review work practices and environment.

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Currency fluctuations may affect the costs that the Company incurs in its operations

The revenue from financing activities may be received in Canadian dollars while a significant portion of its operating expenses will be incurred in United States dollars, Botswana Pulas, South African Rand and other foreign currencies. From time to time, the Company will borrow funds and will incur capital expenditures that are denominated in foreign currency. Gold is sold throughout the world, based principally on a U.S. dollar price, but as stated above, a significant portion of the Company's operating expenses are incurred in non-U.S. dollar currencies. The appreciation of non-U.S. dollar currencies in those countries where the Company has mining, exploration and/or development operations against the U.S. dollar would increase the costs of gold production at such operations which could materially and adversely affect the Company's profitability, results of operation and financial position.

Failure to generate sufficient cash flow from operations to fund the Company's capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production.

To fund growth, Galane may depend on securing the necessary capital through loans or other forms of permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company and its projects. In addition, a portion of Galane's activities is directed to the search for and the development of new mineral deposits. The Company may be required to seek additional financing to maintain its capital expenditures at planned levels. Galane will also have additional capital requirements to the extent that it decides to expand its present operations and exploration activities or construct additional new mining and processing operations or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may arise. Financing may not be available when needed or, if available, may not be available on terms acceptable to the Company. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production.

In order to finance future operations and development efforts, Galane expects to have sufficient cash flow from operations, but may raise funds through project financing or the issue of Common Shares or the issue of securities convertible into Common Shares.

The constating documents of Galane allow it to issue, among other things, an unlimited number of Common Shares for such consideration and on such terms and conditions as may be established by the directors of the Company, in many cases, without the approval of shareholders. The Company cannot predict the size of future issues of Common Shares or the issue of securities convertible into Common Shares or the effect, if any, that future issues and sales of the Common Shares will have on the market price of the Common Shares. Due to recent market volatility, there may be an increased risk of dilution for existing shareholders should Galane need to issue additional Common Shares at a lower share price to meet its capital requirements. Any transaction involving the issue of previously authorized but unissued Common Shares or securities convertible into Common Shares, would result in dilution, possibly substantial, to the then current shareholders.

The Company's fair value estimates with respect to the carrying amount of mineral interests are based on numerous assumptions and may differ significantly from actual fair values.

Periodically, the Company evaluates the carrying amount of mineral interests to determine whether the effect of current events and circumstances indicate such carrying amount may no longer be supportable, which becomes more of a risk in the global economic conditions that exist currently. The fair values of its reporting units are based, in part, on certain factors and assumptions that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair value of the Company's reporting units to their carrying values. The Company's fair value estimates are based on numerous assumptions and may differ from actual realizable values and these differences may be significant and could have a material effect on the Company's financial position and/or results of operation. If the Company fails to achieve its valuation assumptions or if any of its reporting units experiences a decline in its fair value, then this may result in an impairment charge, which would reduce the Company's earnings.

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Mining tax regimes in foreign jurisdictions are subject to differing interpretations and may be vulnerable to sudden changes.

Mining tax regimes in foreign jurisdictions may be subject to different interpretations and may be subject to sudden changes. In some cases, fiscal stability guarantees are in place which provide a measure of protection. Galane's interpretation of taxation law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and the Company's operations may be assessed, which could result in significant additional taxes, penalties and interest.

The use of derivative instruments involves certain inherent risks including credit risk, market liquidity risk and unrealized mark-to-market risk.

Galane may from time to time employ hedge (or derivative) products in respect of commodities, interest rates and/or currencies. Hedge (or derivative) products are generally used to manage the risks associated with, among other things, mineral price volatility, changes in commodity prices, interest rates, foreign currency exchange rates and energy prices. Where Galane will hold such derivative positions, the Company will deliver into such arrangements in the prescribed manner. The use of derivative instruments involves certain inherent risks including: (a) credit risk — the risk of default on amounts owing to the Company by the counterparties with which the Company has entered into such transactions; (b) market liquidity risk — the risk that Galane has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and (c) unrealized mark-to-market risk — the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in Galane incurring an unrealized mark-to-market loss in respect of such derivative products.

In the case of a gold option based forward sales program, if the metal price rises above the price at which future production has been committed under an option based forward sales hedge program, Galane may have an opportunity loss. If the metal price falls below that committed price under an option based forward sales hedge program, revenues will be protected to the extent of such committed production. There can be no assurance that the Company will be able to achieve future realized prices for metal prices that may exceed the option based forward sales hedge program.

Galane's mineral reserves and mineral resources are estimates, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of gold will be produced.

Reserves are statistical estimates of mineral content and ore based on limited information acquired through drilling and other sampling methods and require judgmental interpretations of geology. Successful extraction requires safe and efficient mining and processing. Galane's mineral reserves and mineral resources are estimates, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of gold will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or formations may be different from those predicted. Further, it may take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a discovery may change. Mineral resource estimates for properties that have not commenced production are based, in many instances, on limited and widely spaced drill hole information, which is not necessarily indicative of the conditions between and around drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained. It cannot be assumed that all or any part of Galane's mineral resources constitute or will be converted into reserves. Market price fluctuations of gold, as well as increased production and capital costs or reduced recovery rates, may render Galane's proven and probable reserves unprofitable to develop at a particular site or sites for periods of time or may render mineral reserves containing relatively lower grade mineralisation uneconomic. Moreover, short-term operating factors relating to the mineral reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause mineral reserves to be reduced or Galane to be unprofitable in any particular accounting period. Estimated reserves may have to be recalculated based on actual production experience. Any of these factors may require the Company to reduce its mineral reserves and resources, which could have a

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negative impact on the Company's financial results. Failure to obtain necessary permits or government approvals could also cause Galane to reduce its reserves. There is also no assurance that Galane will achieve indicated levels of gold recovery or obtain the prices for gold production assumed in determining the amount of such reserves. Level of production may also be affected by weather or supply shortages.

Inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

The Company must continually replace reserves depleted by production to maintain production levels over the long term.

Galane must continually replace reserves depleted by production to maintain production levels over the long term. The life-of-mine estimates for the Mupane Property and the Galaxy Property are based on a number of factors and assumptions and may prove to be incorrect. In addition, mine life would be shortened if production is expanded. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions. Exploration is highly speculative in nature. The Company's exploration projects involve many risks and may be unsuccessful. Once a site with mineralisation is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base of Galane may decline if reserves are mined without adequate replacement and the Company may not be able to sustain production beyond the current mine life, based on current production rates.

Feasibility studies may be used to determine the economic viability of a deposit. Many factors are involved in the determination of the economic viability of a deposit including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and the estimate of future gold prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the gold from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result the Company cannot give assurance that its development or exploration projects will become operating mines. If a mine is developed, actual operating results may differ from those anticipated, thereby impacting on the economic viability of the project.

The ability of the Company to sustain or increase its present levels of gold production is dependent in part on the success of its projects, which are subject to numerous known and unknown risks.

The ability of Galane to sustain or increase its present levels of gold production is dependent in part on the success of its projects. Risks and unknowns inherent in all projects include: the accuracy of reserve estimates; metallurgical recoveries; capital and operating costs of such projects; and the future prices of the relevant minerals. Projects have no operating history upon which to base estimates of future cash flow. The capital expenditures and time required to develop new mines or other projects are considerable and changes in costs or construction schedules can affect project economics. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated. Actual costs and economic returns may differ materially from the Company's estimates or the Company could fail to obtain the governmental approvals necessary for the operation of a project, in which case, the project may not proceed, either on its original timing, or at all.

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The validity of mining interests held by Galane can be uncertain and may be contested, and there can be no assurance that Galane will continue to be able to compete successfully with its competitors in acquiring such properties and assets or in attracting and retaining skilled and experienced employees.

The validity of mining interests held by Galane can be uncertain and may be contested. Acquisition of title to mineral properties is a very detailed and time-consuming process, and the Company's title to its properties may be affected by prior unregistered agreements or transfers, or undetected defects. Several of the Company's licenses will need to be renewed, and on renewal the license may cover a smaller area. There is a risk that Galane may not have clear title to all of its mineral property interests, or they may be subject to challenge or impugned in the future. Although the Company has attempted to acquire satisfactory title to its properties, some risk exists that some titles, particularly title to undeveloped properties, may be defective. A successful challenge to Galane's title to its properties could result in the Company being unable to operate on its properties as anticipated or being unable to enforce its rights with respect to its properties which could have a material and adverse effect on the Company. Galane competes with other mining companies and individuals for mining interests on exploration properties and the acquisition of mining assets, which may increase its cost of acquiring suitable claims, properties and assets, and the Company also competes with other mining companies to attract and retain key executives and employees. There can be no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties and assets or in attracting and retaining skilled and experienced employees. The mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tires and skilled labour and these shortages have caused unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

Galane is subject to risks and expenses related to reclamation costs and related liabilities.

Galane is generally required to submit for governmental approval a reclamation plan (some of which are reassessed on regular basis) and to pay for the reclamation of its mine sites upon the completion of mining activities. The Company estimates the net present value of future cash outflows reclamation costs at all properties under IFRS at approximately \$4.8 million as at December 31, 2015 based on information available as of that date. Any significant increases over the current estimates of these costs could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

The operations of Galane are carried out in geographical areas which lack adequate infrastructure and are subject to various other risk factors.

Mining, processing, development, and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, and water supply are important determinants which affect capital and operating costs. Lack of such infrastructure or unusual or infrequent weather phenomena, sabotage, terrorism, government, or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition, and results of operations.

Galane is dependent on its workforce to extract and process minerals, and is therefore sensitive to a labour disruption.

Galane is dependent on its workforce to extract and process minerals. The Company has programs to recruit and train the necessary manpower for its operations and endeavours to maintain good relations with its workforce in order to minimize the possibility of strikes, lock-outs and other stoppages at its work sites. Relations between the Company and its employees may be impacted by changes in labour relations which may be introduced by, among other things, employee groups, unions, and the relevant governmental authorities in whose jurisdictions the Company carries on business. Labour disruptions at the Mupane Property or the Galaxy Property could have a material adverse impact on Galane's business, results of operations and financial condition. Some of the Company's employees are represented by labour unions under various collective labour agreements. Galane may not be able to satisfactorily renegotiate its collective labour agreements when they expire. In addition, existing labour agreements may not prevent a strike or work stoppage at the Company's facilities in the future, and any

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such work stoppage could have a material adverse effect on the Company's earnings and financial condition.

There are health risks associated with the mining work force in Africa.

Malaria and other diseases such as HIV/AIDS represent a serious threat to maintaining a skilled workforce in the mining industry throughout Africa and are a major healthcare challenge faced by Galane's operations in Africa. There can be no assurance that the Company will not lose members of its workforce or see its workforce man-hours reduced or incur increased medical costs as a result of these health risks, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Surrounding communities may affect mining operations through the restriction of access of supplies and workforce to the mine site or through legal challenges asserting ownership rights.

Surrounding communities may affect the mining operations through the restriction of access of supplies and workforce to the mine site. Certain of the properties of the Company may be subject to the rights or asserted rights of various community stakeholders. Active community outreach and development programs are maintained to mitigate the risk of blockades or other restrictive measures by the communities.

Artisanal miners make use of some or all of the Company's properties. This condition may interfere with work on Galane's properties and present a potential security threat to the Company's employees. There is a risk that Galane's operations may be delayed, or interfered with, due to the use of the properties by artisanal miners. The Company uses its best efforts to maintain good relations with the local communities in order to minimize such risks.

Galane's mining and processing operations and exploration activities are subject to extensive laws and regulations governing the environment, health and safety.

Galane's mining and processing operations and exploration activities are subject to extensive laws and regulations governing the protection of the environment, exploration, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine and worker safety, protection of endangered and other special status species and other matters. The Company's ability to obtain permits and approvals and to successfully operate in particular communities may be adversely impacted by real or perceived detrimental events associated with the Company's activities or those of other mining companies affecting the environment, human health and safety of the surrounding communities. Delays in obtaining or failure to obtain government permits and approvals may adversely affect Galane's operations, including its ability to explore or develop properties, commence production or continue operations. Failure to comply with applicable environmental and health and safety laws and regulations may result in injunctions, fines, suspension or revocation of permits and other penalties. The costs and delays associated with compliance with these laws, regulations and permits could prevent Galane from proceeding with the development of a project or the operation or further development of a mine or increase the costs of development or production and may materially adversely affect the Company's business, results of operations or financial condition. The Company may also be held responsible for the costs of addressing contamination at the site of current or former activities or at third party sites. Galane could also be held liable for exposure to hazardous substances. The costs associated with such responsibilities and liabilities may be significant.

Measures required to address effluent compliance, fines and costs and/or the effluent quality may have a negative impact on Galane's financial condition or results of operations. The Company may also incur significant costs in connection with reclamation activities for its mining sites, which may materially exceed the provisions the Company has made for such reclamation. In addition, the unknown nature of possible future additional regulatory requirements and the potential for additional reclamation activities create further uncertainties related to future reclamation costs, which may have a material adverse effect on the Company's financial condition, liquidity or results of operations. Various environmental incidents can have a significant impact on operations.

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Any acquisition that Galane may choose to complete may be of a significant size, may change the scale of Galane's business and operations and may expose Galane to new geographic, political, operating, financial and geological risks.

Galane may pursue the acquisition of producing, development and/or advance stage exploration properties and companies. The search for attractive acquisition opportunities and the completion of suitable transactions are time consuming and expensive, divert management attention away from the Company's existing business and may be unsuccessful. Any acquisition that Galane may choose to complete may be of a significant size, may change the scale of Galane's business and operations and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after Galane has committed to complete the transaction and established the purchase price or share exchange ratio; a material orebody may prove to be below expectations; Galane may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, Galane may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Risks Relating to Restarting Production at the Galaxy Property

The Company will require significant additional amounts of funding to restart operations at the Galaxy Property, including costs associated with recruiting and training new personnel, refurbishing the existing plant, constructing a new tailings retreatment facility and recommencement underground mining operations. Restarting production will also be subject to various governmental approvals. There can be no assurance that the Company will be able to restart production at the Galaxy Property at all or on time or to budget due to, among other things, and in addition to those factors described above, changes in the economics of the mineral projects, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. A failure by the Company to restart production at the Galaxy Property could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Precious metal exploration projects may not be successful and are highly speculative in nature

The exploration for and development of precious metals involves significant risks which even a combination of careful evaluation, experience and knowledge cannot eliminate. While the discovery of a precious metal deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a precious metal deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of precious metals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the Company towards the search and evaluation of precious metal deposits will result in discoveries of commercial quantities of such metals.

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The development of the NLE Properties into commercially viable mines cannot be assured

Gold development projects, such as the NLE Properties in Botswana, have no operating history upon which to base estimates of future commercial viability. Estimates of mineral resources and mineral reserves are, to a large extent, based on the interpretation of geological data obtained from drillholes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost and operating costs based upon anticipated tonnage and grades of gold to be mined and processed, the configuration of the mineral resource, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that differences from the estimates calculated could have a material adverse effect on Galane's business, financial condition, results of operations and prospects. There can be no assurance that the Company will be able to complete development of its mineral projects, or any of them, at all or on time or to budget due to, among other things, and in addition to those factors described above, changes in the economics of the mineral projects, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Should any of these events occur, it could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Additional Risk Factors

Galane's share price will fluctuate.

The trading price of the Common Shares is subject to change and could fluctuate significantly in the future. The fluctuations could be in response to numerous factors beyond the Company's control, including: quarterly variations in results of operations; changes in the price of gold; changes in securities analysts' recommendations; announcements of acquisitions; changes in earnings estimates made by independent analysts; general fluctuations in the stock market; or revenue and results of operations below the expectations of public market securities analysts or investors. Any of these could result in a sharp decline in the market price of the Common Shares.

With the advent of the Internet, new avenues have been created for the dissemination of information. Galane has no control over the information that is distributed and discussed on electronic bulletin boards and investment chat rooms. The intention of the people or organizations that distribute such information may not be in the Company's best interest and the best interests of its shareholders. This, in addition to other forms of investment information including newsletters and research publications, could result in a sharp decline in the market price of the Common Shares. In addition, stock markets have occasionally experienced extreme price and volume fluctuations. These broad market fluctuations may cause a decline in the market price of the Common Shares.

Conflicts of interest may affect certain directors and officers of Galane.

Senior officers and directors of the Company own or control approximately 21.82% of the outstanding Common Shares. Certain conflicts may arise between such individuals' interests as members of the management team and their interests as shareholders. Such conflicts could arise, for example, with respect to the payment of salaries and bonuses and similar matters. The Company's directors and officers are subject to fiduciary obligations to act in the best interest of the Company.

Dividends

To date, Galane has not paid any dividends on the Commons Shares. The Company does not currently intend to pay any cash dividends on the Common Shares in the foreseeable future and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The Company's current policy is to retain earnings to finance its exploration and development activities and to otherwise reinvest in the Company. The Company's dividend policy will be reviewed from time to time by the Board of Directors of the Company in the context of its earnings, financial condition and other relevant factors. Until Galane pays dividends, which it may never do, its shareholders will not be able to receive a return on its Common Shares unless they sell them.

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Lack of Liquidity; Concentration of Holdings

Persons purchasing Common Shares may not be able to resell the shares and may have to hold the shares indefinitely. In addition, purchasers may not be able to use their shares for collateral for loans and may not be able to liquidate at a suitable price.

Market Perception

Market perception of junior gold companies such as the Company may shift such that these companies are viewed less favourably. This factor could impact the value of investors' holdings and the ability of the Company to raise further funds, which could have a material adverse effect on the Company's business, financial condition and prospects.

Galane is subject to the risk of litigation, the causes and costs of which cannot be known.

Galane may be involved in disputes with other parties in the future which may result in litigation. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations.

In the event of a dispute involving the foreign operations of the Company, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Galane's ability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

Difficulties for investors in foreign jurisdictions in bringing actions and enforcing judgments

The majority of Galane's directors and officers reside outside of North America, and all or a substantial portion of their assets, and a substantial portion of Galane's assets, are located outside of North America. As a result, it may be difficult for investors in Canada to bring an action against directors or officers who are not resident in Canada. It may also be difficult for an investor to enforce a judgment obtained in a Canadian court or a court of another jurisdiction of residence predicated upon the civil liability provisions of federal or provincial securities laws or other laws of Canada or the equivalent laws of other jurisdictions outside Canada against those persons.

SUBSEQUENT EVENTS

Debenture

On January 4, 2016 the Company issued an additional Galaxy Debenture to a Galaxy loan holder in the aggregate principal amount of \$682,388 to settle current debt outstanding at Galaxy.

Claim Settlement and Debenture Issuance

On March 29, 2016, the Company announced that it and its subsidiary, Galaxy, entered into a full and final settlement agreement with Traxys Europe SA, Mine2Market S. à r.l. and certain others (collectively the "Traxys parties") with respect to various outstanding claims arising from the time period when the Traxys parties operated Galaxy's mining operations.

In connection with the settlement, the Traxys parties settled their claim for \$4.3 million of indebtedness in exchange for the issuance by the Company of \$3.2 million aggregate principal amount of unsecured convertible debentures (the "Traxys Debentures"). The Traxys Debentures mature on November 2019 and bear interest at 4% per annum accrued and paid at maturity. The principal is convertible at the option of the holder into Common Shares at a price of Cdn.\$1.00 per share, based on a pre-determined exchange rate of \$1.00:Cdn.\$1.35. The interest is convertible into Common Shares, based on a pre-determined exchange rate of \$1.00:Cdn.\$1.35, at a price equivalent to the greater of Cdn.\$1.00 and the

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Discounted Market Price (as defined by the TSX Venture Exchange) at the time of conversion, subject to acceptance of the TSX Venture Exchange. The conversion price of the principal and interest and the resulting number of Common Shares issuable upon conversion of the Traxys Debentures are subject to standard anti-dilution adjustment provisions and therefore, upon the completion of the Rights Offering, the conversion price will be adjusted downward and the number of Common Shares issuable on conversion will be adjusted upward.

Rights Offering

On March 30, 2016, the Company announced an offering (the "Rights Offering") to the eligible holders of Common Shares of record at close of business on April 8, 2016 (the "Record Date"). The rights issued under the Rights Offering (the "Rights") will expire on May 6, 2016 (the "Expiry Date"). Each eligible registered shareholder of Common Shares on the Record Date will receive one Right for each Common Share held by such shareholder. One Right plus the sum of Cdn.\$0.01 will entitle the Rights holder to subscribe for one Common Share. A fully subscribed Rights Offering is expected to generate gross proceeds of approximately Cdn.\$713,000. The net proceeds from the Rights Offering are expected to be used to recommence operations at the mining facilities of Galaxy.

Transactions with Related Parties

Capit Investment Corp. ("Capit") acquired 7,613,000 Common Shares from IAMGOLD Corporation on March 17, 2016, bringing Capit's beneficial ownership of Common Shares to 8,403,748, representing 11.78% of the issued and outstanding Common Shares on a non-diluted basis. Capit is currently owned or controlled by Amar Bhalla, a director of the Company.

APPROVAL

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

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2015, can be found on SEDAR at www.sedar.com.

SUPPLEMENTAL INFORMATION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash costs

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

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indicative of net earnings or cash flow from operations as determined under IFRS.

The following table provides a reconciliation of cash cost measures for the mine to the mining costs excluding depreciation and amortization reflected in the Financial Statements.

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Mining costs excluding impairment, depreciation and amortization	\$ 6,375,977	\$ 8,247,589	\$ 6,661,557	\$ 6,412,343	\$ 27,697,466
Adjust for:					
Stock movement	(407,322)	(1,131,236)	(525,995)	(371,706)	(2,436,259)
Total operating cash cost	\$ 5,968,655	\$ 7,116,353	\$ 6,135,562	\$ 6,040,637	\$ 25,261,207
Royalties	(352,551)	(435,713)	(289,750)	(319,367)	(1,397,381)
Total operating cash cost excluding royalties	\$ 5,616,104	\$ 6,680,640	\$ 5,845,812	\$ 5,721,270	\$ 23,863,826
Gold production (ounces)	6,825	7,637	4,011	4,506	22,979
Total operating cash cost excluding royalties per oz.	\$ 823	\$ 875	\$ 1,457	\$ 1,270	\$ 1,039

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Mining costs excluding impairment, depreciation and amortization	\$ 7,080,698	\$ 6,724,357	\$ 9,422,080	\$ 8,704,905	\$ 31,932,040
Adjust for:					
Stock movement	(43,505)	1,015,064	(239,462)	(944,851)	(212,754)
Total operating cash cost	\$ 7,037,193	\$ 7,739,421	\$ 9,182,618	\$ 7,760,054	\$ 31,719,286
Royalties	(383,590)	(471,041)	(538,250)	(623,514)	(2,016,395)
Total operating cash cost excluding royalties	\$ 6,653,603	\$ 7,268,380	\$ 8,644,368	\$ 7,136,540	\$ 29,702,891
Gold production (ounces)	6,044	8,206	7,195	9,346	30,791
Total operating cash cost excluding royalties per oz.	\$ 1,101	\$ 886	\$ 1,201	\$ 764	\$ 965