

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

## **GALANE GOLD LTD.**

For the three and nine month periods ended September 30, 2018

Note to Reader:

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

# GALANE GOLD LTD.

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

As at September 30, 2018 and December 31, 2017

	Notes	September 30, 2018	December 31, 2017
<b>Assets</b>			
Current assets:			
Cash		\$ 3,056,782	\$ 2,550,701
Trade and other receivables	6	1,592,693	1,582,958
Inventories	7	3,986,196	4,772,353
		8,635,671	8,906,012
Non-current assets:			
Mining and exploration properties	8	33,848,495	35,231,615
Plant and equipment	8	1,760,355	2,414,229
		35,608,850	37,645,844
		\$ 44,244,521	\$ 46,551,856
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities	10	\$ 9,233,830	\$ 10,921,451
Loans and borrowings	11	1,113,194	8,862,616
		10,347,024	19,784,067
Non-current liabilities:			
Loans and borrowings	11	13,510,473	6,114,155
Warrants denominated in a foreign currency	13	31,875	31,402
Restoration and rehabilitation provision	9	6,429,094	6,530,831
		19,971,442	12,676,388
Shareholders' equity:			
Share capital	13	\$ 37,348,880	\$ 37,348,880
Reserves	13	2,447,779	2,280,668
Deficit		(25,870,604)	(25,538,147)
		13,926,055	14,091,401
		\$ 44,244,521	\$ 46,551,856

Commitments and contingencies (Note 15)

Approved and authorized by the Board for issue on November 27, 2018:

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"Ravi Sood" Director "Ian Egan" Director

The notes on pages 5 to 15 are an integral part of these consolidated financial statements

# GALANE GOLD LTD.

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

Three and nine month periods ended September 30, 2018 and 2017.

	Note	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Mining Revenue		\$ 10,555,280	\$ 11,800,622	\$ 33,632,986	\$ 26,740,546
Mining Costs	14	11,360,303	9,987,271	31,973,333	27,374,869
Earnings (Loss) from mining operations		\$ (805,023)	\$ 1,813,351	\$ 1,659,653	\$ (634,323)
Expenses:					
Exploration costs		66,928	57,021	184,913	142,246
Foreign exchange (gain) loss		(457,524)	(71,984)	(1,091,177)	394,910
Corporate general and administration	14	776,935	572,398	2,073,729	1,528,066
Financing costs	14	149,400	625,171	453,603	1,648,906
Other expenses (income)	14	(81,997)	(655,516)	371,042	(41,926)
		\$ 453,742	\$ 527,090	\$ 1,992,110	\$ 3,672,202
(Loss) earnings and comprehensive (loss) earnings for the period before taxation		\$ (1,258,765)	\$ 1,286,261	\$ (332,457)	\$ (4,306,525)
Taxation	12	\$ -	\$ -	\$ -	\$ -
Net (loss) earnings and comprehensive (loss) earnings for the period		\$ (1,258,765)	\$ 1,286,261	\$ (332,457)	\$ (4,306,525)
Basic (loss) earnings per common share	13	\$ (0.01)	\$ 0.01	\$ (0.00)	\$ (0.03)
Diluted (loss) earnings per common share	13	\$ (0.01)	\$ 0.01	\$ (0.00)	\$ (0.03)
Weighted average number of common shares- basic	13	146,804,760	146,804,760	146,804,760	146,278,300
Weighted average number of common shares - diluted	13	146,804,760	146,804,760	146,804,760	146,278,300

The notes on pages 5 to 15 are an integral part of these consolidated financial statements

# GALANE GOLD LTD.

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

Nine month periods ended September 30, 2018 and 2017

	Notes	Capital Stock		Reserves	Deficit	Total
		Number	Amount	Stock based payments		
Balance as at December 31, 2016		145,088,978	\$ 37,139,370	\$ 2,077,781	\$ (23,195,178)	\$ 16,021,973
Stock-based compensation	13	-	-	206,285	-	206,285
Deferred Share Units issued	13	965,782	164,431	(164,431)	-	-
Options exercised	13	750,000	45,079	(17,329)	-	27,750
Net loss and comprehensive loss for the period		-	-	-	(4,306,525)	(4,306,525)
<b>Balance as at September 30, 2017</b>		<b>146,804,760</b>	<b>\$ 37,348,880</b>	<b>\$ 2,102,306</b>	<b>\$ (27,501,703)</b>	<b>\$ 11,949,483</b>
Balance as at December 31, 2017		146,804,760	37,348,880	2,280,668	(25,538,147)	14,091,401
Stock-based compensation	13	-	-	167,111	-	167,111
Net loss and comprehensive loss for the period		-	-	-	(332,457)	(332,457)
<b>Balance as at September 30, 2018</b>		<b>146,804,760</b>	<b>\$ 37,348,880</b>	<b>\$ 2,447,779</b>	<b>\$ (25,870,604)</b>	<b>\$ 13,926,055</b>

The notes on pages 5 to 15 are an integral part of these consolidated financial statements

# GALANE GOLD LTD.

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

Nine month periods ended September 30, 2018 and 2017

	Notes	2018	2017
Cash flows from operating activities:			
Net earnings (loss) for the period		\$ (332,457)	\$ (4,306,525)
Items not involving cash:			
Change in fair value of warrants	14	473	11,593
Deferral of royalties	11	-	1,300,709
Depreciation and amortization	8	4,298,213	5,275,918
Share based compensation	14	167,111	206,285
Accretion	14	274,579	728,787
Interest expense	14	178,551	1,120,190
Foreign exchange (gain) loss		(558,547)	58,043
Working capital adjustments:			
Change in trade and other receivables		(87,505)	36,315
Change in inventories		786,157	1,729,659
Change in trade and other payables		(1,229,662)	(1,855,691)
Cash flows from operating activities		\$ 3,496,913	4,305,283
Cash flows from investing activities:			
Mining assets acquired	8	(2,261,219)	(1,713,273)
Cash flows used in investing activities		\$ (2,261,219)	(1,713,273)
Cash flow from financing activities:			
Short term note		-	499,888
Repayment of short term note		-	(200,000)
Deferred royalties		(350,000)	-
Interest paid		-	(28,233)
Options exercised	13	-	27,750
Repayment of loans		-	(1,633,767)
Capital lease obligations		(370,995)	(325,838)
Cash flows from financing activities		\$ (720,995)	\$ (1,660,200)
Increase in cash		\$ 514,699	\$ 931,810
Effect of unrealized foreign exchange gain on cash		(8,618)	1,389
Cash, at January 1		2,550,701	823,741
Cash, at September 30		\$ 3,056,782	\$ 1,756,940

The notes on pages 5 to 15 are an integral part of these consolidated financial statements

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(in U.S. Dollars)

For the three and nine months ended September 30, 2018 and 2017

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## 1. Corporate Information

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

## 2. Liquidity Risk

As at September 30, 2018, the Company had a working capital deficiency of \$1.7 million compared to a deficiency of \$10.9 million at December 31, 2017. Included in working capital as at December 31, 2017 was \$8.4 million due to the government of Botswana relating to outstanding royalty payments, the majority of which has been transferred to long term liabilities based on an agreement with the government of Botswana.

The strength in gold prices and improved operating performance at the Mupane mine have had a positive impact on the Company’s operating results, resulting in earnings from mining operations of \$1.7 million for the period ended September 30, 2018, compared to a loss of \$0.6 million for the same period in 2017. Cash flow generated from operations for the nine months ended September 30, 2018 was \$3.5 million and the Company expects to be able to meet its obligations as they fall due for at least the next 12 months from cash generated from operations.

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

## 3. Basis of preparation

### (a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the “Financial Statements”) of the Company as at and for the nine months ended September 30, 2018 have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

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

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The particular areas of estimation uncertainty and critical judgments are outlined in detail in the annual audited consolidated financial statements for the year ended December 31, 2017 (the “Annual Financial Statements”).

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and nine months ended September 30, 2018 and 2017

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## (c) Functional and presentation currency

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

## 4. Significant Accounting Policies

These Financial Statements have been prepared following the same accounting policies and methods of computation as the Annual Financial Statements, except as set out below.

- (a) IFRS 9 Financial Instruments - The Company adopted IFRS 9 on a retrospective basis effective January 1, 2018. The adoption of this standard did not have any measurement impact on prior period financial results or financial position.

Financial instruments are recognized on the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial assets at amortized cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company's receivables, which are not provisionally priced, consist of fixed or determined cash flows related solely to principal and interest amounts. The Company's intent is to hold these receivables until cash flows are collected. Receivables are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest rate method. The Company recognizes a loss allowance, as appropriate, for expected credit losses on a financial asset that is measured at amortized cost.

Financial liabilities at amortized cost – Financial liabilities are measured at amortized cost using the effective interest rate method, unless they are required to be measured at fair value through profit and loss. Interest bearing loans and borrowings, including mining royalties payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

- (b) IFRS 15 Revenue from contracts with customers - The Company adopted IFRS 15 on a retrospective basis effective January 1, 2018. The adoption of this standard did not have any measurement impact on prior period financial results or financial position and accordingly no restatement of prior periods was required.

## 5. Future Accounting Policies

The following new standards and amendments to standards and interpretations which were issued but not yet effective for the quarter ended September 30, 2018, have not been applied in preparing these Financial Statements. They are summarized as follows:

### (a) 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. IFRS 16 requires lessees to recognize assets and liabilities for most leases, in particular those treated as operating leases under existing IFRS. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and nine months ended September 30, 2018 and 2017

## 6. Trade and other receivables

	September 30, 2018	December 31, 2017
Trade receivables	\$ 378,917	\$ 501,890
Other receivables	82,266	83,830
Taxes recoverable	558,939	380,431
Prepaid expenses	572,571	616,807
	<b>\$ 1,592,693</b>	<b>\$ 1,582,958</b>

## 7. Inventories

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

	September 30, 2018	December 31, 2017
Gold in process	\$ 577,784	\$ 855,376
Supplies	2,972,504	3,062,476
Ore Stockpiles	435,908	854,501
	<b>\$ 3,986,196</b>	<b>\$ 4,772,353</b>

## 8. Mining assets

The continuity of mining assets for the nine months ended September 30, 2018 is as follows:

	Construction in Progress	Mining and Exploration Properties	Plant and Equipment	Total
Cost at December 31, 2017	\$ 2,503,251	\$ 84,282,797	\$ 7,034,231	\$ 93,820,279
Additions:				
Additions	609,299	1,546,990	104,930	2,261,219
Cost at September 30, 2018	<b>\$ 3,112,550</b>	<b>\$ 85,829,787</b>	<b>\$ 7,139,161</b>	<b>\$ 96,081,498</b>
Accumulated depreciation and amortization at December 31, 2017	\$ -	\$ (51,554,433)	\$ (4,620,002)	\$(56,174,435)
Depreciation and amortization	-	(3,539,409)	(758,804)	(4,298,213)
Accumulated depreciation and amortization at September 30, 2018	<b>\$ -</b>	<b>\$ (55,093,842)</b>	<b>\$ (5,378,806)</b>	<b>\$ (60,472,648)</b>
Net book value, September 30, 2018	<b>\$ 3,112,550</b>	<b>\$ 30,735,945</b>	<b>\$ 1,760,355</b>	<b>\$ (35,608,850)</b>



# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and nine months ended September 30, 2018 and 2017

## 9. Restoration and rehabilitation provision

	Restoration and rehabilitation provision	
At December 31, 2017	\$	6,530,831
Revaluation		(376,316)
Accretion		274,579
At September 30, 2018	\$	6,429,094

## 10. Trade accounts payable and accrued liabilities

	September 30, 2018		December 31, 2017	
Trade accounts payable	\$	7,272,187	\$	8,761,301
Accrued liabilities		1,961,643		2,160,150
	\$	9,233,830	\$	10,921,451

## 11. Loans and borrowings

	September 30, 2018		December 31, 2017	
<b>Current</b>				
Mining Royalties <sup>(2)</sup>	\$	979,115	\$	8,398,709
Capital lease obligation <sup>(3)</sup>		134,079		463,907
	\$	1,113,194	\$	8,862,616
<b>Non-Current</b>				
Debentures <sup>(1)</sup>	\$	6,242,031	\$	6,072,987
Mining Royalties <sup>(2)</sup>		7,268,442		-
Capital lease obligation <sup>(3)</sup>		-		41,168
	\$	13,510,473	\$	6,114,155

<sup>(1)</sup> The Company issued unsecured debentures to certain Galaxy loan holders and other parties as settlement of amounts previously due on the acquisition of Galaxy in 2015. The current terms of the debentures are as follows:

- initial principal amount - \$5,650,269;
- interest rate - fixed rate of 4% per annum, compounded annually;
- \$2,400,836 of such principal is repayable on November 20, 2019 and is convertible into common shares at a price of C\$0.58 per share, based on a pre-determined exchange rate, with interest convertible into common shares, based on a pre-determined exchange rate, at a price equivalent to the greater of C\$1.00 and the Discounted Market Price (as defined by the TSX Venture Exchange) at the time of conversion, subject to acceptance of the TSX Venture Exchange; and
- In accordance with an amended and restated debenture agreed to between the Company and a debenture holder in the second quarter of 2018: (i) \$3,249,433 of such principal is repayable on November 20, 2021 and is convertible into common shares at a price of C\$0.15 per share, based on a pre-determined exchange rate; (ii) interest is convertible into common shares, based on a pre-determined exchange rate, at a price equivalent to the greater of C\$0.15 and the Discounted Market Price at the time of conversion; (iii) the Company has a right of forced conversion for the principal where the trading price of the common shares exceeds C\$0.15 for 10 consecutive trading days; (iv) the accrued interest to December 31, 2017 becomes payable 7 days after the Company first draws down on the proposed loan facility to be provided to the Company by Barak Fund SPC Limited; and (v) commencing January 1, 2018, interest for a calendar year will be due and payable on March 31 of the subsequent year, with the first such payment being due on March 31, 2019.

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and nine months ended September 30, 2018 and 2017

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- (2) The Government of Botswana royalties were all recorded as current liabilities at December 31, 2017, however on March 19, 2018 an agreement was reached with the government regarding royalties payable on the sale of gold and subsequent repayment thereof under the following terms:
- \$8,398,709 of royalties deferred to December 2017 will commence repayment in March 2018 over 34 months as follows:
    - principal repayments of \$21,593 per month for ten months commencing March 2018,
    - principal repayments of \$101,593 per month for 12 months commencing January 2019, and
    - the remaining balance to be repaid in 12 equal monthly payments commencing January 2020;
  - interest to be charged at Bank of Botswana commercial bank prime lending rate plus 5%, applied on a simple interest basis, equating to \$28,407 per month over the 34 month repayment period; and
  - the deferral amount is unsecured.
- (3) The Company acquired a Komatsu Dozer in March 2015 and financed \$535,000 of the acquisition costs. The lease term is 48 months with monthly payments of approximately \$13,500 per month principal and interest. In December 2016, the Company acquired an Atlas Copco Simba drilling machine and financed \$617,000 of the acquisition cost. The lease term is 24 months with monthly payments of approximately \$28,616 in principal and interest.

## 12. Income and Mining Taxes

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

As a result of the effect of utilization of loss carry forwards available to the Company, the Company reported no income tax expense for the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017 - \$nil). The effective income tax rates vary from the combined Canadian federal and provincial statutory income tax rate of 26.50% for the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017 – 26.50%) due to the geographical distribution of earnings, which are subject to different tax rates, fluctuations in exchange rates and other non-deductible expenses.

## 13. Share Capital

### (a) Authorized share capital:

As at September 30, 2018, the authorized share capital of the Company consisted of an unlimited number of common shares. All issued shares are fully paid.

### (b) Issued share capital:

As at September 30, 2018, 146,804,760 common shares are issued and outstanding.

The Company did not issue any common shares during the nine month period ended September 30, 2018.

The Company issued a total of 1,715,782 common shares during the nine month period ended September 30, 2017. The Company issued 965,782 common shares pursuant to the Company's deferred share unit plan at a weighted average price of C\$0.17. There were 750,000 common shares issued following the exercise of options at an exercise price of C\$0.05 per share.

### (c) Stock Options:

The Company has a stock option plan whereby options may be granted to directors, officers, employees and consultants. As at September 30, 2018, a maximum of 14,680,476 options to purchase common shares were issuable under the Company's stock option plan, of which 4,980,476 remained available for issuance.

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and nine months ended September 30, 2018 and 2017

The following is a summary of stock options outstanding as at September 30, 2018 and December 31, 2017 along with changes during the periods then ended:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Balance December 31, 2016	11,290,000	\$ 0.18
Options expired	(1,090,000)	0.84
Options cancelled	(250,000)	0.05
Options exercised <sup>(3)</sup>	(750,000)	0.05
Options granted May 29, 2017, expiring May 29, 2022	500,000	0.10
Balance December 31, 2017 and September 30, 2018 <sup>(1)(2)</sup>	9,700,000	\$ 0.11

<sup>(1)</sup> The weighted average time to expiration for outstanding options is 2.6 years.

a. The range of exercise price are C\$0.095 to C\$0.12.

<sup>(2)</sup> As at September 30, 2018, 3,970,000 options were exercisable (December 31, 2017 – 2,690,000).

<sup>(3)</sup> The weighted average share price on the exercise dates for the 2017 stock option exercises was C\$0.09.

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

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

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2017
Earnings (loss)	\$ (1,258,765)	\$ (332,457)	\$ 1,286,261	\$ (4,306,525)
Weighted average number of common shares outstanding for purposes of basic earnings per share	146,804,760	146,804,760	146,804,760	146,278,300
Dilutive deferred share units	-	-	-	-
Dilutive options	-	-	-	-
Weighted average number of common shares outstanding for the purpose of diluted earnings per share	146,804,760	146,804,760	146,804,760	146,278,300
Earnings (loss) per share				
Basic	\$ (0.01)	\$ (0.00)	\$ 0.01	\$ (0.03)
Diluted	\$ (0.01)	\$ (0.00)	\$ 0.01	\$ (0.03)

Basic earnings (loss) per share is computed by dividing the earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of outstanding warrants, stock options deferred share units or convertible debentures in the weighted average number of common shares outstanding during the period, if dilutive. For the three and nine months ended September 30, 2018, and the nine months ended September 30, 2017, all instruments were anti-dilutive due to the net loss in the period.

## (e) Deferred Share Units

The Company has established a deferred share unit plan whereby deferred share units (“DSUs”) may be granted to directors, officers, employees and consultants. As at September 30, 2018, a maximum of 13,262,888 DSUs were issuable under the Company’s deferred share unit plan, of which 7,327,060 remained available for issuance.

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and nine months ended September 30, 2018 and 2017

## (f) Warrants:

The following is a summary of warrants outstanding as at September 30, 2018 and changes during the periods then ended:

	Number of Warrants	Weighted Avg Exercise Price (C\$)
Balance, December 31, 2016	4,596,614	0.11
Warrants expired November 20, 2017	(4,076,598)	0.10
Balance, September 30, 2018	520,016	0.18

## 14. Breakdown of costs

### (a) Mining costs

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2017
Mining and production	\$ 9,023,096	\$ 24,740,546	\$ 6,639,722	\$ 19,275,616
Administrative	940,655	2,934,574	927,791	2,823,335
Total	\$ 9,963,751	\$ 27,675,120	\$ 7,567,513	\$ 22,098,951
Depreciation and amortization	1,396,552	4,298,213	2,419,758	5,275,918
	\$ 11,360,303	\$ 31,973,333	\$ 9,987,271	\$ 27,374,869

### (b) Corporate and General Administration

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2017
Professional Fees	\$ 230,560	\$ 502,759	\$ 231,968	\$ 471,540
Share Based Compensation	43,192	167,111	74,338	206,285
Corporate Administration	503,183	1,403,859	266,092	850,241
	\$ 776,935	\$ 2,073,729	\$ 572,398	\$ 1,528,066

### (c) Financing costs

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2017
Interest on long term debt	\$ 60,001	\$ 178,551	\$ 450,636	\$ 908,526
(Decrease)/increase in fair value of warrants denominated in foreign currency	566	473	6,736	11,593
Accretion	88,833	274,579	167,799	728,787
	\$ 149,400	\$ 453,603	\$ 625,171	\$ 1,648,906

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and nine months ended September 30, 2018 and 2017

## (d) Other expenses

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2017
Other expenses (income)	\$ 12,415	\$ 17,029	\$ (2,132)	\$ (7,678)
Galaxy on-going costs	(94,412)	354,013	(653,384)	(34,248)
	\$ (81,997)	\$ 371,042	\$ (655,516)	\$ (41,926)

## 15. Commitments and Contingencies

### (a) Royalty expenses

Production from the Company's 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 nine month period ended September 30, 2018, the Company paid \$1,744,254 in royalties (2017 – deferred \$1,512,373).

### (b) Operating contractual obligations

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

- To be incurred in the remainder of 2018 \$154,755
- To be incurred 2019-2022 \$1,864,355
- To be incurred 2023 onwards \$289,745

### (c) Claims

The Company is 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.

# GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

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## 16. Related party transactions

During the nine months ended September 30, 2018, no related party transactions occurred.

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2018 are as follows:

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Salaries	\$ 1,126,923	\$ 729,164
Management fees <sup>(1)</sup>	128,631	133,996
Directors fees	61,242	68,126
Share-based compensation <sup>(2)</sup>	167,111	206,285
	\$ 1,483,907	\$ 1,137,571

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

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

## 17. Segmented information

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

	Canada	South Africa	Botswana	Total
Cash	\$ 393,639	\$ 135,843	\$ 2,527,300	\$ 3,056,782
All other assets	87,218	12,779,080	28,321,441	41,187,739
Balance, September 30, 2018	\$ 480,857	\$ 12,914,923	\$ 30,848,741	\$ 44,244,521

## 18. Subsequent events

### Satisfaction of conditions precedent to earn-in option agreement for Botswana prospecting sites

On October 1, 2018, the Company announced that all of the conditions precedent set forth in the previously announced earn-in option agreement (the "Earn-in Agreement") with B2Gold Corp. ("B2Gold") were satisfied which will enable the parties to move forward with their obligations under the Earn-in Agreement.

Under the Earn-in Agreement, B2Gold has the option to indirectly acquire, in tranches, up to 70% of the shares of Southern Cross Exploration and Development (Pty) Ltd., a newly incorporated subsidiary of Galane Gold, which received two gold prospecting licences over an aggregate of approximately 520 km<sup>2</sup> located around the Company's Mupane property, excluding its current operations and mining licences, in Botswana. B2Gold has agreed to and will carry out exploration on the properties with guidance received from a jointly formed technical committee.

# **GALANE GOLD LTD.**

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## **Closing of C\$2.7 million private placement and satisfaction of last condition precedent to loan agreement**

On October 2, 2018, the Company announced that it has closed a non-brokered private placement (the "Private Placement") of 54,000,000 units (the "Units") at a price of C\$0.05 per Unit for aggregate gross proceeds of C\$2,700,000. Each Unit was comprised of one common share of the Company and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to acquire one common share at an exercise price of C\$0.05 until October 1, 2020. The expiry date of the Warrants can be accelerated by the Company to the date that is 10 business days after the date where the closing price of the common shares on the TSX Venture Exchange is higher than C\$0.20 for 10 consecutive trading days, provided such trading days occur four months and one day after the issuance of the Warrants.

The closing of the Private Placement constituted the satisfaction of the last condition precedent to the effectiveness of the loan agreement for the Company's previously announced \$5,000,000 secured loan facility with Barak Fund SPC Limited.

## **Agreement to acquire Andy Well project in Australia**

On October 4, 2018, the Company announced that it entered into a purchase agreement (the "Purchase Agreement") to acquire certain Western Australian mining tenements and related plant, equipment and assets (collectively, the "Andy Well Project") from Andy Well Mining Pty Ltd and Doray Minerals Limited (ASX: DRM) (together the "Vendor"). The parties entered into a Deed of Variation on October 30, 2018 to make certain non-material amendments to the Purchase Agreement.

Under the Purchase Agreement, as amended, a wholly-owned subsidiary of the Company has agreed to acquire the Andy Well Project in exchange for aggregate consideration of AUD\$10,000,000 comprised of (i) common shares in its capital having an aggregate value of AUD\$1,000,000 (the "Share Consideration") calculated by reference to the average volume weighted trading price of the common shares on the TSX Venture Exchange during the five trading days preceding September 29, 2018, and converted into Canadian dollars based upon the AUD\$:CDN\$ exchange rate as quoted by the Bank of Canada for the trading day immediately prior to such date; and (ii) aggregate cash consideration of AUD\$9,000,000 (the "Cash Consideration"). The Share Consideration would represent approximately 9% of the Company's issued and outstanding common shares based upon its current share capital, if the transaction is completed. The Company has the option to pay all or a part of the Share Consideration in cash.

The Share Consideration and AUD\$3,000,000 of the Cash Consideration will become payable on the closing date of the acquisition. AUD\$3,000,000 of the Cash Consideration will become payable on the earlier of the commencement of commercial operations on the Andy Well Project and September 29, 2019, with the remaining AUD\$3,000,000 of the Cash Consideration to become payable on the earlier of 12 months after the commencement of commercial operations on the Andy Well Project and September 29, 2020.

The acquisition of the Andy Well Project is subject to the satisfaction or waiver of numerous closing conditions on or before January 27, 2019, including the receipt of various Australian regulatory consents, including with respect to the mining tenements by the Department of Mines, Industry Regulation and Safety and Treasurer of the Commonwealth of Australia, if required; approval of the TSX Venture Exchange; the Vendor obtaining all shareholder approvals, if any, required by the Australian Securities Exchange; the receipt of a technical report in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"); the execution of the Gnaweeda Farm-In Agreement (as defined below); and the preparation and filing of a revised mine closure plan by the Vendor; and other conditions customary to a transaction of this nature.

# **GALANE GOLD LTD.**

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In connection with the acquisition of the Andy Well Project, it is contemplated that a wholly-owned subsidiary of the Company will enter into a farm-in agreement with respect to certain exploration tenements in the Gnaweeda area. Such farm-in agreement is in the process of being negotiated and finalised.