



## **GALANE GOLD LTD.**

Annual Information Form

for the year ended

December 31, 2016

May 1, 2017

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## FORWARD-LOOKING STATEMENTS

This Annual Information Form (“**AIF**”), and the documents incorporated herein by reference, contain forward-looking statements regarding the future growth, results of operations, performance, business prospects and opportunities of Galane Gold Ltd. (“**Galane**” or the “**Corporation**”). Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or similar expressions, are forward-looking statements. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of Galane set out under “Description of the Business”. These statements are not historical facts but instead represent only Galane’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

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

Details of the risk factors relating to Galane and its business are discussed under the heading “Risks and Uncertainties” in Galane’s annual management’s discussion and analysis for the year ended December 31, 2016 (“**MD&A**”), a copy of which is available on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com). The risk factors contained in the MD&A are incorporated by reference herein.

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

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

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

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

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

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

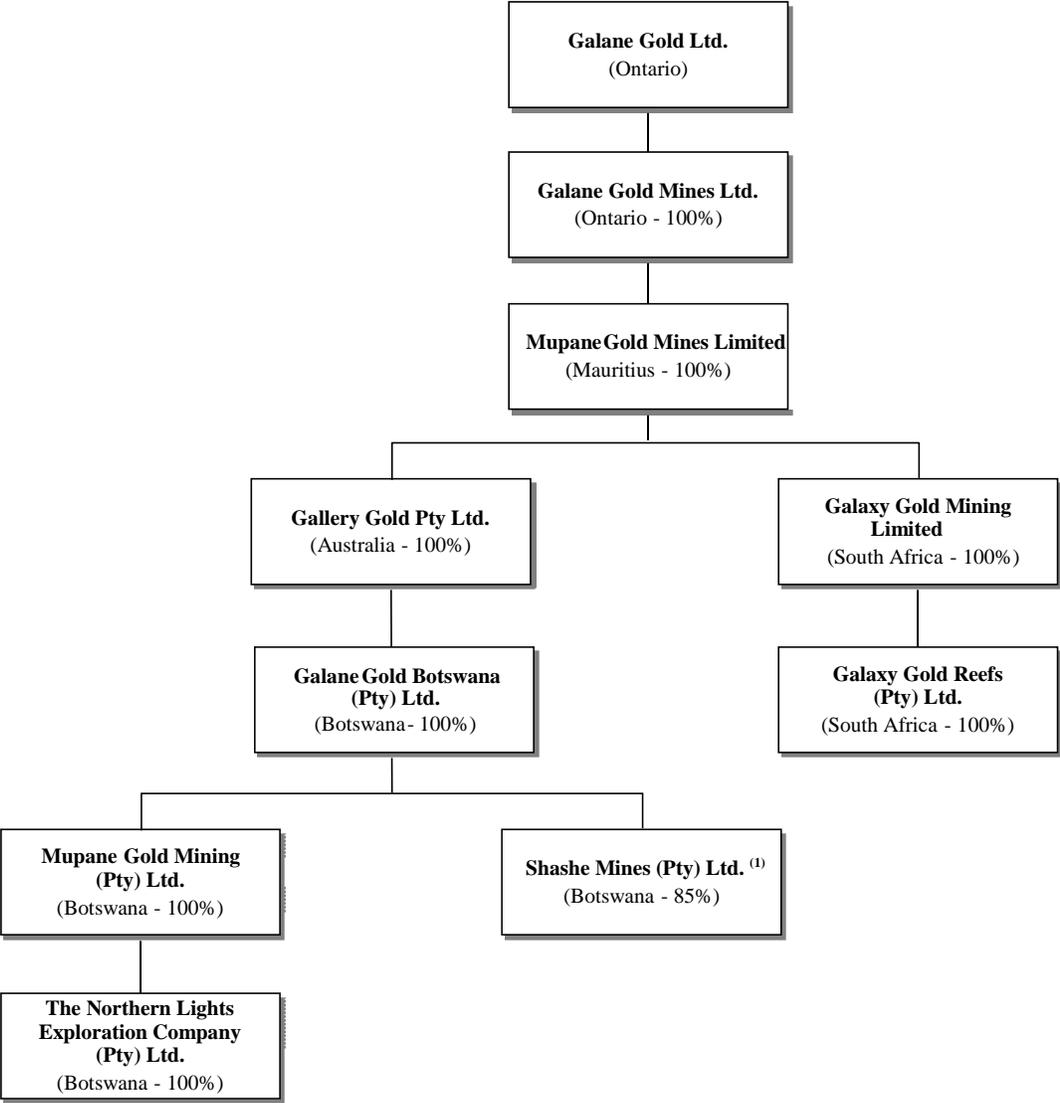
Unless otherwise indicated, all dollar amounts in this AIF are expressed in Canadian dollars.

#### **CORPORATE STRUCTURE**

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

Botswana. The Common Shares are listed on the TSX Venture Exchange (the "Exchange") and the Botswana Stock Exchange under the trading symbol "GG".

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



**Note:**

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

## GENERAL DEVELOPMENT OF THE BUSINESS

### January 2014 to Present

#### *Loan Facility and Gold Prepayment Agreement*

On August 24, 2014, the Corporation announced that it entered into a secured US\$5.0 million loan facility (the “**Facility**”) and gold prepayment agreement (the “**Gold Prepayment Agreement**”) with Samsung C&T U.K. Limited (“**Samsung**”).

Pursuant to the Gold Prepayment Agreement, Samsung agreed to provide the Facility in return for the sale and delivery by the Corporation’s Botswana operating subsidiary, Mupane Gold Mining (Pty) Ltd. (“**Mupane**”), of a minimum of 1,607 ounces of gold per month for a period of two years (38,568 ounces in aggregate) payable by Samsung at a fixed discount rate to the then prevailing spot price upon delivery. Samsung was also provided with the further exclusive option to purchase all gold produced by Mupane above 1,607 ounces per month on a non-discounted basis at the then prevailing spot price for such two year period. The Facility was initially repayable by the Corporation over the two year period by way of 18 equal principal payments commencing seven months after the initial advancement of the Facility. The Facility is secured first by a pledge of the shares of Mupane and then replaced with a first charge against the assets of Mupane.

On September 4, 2014, the Corporation announced the full draw down of the Facility to repay early and in full the outstanding debt and accrued interest owed to IAMGOLD Corporation in the amount of US\$2.73 million. The balance of the proceeds of the Facility was used for general corporate and working capital purposes.

On November 5, 2015, the Corporation and Samsung renegotiated the terms of the Facility and Gold Prepayment Agreement. The Facility was amended on the following terms as of October 1, 2015:

- the current schedule of 10 remaining monthly instalments of US\$277,000 and one monthly instalment of US\$291,000 was amended to a repayment of 12 instalments of US\$20,000 per month effective from October 2015, followed by nine instalments of US\$277,000 and a final instalment of US\$328,000 in July 2017;
- in each month during the repayment period, Mupane must deliver at least 1,607 ounces of gold at a price for the gold selected by Samsung from any one of the four London Bulletin AM or PM dollar gold fixing prices falling either on the delivery date or on the day immediately following the delivery date, less a discount of 1.25%;
- in each month following the repayment period, Samsung will have the right to request delivery of all gold ore produced from the Tau ore body and the low grade stockpiles. In each case the price for the gold produced can be selected by Samsung from any one of the four London Bulletin AM or PM dollar gold fixing prices falling either on the delivery date or on the day immediately following the delivery date, less a discount of 2%;
- in each month following the repayment period Samsung has been provided with the right of first refusal to purchase all gold produced from the Corporation's operations in Botswana on terms that are no more favourable than offered by a third party; and
- the rate of interest on the outstanding balance is 3% per annum, compounded annually.

The Facility was further amended in March 2017 to amend the timing of the six remaining payment amounts without amending the aggregate total of such amounts.

### ***Royalty Terms***

On October 28, 2015, the Government of Botswana agreed to the deferral of royalties payable on the sale of gold by Mupane under the following terms:

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

The deferral amount is unsecured.

### ***Acquisition of Galaxy Gold Mines Limited***

On November 20, 2015 and December 23, 2015, the Corporation, through a wholly-owned subsidiary, completed the acquisition of 74% 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 “**Galaxy Gold Mine**”). Pursuant to the acquisition, the Corporation issued to the holders of such Galaxy Shares 18,334,492 Common Shares and common share purchase warrants (“**Warrants**”) exercisable to acquire an aggregate of up to 4,076,598 Common Shares until November 20, 2017 at \$0.102<sup>(1)</sup> per Common Share. The Corporation then made an offer to all other shareholders of Galaxy to acquire the remaining Galaxy Shares on economically equivalent terms (the “**Mandatory Offer**”).

On November 16, 2016, the Corporation issued 2,340,094 Common Shares and common share purchase warrants exercisable to acquire an aggregate of up to 520,016 Common Shares until November 16, 2018 at \$0.175 per Common Share to holders of Galaxy Shares who elected to subscribe for securities of the Corporation in lieu of cash consideration under the Mandatory Offer. Throughout November and December of 2016, the Corporation then completed the compulsory acquisition of the remaining holders of Galaxy Shares by the payment of approximately \$235,000 cash to holders of Galaxy Shares who elected to receive cash consideration under the Mandatory Offer and as a result, the Corporation became the beneficial owner of 100% of the shares of Galaxy.

In connection with the acquisition of Galaxy, the Corporation issued approximately US\$2.4 million aggregate principal amount of unsecured convertible debentures (the “**Debentures**”) to settle outstanding debt or contractual obligations owed by Galaxy and its subsidiary Galaxy Gold Reefs (Pty) Ltd. The 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 US\$1.00:\$1.30, at a conversion price of \$0.58<sup>(2)</sup> per Common Share. The interest payable on maturity is convertible into Common Shares, based on a pre-determined exchange rate of US\$1.00:\$1.30, at a conversion price per Common Share equivalent to the greater of \$1.00 and the Discounted Market Price (as defined by the Exchange), subject to acceptance of the Exchange. The conversion price of the principal and interest and the resulting number of Common Shares issuable upon conversion of the Debentures are subject to standard anti-dilution adjustment provisions.

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<sup>(1)</sup> The initial exercise price of the Warrants was \$0.175. As a result of the completion of the Rights Offering (as described below), the exercise price was adjusted downwards to \$0.102 per Common Share.

<sup>(2)</sup> The initial conversion price of both the Debentures and the Traxys Debentures was \$1.00 per share. As a result of the completion of the Rights Offering (as described below), the conversion price in each case was adjusted downward to \$0.58 per share and the number of Common Shares issuable on conversion was correspondingly adjusted upward.

### ***Galaxy Claim Settlement and Debenture Issuance***

On March 29, 2016, the Corporation 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 US\$4.3 million of indebtedness in exchange for the issuance by the Corporation of US\$3.2 million aggregate principal amount of unsecured convertible debentures (the “**Traxys Debentures**”). The Traxys Debentures mature on November 20, 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 conversion price of \$0.58<sup>(1)</sup> per Common Share, based on a pre-determined exchange rate of US\$1.00:\$1.35. The interest is convertible into Common Shares, based on a pre-determined exchange rate of US\$1.00:\$1.35, at a conversion price per Common Share equivalent to the greater of \$0.58<sup>(1)</sup> 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. 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.

### ***Rights Offering***

On May 9, 2016, the Corporation completed a rights offering (the “**Rights Offering**”) with eligible holders of Common Shares of record at close of business on April 8, 2016. A total of 71,314,442 Common Shares were issued pursuant to the Rights Offering at an issuance price of \$0.01 per share for aggregate gross proceeds of approximately \$713,000.

### ***Galaxy Gold Mine Rehabilitation***

In Q3 2016, the Corporation commenced the rehabilitation of the Galaxy Gold Mine. The aim was to recommence production in the last quarter of 2016, but due to a reduction in gold price the Corporation put the project into idle mode. Before doing so, the following was completed:

- Plant refurbishment – the plant at the Galaxy Gold Mine is a standard crush, mill, float with a capacity of 15,000 tonnes per month. Refurbishment was completed on the crusher, conveyors, ball mill and the float section.
- Tailings retreatment facility – the Corporation partially completed the build of a Carbon in Leach (“**CIL**”) plant within the footprint of the existing plant to process 25,000 tonnes per month of tailings material. The Corporation completed the construction of four CIL leach tanks, a CIL feeding section, carbon recovery plant and the associated civils. The CIL plant can currently process 18,000 tonnes a month and requires a further two months to complete up to the planned capacity.
- Underground – the Corporation completed minor refurbishment to the tramming infrastructure, hoppers and the electrical cabling. In addition, development was carried out on the Giles and Woodbine ore bodies to create access to the stopes for future mining.

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

The Corporation has not completed any significant acquisitions or dispositions during the financial year ended December 31, 2016 for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”).

## **DESCRIPTION OF THE BUSINESS**

### **Summary**

The Corporation’s principal business activities are the exploration for, development of, and operation of gold mining properties. The Corporation operates through its wholly-owned subsidiary, Galane Gold Mines Ltd., 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 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 South Africa through subsidiaries located in South Africa. The Common Shares have been listed for trading on the TSX Venture Exchange under the symbol “GG” since September 6, 2011. For further information regarding the development of the Corporation from inception to the present date, see above under “General Development of the Business”.

### **Mupane Property**

The Mupane Property is an operating gold mining venture situated in the North-East District of Botswana in Southern Africa and comprises four mining licences and one prospecting licence: (i) ML87/3 (Shashe - valid until December 9, 2024); (ii) ML94/2 (Signal Hill - valid until February 26, 2025); (iii) ML2003/26L (Mupane - valid until September 4, 2023); (iv) ML2010/95L (Molomolo - valid until January 24, 2020); and (v) PL040/2011 (Mupane - valid until June 30, 2016). An application for the renewal of PL040/2011 was submitted to the Department of Mines on March 31, 2016, with confirmation of the approval still outstanding.

### **Mining**

The following table sets forth certain key mining statistics for the Mupane Property in the calendar years ended December 31, 2014, 2015 and 2016:

		2016				2016 Total	2015				2015 Total	2014 Total
		Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1		
Mupane (Tholo, Kwen & Tawana)	Ore (t)	-	-	-	-	-	-	702	5,211	88,488	94,401	371,764
	Grade (g/t)	-	-	-	-	-	-	1.27	1.20	1.45	1.43	1.91
	Waste (t)	-	-	-	-	-	-	1,680	6,838	207,051	215,569	1,904,200
Mupane ( Tau)	Ore (t)	62,208	48,070	46,656	49,657	206,591	37,316	25,580	21,487	9,234	93,617	7,987
	Grade (g/t)	3.12	2.68	3.46	2.96	3.05	3.02	3.18	1.84	2.49	2.74	3.07
	Waste (t)	8,943	15,543	13,645	7,261	45,392	25,521	29,419	21,878	21,320	98,138	62,643
Golden Eagle	Ore (t)	-	-	-	-	-	-	-	48,605	-	48,605	153,054
	Grade (g/t)	-	-	-	-	-	-	-	1.36	-	1.36	1.54
	Waste (t)	-	-	-	-	-	-	-	234,463	-	234,463	1,920,358
Tekwane and Shashe Pencils	Ore (t)	6,963	3,465	37,697	4,103	52,228	19,440	21,164	13,634	-	54,238	1,664
	Grade (g/t)	0.48	0.48	0.48	0.44	0.48	0.40	0.52	0.50	-	0.47	3.59
	Waste (t)	-	-	33,695	8,916	42,611	11,956	33,909	25,996	-	71,861	14,206
Low Grade stockpiles	Ore (t)	166,886	177,207	187,275	120,469	651,837	181,887	185,067	132,247	26,569	525,770	60,180
	Grade (g/t)	0.80	0.80	0.79	0.77	0.79	0.81	1.00	0.83	0.78	0.88	1.21

The Corporation operated the following two mining operations at the Mupane Property during 2016:

- Tau – In Q4 2016, the Corporation continued mining in the main reef of the ore body with 62,208 tonnes at 3.12 g/t being mined (Q4 2015 – 37,316 tonnes at 3.02 g/t). In Q4 2015, the ore mined was as a result of reef development as the Corporation carried out development work for the stopes. In Q4 2016, the Corporation mined from the main ore body and mined from the stopes which resulted in increased tonnage. For 2016 206,591 tonnes of ore at 3.05 g/t were mined compared to the Corporation's forecast of 200,000 tonnes at 2.4 g/t. The improvement in grade over forecast was due to increased reef development in the high grade areas. In 2015 93,617 tonnes of ore at 2.74 g/t with the decrease due to mining being restricted to development with no stoping.
- Tekwane – In Q4 2016, 6,963 tonnes at 0.48 g/t were mined and for 2016 52,228 tonnes at 0.48 g/t. In Q4 2015, the Corporation mined 19,440 tonnes of ore at 0.40 g/t and 2015 54,238 tonnes at 0.47 g/t. The reduction in tonnes mined in Q4 2016 is a result of a large stockpile of ore to be screened due to mining ahead of budget in Q4 2015. The Corporation screens the material at the mine site to increase the grade and reduce the tonnage to be transported to the processing plant.

During 2015 the Corporation also mined at the following locations:-

- Tholo and Kwena - The Corporation completed mining in Tholo pit in Q1 2015 and at Kwena in Q3 2015. 2015 94,401 tonnes of ore at 1.43 g/t were mined.
- Golden Eagle – The Corporation recommenced mining at Golden Eagle in Q2 2015 and mined YTD 2015 48,605 tonnes of ore at 1.36 g/t. Mining at Golden Eagle was halted in Q2 2015 due to the low gold price and the high strip ratio.

In addition, the Corporation is currently processing ore from its previously mined low grade stockpiles, which are located next to the processing plant. In Q4 2016, it processed 166,886 tonnes at an average grade of 0.80 g/t (Q4 2015 – 181,887 tonnes at 0.81 g/t) and for 2016 651,837 tonnes at 0.79 g/t (2015 – 525,770 at 0.88 g/t). The increase in tonnes processed represents the additional tonnes required to replace the production from the mines we ceased operations at in 2015.

### Processing

The following table sets forth certain key processing statistics at the Mupane Property in the calendar years ended December 31, 2014, 2015 and 2016:

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015	2014
Ore milled (000 t)	248	237	250	172	908	216	228	206	159	810	745
Head grade (g/t)	1.27	1.18	1.33	1.40	1.29	1.30	1.37	1.08	1.41	1.29	1.69
Recovery (%)	67.4%	69.5%	73.5%	74.9%	71.3%	75.5%	76.0%	67.2%	69.9%	72.1%	76.0%
Gold production (oz.)	6,857	6,243	7,855	5,828	26,783	6,825	7,637	4,829	5,030	24,321	30,791

Gold production in Q4 2016 was 6,857 ounces compared to 6,825 ounces in Q4 2015. The grade and recovery in Q4 2016 of 1.27 g/t and 67.4% was lower than the grade and recovery in Q4 2015. In Q4 2015, a higher proportion of the ore milled came from the low grade stockpile and Tekwane which resulted in a higher recovery and higher grade. The extra tonnes milled in Q4 2016 resulted in additional ounces over Q4 2015.

Gold production for 2016 was 26,783 ounces compared to 24,321 ounces 2015. The grade and recovery for 2016 of 1.29 g/t and 71.3% was similar to the grade and recovery for 2015. During 2016, a higher proportion of the ore milled was from Tau underground but the average grade of the other ore sources in 2015 was higher.

### Exploration

The Corporation is conducting an exploration program over a large number of prospects contained within its mining and prospecting licences which cover the bulk of the Tati greenstone belt in Botswana. In addition to the mining and prospecting licences described above under “Mupane Property”, the Corporation acquired the rights to several prospecting licences in the Tati Greenstone Belt in Botswana (the “**NLE Properties**”) located near to the Mupane Property when it completed the acquisition of all the issued and outstanding shares of Northern Lights Exploration Pty. (“**NLE**”) on April 10, 2012 pursuant to a share purchase agreement dated July 27, 2011, as amended (the “**NLE Agreement**”).

An application for the renewal of PL211/2010 was submitted to the Department of Mines on December 31, 2015. A portion of this licence was converted to Mining Licence 2015/33L (Jims Luck), valid until June 21, 2020. An application for the renewal of PL039/2011 was submitted to the Department of Mines on March 31, 2016. PL 101/2011 has been converted to Mining Licence 2015/4L (Tekwane), valid until January 24, 2020.

In Botswana, applications for renewals of prospecting licences are due three months prior to the expiry date and can take up to a year to be granted. A prospecting license is initially granted for three years and two renewals of two years each may be granted, subject to having performed satisfactorily, to give a total of seven years life. Renewal is subject to completion of the required work and expenditure commitments in respect of the licence. At each renewal, it is also required that 50% of the area be relinquished.

Limited and focused drilling programs were carried out in early 2015 at the Molomolo and Signal Hill properties. These were designed to: (i) test for possible shallow extensions to the mined out open pits, and (ii) test for possible future under-ground mining potential. Neither program was successful and both were curtailed. Planned drilling at Jim’s Luck, Golden Eagle and Mupane was also cancelled. The Corporation is in discussions with potential ‘farm-in’ joint venture partners to carry out exploration activities on the Corporation’s Botswana properties.

On August 30, 2011, the Corporation filed a National Instrument 43-101 (“**NI 43-101**”) technical report in respect of the Mupane Property entitled “Independent Technical Report on the Mupane Gold Mine” dated May 10, 2011 (the “**Mupane Technical Report**”) authored by: Justin Glanvill, BSc. (Hons), GDE, MGSSA, Pr.Sci. Nat.; Joel Mungoshi, HND Met, BSc (Hons), MDP (Mining), MBL, MSAIMM; Markus Tilman Reichardt, M.A, PhD (candidate), John Francis Winchester Sexton, BSc, BCom, MBL and Robert

Charles Croll, BSc, MBA on behalf of MSA Geoservices (Pty) Ltd. The summary section from the Mupane Technical Report is reproduced in its entirety at Exhibit “B” of this AIF and the detailed disclosure in the Mupane Technical Report is incorporated by reference herein. The Mupane Technical Report is available on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

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

**Mupane Update Mineral Resource Statement**  
**Effective Date: December 31, 2012**

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

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

Resource tonnages and gold grades were reported at a 0.5 g/t Au cut-off grade. Resources from contiguous portions of the mineralisation outside of the optimized pit shell, and potentially amenable to underground mining methods, were reported at a cut-off grade of 0.8 g/t Au. A cut-off grade of 0.3g/t Au was used for the slimes dump due to the possible need for a different processing method. All resources were modelled using a 0.5 g/t Au grade cut-off for each mineralised zone, except Tau where a 0.8 g/t Au grade shell was used. A gold price of US\$1,700 was used. The full text of the Mupane Update is available on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com). As at December 31, 2016, the spot price for gold was approximately US\$1,152 per ounce. See “Risk Factors”.

On October 31, 2013, the Corporation issued an estimation of mineral resources in respect of its Tekwane prospect with an effective date of September, 2013 (the “**Tekwane Update**”). The following table summarizes the results of the Tekwane Update:

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

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

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

### Galaxy Gold Mine

The Galaxy Gold Mine is located approximately 8 km west of the town of Barberton and 45 km west of the provincial capital of Nelspruit (Mbombela), in the Mpumalanga Province of South Africa and covers an area of 5,863 ha.

Gold has been prospected at the Galaxy Gold Mine since the 1880s and the Agnes gold mine in Barberton (“**Agnes**”) has been exploited as an established mine since 1908. Currently, over 75 historical adits exist within the mining area, as well as tailings storage facilities comprised of previously mined and processed material. To date, the mining assets have produced over one million ounces of gold.<sup>(3)</sup> Galaxy’s existing processing plants are in need of refurbishment and consist of a crushing, milling, flotation, biological oxidation of flotation concentrate, CIL leaching, elution, smelting and tailings disposal designed to treat 16,000 tonnes of ore per month. This facility can be expanded through refurbishment and the introduction of larger mills and flotation equipment. Galaxy’s existing processing plant is in need of refurbishment and consists of a crushing, milling, flotation, thickening, Biox, carbon in leach, elution and tailings disposal designed to treat 16,000 tonnes of ore per month. This facility can be expanded through refurbishment and the introduction of larger mills and flotation equipment.

On January 26, 2016, the Corporation filed a NI 43-101 technical report in respect of the Galaxy Gold Mine entitled “A Technical Report on the Galaxy Gold Mine, Mpumalanga Province, South Africa” which was issued January 4, 2016 with an effective date of September 1, 2015 (the “**Galaxy Technical Report**”), and 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 Galaxy Technical Report satisfies the requirements to be a pre-feasibility study and 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 Corporation for the purposes of NI 43-101. The mine comprises 21 east-west trending gold ore bodies and four prospects at 600 – 2,000 m depth. The Galaxy Technical Report covers the following ore bodies:

- Woodbine, Giles, Galaxy, Golden Hill, Agnes Top, Pioneer & Tiger Trap and Princeton ore bodies;
- Ivy and Ceska Shaft Pillars; and
- Woodbine (East, North and South), Alpine Pioneer, Hostel (East and West) and Biox North historical dumps.

<sup>(3)</sup> The information regarding the quantity of gold produced historically is based on available public sources, has not been independently verified by the Corporation and should not be relied upon as a predictor of future results.

The summary section from the Galaxy Technical Report is reproduced in its entirety at Exhibit “C” of this AIF and the detailed disclosure in the Galaxy Technical Report is incorporated by reference herein. The Galaxy Technical Report is available on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com). The following table summarises the mineral resource and mineral reserve estimates of the Galaxy Technical Report. A gold price of US\$1,130 and an exchange rate of ZAR11.70/US\$1.00 was used. As at December 31, 2016, the spot price for gold was approximately US\$1,152 per ounce and the exchange rate was ZAR13.71/US\$1.00. See “Risk Factors”.

*Summarised Galaxy Gold Mine Mineral Resources as at August 31, 2015*

<b>Mineral Resource Category</b>	<b>Tonnes t</b>	<b>Grade Au g/t</b>	<b>Content Au Oz</b>
Measured mineral resource	1,876,126	3.37	203,435
Indicated mineral resource	4,350,781	2.85	399,261
<b>Measured and Indicated</b>	<b>6,226,907</b>	<b>3.01</b>	<b>602,696</b>
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.

*Summarised Galaxy Gold Mine Mineral Reserve Statement as at August 31, 2015*

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

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

**Special Skill and Knowledge**

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

## **Competition**

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

## **Environmental Matters**

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

## **Employees**

As of December 31, 2016, the Corporation had approximately 271 full-time employees, of which 164 are located in Botswana and 105 in South Africa. In addition, Galane engages contractors and consultants from time to time to work on specific properties and for administrative, legal and other services as required.

## **RISK FACTORS**

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

## **DIVIDEND RECORD AND POLICY**

The Corporation has never declared nor paid dividends on the Common Shares. Currently, Galane intends to retain its future earnings, if any, to fund the development and growth of its business, and the Corporation does not anticipate declaring or paying any dividends on the Common Shares in the near future, although it reserves the right to pay dividends if and when it is determined to be advisable by Galane's board of directors. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in the Common Shares in the foreseeable future.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Share Capital**

The Corporation is authorized to issue an unlimited number of Common Shares of which 146,054,760 Common Shares are issued and outstanding as of the date hereof. The holders of Common Shares are entitled to dividends as and when declared by the board of directors of the Corporation, to receive notice of and one vote per Common Share at meetings of the shareholders of the Corporation and, upon liquidation, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Common Shares.

## MARKET FOR SECURITIES

### Trading Price and Volume

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

Calendar Period	High	Low	Trading Volume
January 2016	\$0.05	\$0.03	360,295
February 2016	\$0.10	\$0.04	2,576,635
March 2016	\$0.09	\$0.05	5,204,000
April 2016	\$0.10	\$0.06	3,584,728
May 2016	\$0.07	\$0.04	6,979,112
June 2016	\$0.06	\$0.04	3,472,084
July 2016	\$0.19	\$0.06	27,772,149
August 2016	\$0.14	\$0.11	11,355,980
September 2016	\$0.14	\$0.10	3,984,905
October 2016	\$0.13	\$0.11	3,009,004
November 2016	\$0.14	\$0.08	7,710,090
December 2016	\$0.08	\$0.07	3,070,578

### Prior Sales

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

Issue/Grant Date	Type of Security	Number of Securities or Principal of Debentures	Exercise Price	Expiry Date
January 4, 2016	Unsecured Debentures	US\$682,388	n/a <sup>(1)</sup>	November 20, 2019
March 29, 2016	Unsecured Debentures	US\$3,200,000	n/a <sup>(1)</sup>	November 20, 2019
November 16, 2016	Warrants	520,016	\$0.175	November 20, 2017

**Note:**

- (1) See “General Description of the Business - Acquisition of Galaxy Gold Mines Limited” above for further details on the debentures.

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

As of December 31, 2016, none of the securities of the Corporation were held in escrow or were subject to contractual restriction on transfer.

## DIRECTORS AND EXECUTIVE OFFICERS

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

Name and Place of Residence	Position(s) Held	Principal Occupation During Previous Five Years	Director Since <sup>(1)</sup>
Ravi Sood <sup>(2)</sup> Ontario, Canada	Chairman	Venture Capitalist and Corporate Director	October 24, 2007
Nicholas Brodie United Kingdom	Chief Executive Officer and Director	Galane, Chief Financial Officer (Oct/10 to Nov/14); Metallon Gold, Chief Financial Officer (May/11 to Aug/12); Katanga Mining Limited, Chief Financial Officer – (Nov/08 to April/11).	November 10, 2014
Gavin Vandervegt Queensland, Australia	Chief Financial Officer	Galane, Chief Financial Officer (Oct/16 to present); Nautilus Minerals, Group Financial Controller (Nov/11 to Oct/16); Katanga Mining Limited, Finance Director (Mar/10 to Nov/11)	-
Wayne Hatton-Jones Queensland, Australia	Chief Operating Officer	Galane, Chief Operating Officer (Nov/14 to present); Galane (Mupane Gold Mining (Pty) Ltd.), General Manager (July/13 to present); Allied Gold, General Manager (Dec/11 to Mar/13); Galaxy Gold, Chief Operating Officer (Jan/09 to Dec/11).	June 20, 2016
Amar Bhalla <sup>(2)</sup> Ontario, Canada	Director	President, Capit Investment Corp.	October 24, 2007
Ian Egan <sup>(2)</sup> Victoria, Australia	Director	Soria Moria Pty Limited, Managing Director.	August 30, 2011

**Notes:**

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

### Shareholdings

As of the date hereof, Galane’s directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly 17,184,705 Common Shares, representing approximately 11.8% of the issued and outstanding Common Shares.

## CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Other than as set forth below, no director or executive officer of the Corporation is, as at the date of this AIF, or has been within the last ten years, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, and

which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

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

- (a) is, as at the date of this AIF, or has been within the last ten years, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Corporation.

Each of Amar Bhalla and Ravi Sood was a director of TriNorth Capital Inc. (now Difference Capital Funding Inc.), a reporting issuer that became subject to a cease trade order issued by the Ontario Securities Commission on May 19, 2010 as a result of the failure to file audited annual financial statements for the financial year ended December 31, 2009, the related management’s discussion and analysis and the certification of the foregoing filings when due as required by National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*. The order was revoked on July 6, 2010.

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

### **CONFLICTS OF INTEREST**

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

Wayne Hatton-Jones, the Chief Operating Officer of Galane and the General Manager of Mupane, was a shareholder of Galaxy at the time of the acquisition of Galaxy by the Corporation. See below under “Interest of Management and Others in Material Transactions”.

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

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

To the knowledge of the directors and officers of the Corporation, there are no legal proceedings material to Galane to which Galane or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2016, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of Galane, no penalties or sanctions have been imposed against Galane or its subsidiaries by a court or by a regulatory authority during the financial year ended December 31, 2016, no penalties or sanctions have been imposed against Galane by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of Galane, and no settlement agreements have been entered into by Galane before a court relating to securities legislation or with a securities regulatory authority during Galane’s financial year.

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

Other than as disclosed below, none of the directors or executive officers of the Corporation, or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transaction since January 1, 2014, or during the current financial year, which has materially affected or is reasonably expected to materially affect the Corporation.

Wayne Hatton-Jones, the Chief Operating Officer of the Corporation and the General Manager of Mupane, was a shareholder of Galaxy at the time of the acquisition of Galaxy by the Corporation. In connection with such acquisition, Mr. Hatton-Jones received 1,229,515 Common Shares and 273,378 Warrants.

### **TRANSFER AGENT AND REGISTRAR**

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

### **MATERIAL CONTRACTS**

The only contracts that are material to the Corporation that were entered into either (i) during the year ended December 31, 2016; or (ii) prior to January 1, 2016 that are still in effect, other than contracts entered into in the ordinary course of business, are:

- (a) the NLE Agreement; and
- (b) the Gold Prepayment Agreement.

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

As consideration for the NLE Acquisition, Galane issued Common Shares and promissory notes to the shareholders of NLE. The final payment on the promissory notes was completed on October 10, 2012.

The Corporation is also obligated to issue up to 8,750,000 additional Common Shares (the “**NLE Contingent Shares**”) to the shareholders of NLE, on a *pro rata* basis, if by July 27, 2018, exploration work within the NLE Properties confirms a National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) compliant measured or indicated mineral resource containing the minimum ounces of gold set forth below, or the number of ounces of contained gold that is mined within the NLE Properties exceeds the ounces of gold set forth below (or any combination thereof without duplication). On April 7, 2014, the independent members of the Corporation’s board of directors determined that the first milestone had been reached and approved the issuance of the first 1,375,000 NLE Contingent Shares by the Corporation. Management of the Corporation is uncertain if the balance of the NLE milestones will be achieved.

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

Particulars of the Gold Prepayment Agreement are disclosed under the heading “General Development of the Business” above.

### INTERESTS OF EXPERTS

The auditors of the Corporation are PricewaterhouseCoopers LLP. The Corporation’s consolidated financial statements as of December 31, 2016, and for the year then ended have been filed under NI 51-102 in reliance on the report of PricewaterhouseCoopers LLP, given their authority as experts in auditing and accounting. PricewaterhouseCoopers LLP are independent with respect to the Corporation within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

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

## AUDIT COMMITTEE

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

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

### **Composition of Audit Committee**

The Audit Committee is composed of Ravi Sood, Ian Egan and Amar Bhalla, each of whom is a director of the Corporation. In accordance with Exchange Policy 3.1, the majority of the Audit Committee are not employees, Control Persons (as defined by the rules and policies of the Exchange) or officers of the Corporation.

A majority of the members of the Audit Committee are “independent” as such term is defined in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). Mr. Sood is an executive officer of the Corporation and is not considered to be independent under NI 52-110. The Corporation is of the opinion that all three members of the Audit Committee are “financially literate” as such term is defined in NI 52-110.

### **Relevant Education and Experience**

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Ravi Sood was educated at the University of Waterloo (B. Mathematics) where he was a Descartes Fellow and the recipient of numerous national awards. From 2001 to 2010, he led the investment activities of Navina Asset Management Inc. and its predecessor company, Lawrence Asset Management Inc. He currently serves as an officer or director of several public and private companies operating in the agriculture, energy, mining and oil & gas sectors.

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

Amar Bhalla is the President of Capit Investment Corp., an investment management firm focused on private equity and venture capital. He has also served as a member of the audit committee of a number of other reporting issuers. Mr. Bhalla received his C.F.A. designation in September 2004 and received his B.A. degree from McGill University in June 1999.

### **Audit Committee Oversight**

At no time since the commencement of Galane's most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of Galane's external auditors not been adopted by the board of directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on exemptions in relation to "*De Minimis Non-audit Services*" or any exemption provided by Part 8 of NI 52-110.

### **Pre-Approval Policies and Procedures**

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

### **External Auditor Service Fees (By Category)**

*Audit Fees* – Galane's previous external auditors KPMG, invoiced approximately \$206,000 for the financial year ended December 31, 2015, and \$63,232 for the financial year ended December 31, 2016. Current auditors PricewaterhouseCoopers LLP invoiced \$nil for the financial year ended December 31, 2016.

*Audit-Related Fees* – Galane's external auditors KPMG, invoiced approximately \$4,500 for the financial year ended December 31, 2015, and \$9,424 for the financial year ended December 31, 2016. Current auditors PricewaterhouseCoopers LLP invoiced \$nil for the financial year ended December 31, 2016.

*Tax Fees* – Galane's external auditors KPMG, invoiced approximately \$22,578 for the financial year ended December 31, 2015, and \$10,723 for the financial year ended December 31, 2016. Current auditors PricewaterhouseCoopers invoiced \$nil for the financial year ended December 31, 2016.

*All Other Fees* – Galane did not pay any other fees during the financial years ended December 31, 2015 and 2016, respectively, for services other than those reported above.

### **Venture Issuer Exemption**

The Corporation is relying upon the exemption in section 6.1 of NI 52-110.

## **ADDITIONAL INFORMATION**

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

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

Additional financial information is provided in Galane's consolidated financial statements and MD&A for the most recently completed year ended December 31, 2016.

**EXHIBIT "A"**  
**AUDIT COMMITTEE CHARTER**

(Implemented pursuant to National Instrument 52-110 – *Audit Committees*)

National Instrument 52-110 – *Audit Committees* (the “**Instrument**”) relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every TSX Venture Exchange listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors. The Corporation, as a TSX Venture Exchange-listed company is, however, exempt from certain requirements of the Instrument.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the board of directors or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

**PART 1**

**Purpose:**

The purpose of the Committee is to:

- (a) improve the quality of the Corporation’s financial reporting;
- (b) assist the board of directors to properly and fully discharge its responsibilities;
- (c) provide an avenue of enhanced communication between the directors and external auditors;
- (d) enhance the external auditor’s independence;
- (e) increase the credibility and objectivity of financial reports; and
- (f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

**1.1 Definitions**

“**accounting principles**” has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

“**Affiliate**” means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

“**audit services**” means the professional services rendered by the Corporation’s external auditor for the audit and review of the Corporation’s financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

“**Charter**” means this audit committee charter;

“**Committee**” means the committee established by and among certain members of the board of directors for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

“**Control Person**” means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

“**financially literate**” has the meaning set forth in Section 1.2;

“**immediate family member**” means a person’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person’s immediate family member) who shares the individual’s home;

“**Instrument**” means National Instrument 52-110 – *Audit Committees*;

“**MD&A**” has the meaning ascribed to it in National Instrument 51-102;

“**Member**” means a member of the Committee;

“**National Instrument 51-102**” means National Instrument 51-102 - *Continuous Disclosure Obligations*; and

“**non-audit services**” means services other than audit services.

## **1.2 Meaning of Financially Literate**

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

## **PART 2**

### **2.1 Audit Committee**

The board of directors has hereby established the Committee for, among other purposes, compliance with the Instrument.

### **2.2 Relationship with External Auditors**

The Corporation will require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

### **2.3 Committee Responsibilities**

1. The Committee shall be responsible for making the following recommendations to the board of directors:

- (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
  - (b) the compensation of the external auditor.
2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:
- (a) reviewing the audit plan with management and the external auditor;
  - (b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
  - (c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
  - (d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
  - (e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;
  - (f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;
  - (g) reviewing interim unaudited financial statements before release to the public;
  - (h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;
  - (i) reviewing the evaluation of internal controls by the external auditor, together with management's response;
  - (j) reviewing the terms of reference of the internal auditor, if any;
  - (k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
  - (l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.
3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.

4. The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.
5. The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.
6. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.
7. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.
8. The Committee shall, as applicable, establish procedures for:
  - (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
9. As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.
10. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

#### **2.4 De Minimis Non-Audit Services**

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

- (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;
- (b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

## **2.5 Delegation of Pre-Approval Function**

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).
2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

## **PART 3**

### **3.1 Composition**

1. The Committee shall be composed of a minimum of three Members.
2. Every Member shall be a director of the issuer.
3. The majority of Members shall not be employees, Control Persons or officers of the Corporation.
4. If practicable, given the composition of the directors of the Corporation, each Member shall be financially literate.
5. The board of directors of the Corporation shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.

## **PART 4**

### **4.1 Authority**

Until the replacement of this Charter, the Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee;
- (c) communicate directly with the internal and external auditors; and
- (d) recommend the amendment or approval of audited and interim financial statements to the board of directors.

## **PART 5**

### **5.1 Disclosure in Information Circular**

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors, the Corporation shall include in its management information circular the disclosure required by Form 52-110F2 (Disclosure by Venture Issuers).

## **PART 6**

### **6.1 Meetings**

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.
2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.
3. Minutes shall be kept of all meetings of the Committee.

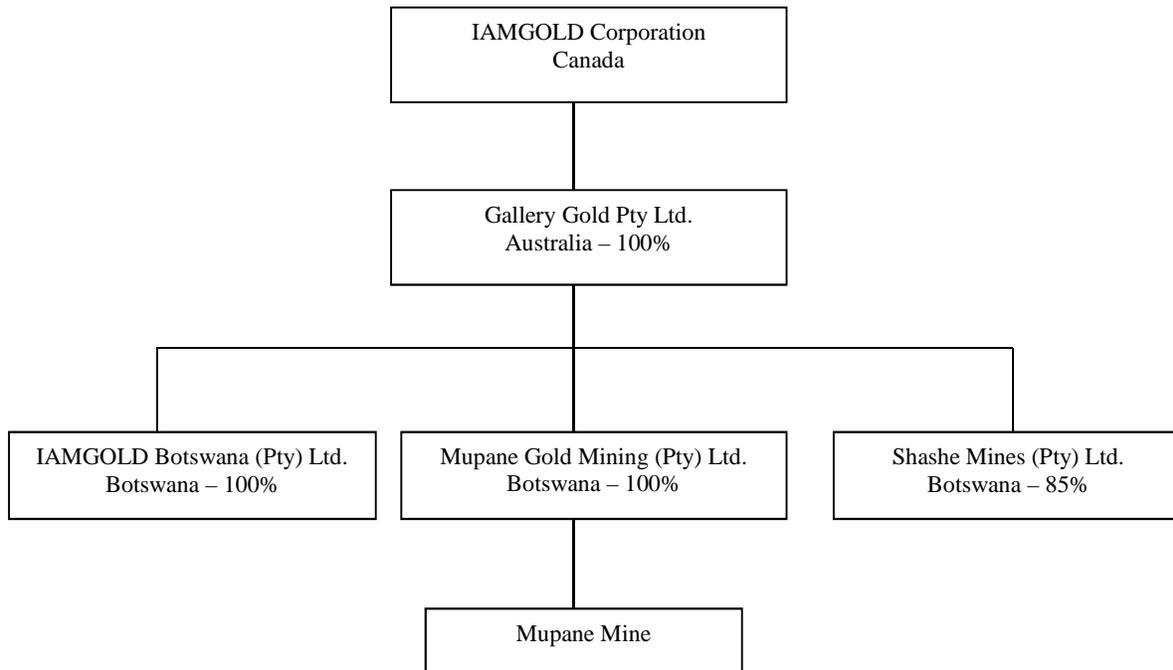
**EXHIBIT "B"**  
**SUMMARY FROM MUPANE TECHNICAL REPORT**

**1. SUMMARY**

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

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

The corporate ownership structure of the mine is as follows:



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

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

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

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

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

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

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

### Mineral Resources and Mineral Reserves

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

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

\*UNCONSTRAINED

\*\*CONSTRAINED WITHIN A USD 1000 PIT SHELL

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

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

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

### Financial Analysis

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

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

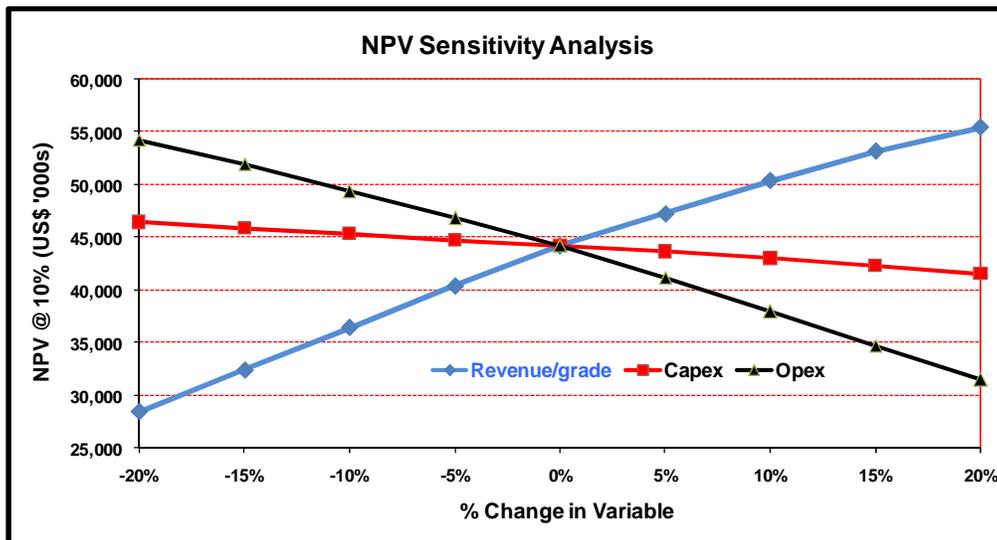
NPV's are at 1 January 2011

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

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

NPV's are at 1 January 2011

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



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

## **Risks**

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

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

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

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

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

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

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

## **Opportunities**

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

Plant availabilities have ranged from 3% to 5% below budget targets indicating an opportunity to increase throughput with improvement in availability. The below budget availability has been due largely to the lack of electrical diagrams to assist with fault-finding, and periodic water shortages. All of the observed issues impacting on plant availability can be addressed relatively easily.

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

### **Recommendations**

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

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

**EXHIBIT "C"**  
**SUMMARY FROM GALAXY TECHNICAL REPORT**

**Item 1 - SUMMARY**

Minxcon (Pty) Ltd (“Minxcon”) was commissioned by Galaxy Gold Mining Limited (“Galaxy” or “the Client”) to compile a compliant National Instrument 43-101 (“NI 43-101”) technical report (the “Report”) for the Galaxy mineral assets, collectively termed the “Galaxy Gold Mine”, the “Mine” or “Project”.

In 2011, Minxcon compiled an independent Competent Persons’ Report on this Galaxy Gold Mine, compliant reporting requirements of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2007) (“the SAMREC Code”), as well as the South African Code for the Reporting of Mineral Asset Valuation (“SAMVAL”). Since the issuing of this 2011 CPR, only very limited formal mining has occurred and later on the Mine was placed on care and maintenance. As such, Minxcon relied on the work and information contained within the 2011 CPR for a number of sections within this Report.

**Item 1 (a) - PROPERTY DESCRIPTION**

The Galaxy Gold Mine is located approximately 8 km west of the town of Barberton and 45 km west of the provincial capital of Nelspruit (Mbombela), in the Mpumalanga Province of South Africa and covers an area of 5,863 ha. The Mine comprises 21 east-west trending gold ore bodies and four prospects at 600 – 2,000 m depth. This Report pertains to the following ore bodies:-

- Woodbine, Giles, Galaxy, Golden Hill, Agnes Top, Pioneer & Tiger Trap and Princeton ore bodies;
- Ivy and Ceska Shaft Pillars; and
- Woodbine (East, North and South), Alpine Pioneer, Hostel (East and West) and Biox North historical dumps.

Historically, gold has been prospected here since the 1880s, with Agnes exploited as an established mine since 1908. Currently, over 75 historical adits exist within the mining area. Owing largely to poor metallurgical recovery processes, the mine became unprofitable and was placed on care and maintenance in 2007.

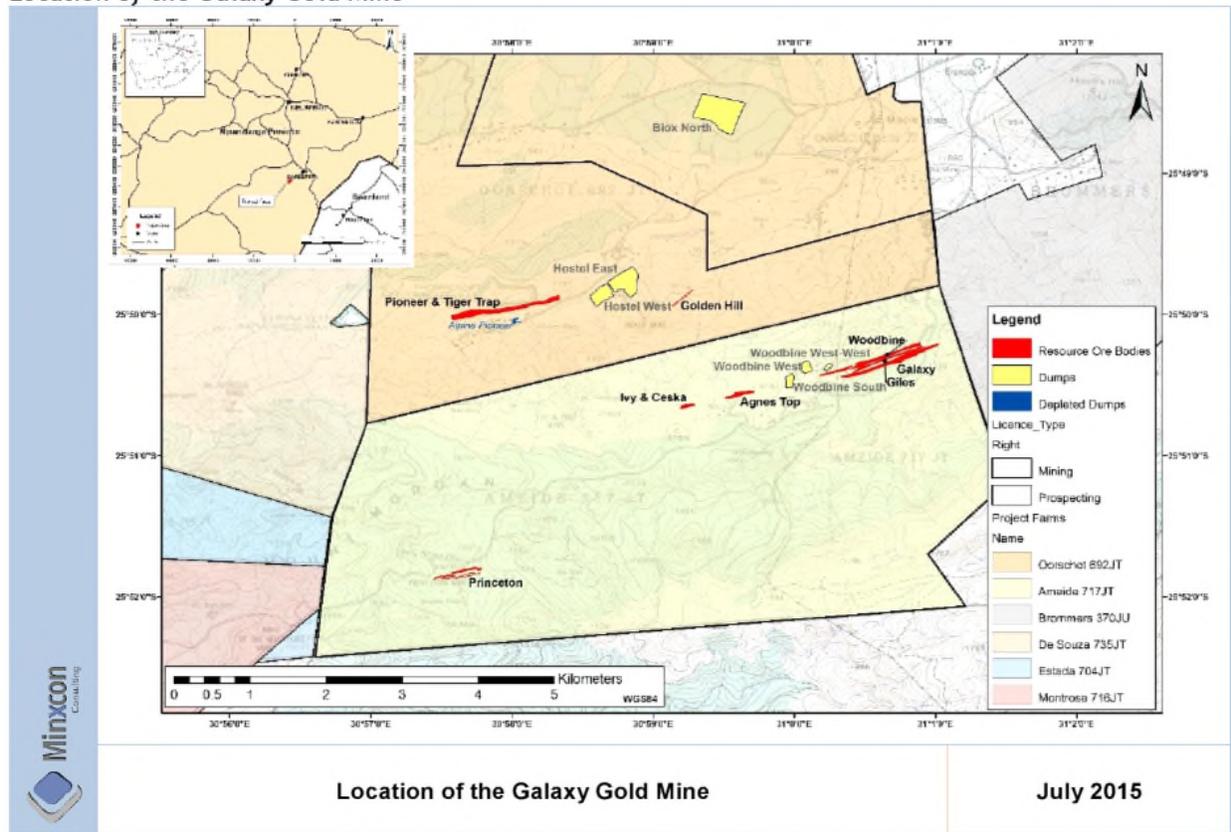
**Item 1 (b) - OWNERSHIP OF PROPERTY**

A converted new order mining right “413 MR” covers the main area of the Galaxy Gold Mine, valid until 4 September 2032. This license is held by Galaxy Gold Reefs (Pty) Ltd (“GGR”), a wholly-owned subsidiary of Galaxy, who purchased the Galaxy Gold Mine and associated infrastructure from African Pioneer Mining (“APM”; since liquidated) in December 2008. The 413 MR covers the portion (“Ptn”) 9 and Ptn 12 of the farm Oorschot 692 JT and the remaining extent (“RE”) of the farm Ameide 717 JT.

GGR has additionally applied for prospecting rights over a further four contiguous and adjacent areas. The applications were submitted and formally received by the Department of Mineral Resources (“DMR”) in 2011, but have as yet not been granted.

Galaxy has rights to the land in their area of interest, however, a dispute regarding the servitude with Upper Moodies Estate, upon whose properties the slimes dams and expansion plans are located, is ongoing.

## Location of the Galaxy Gold Mine



### Item 1 (c) - GEOLOGY AND MINERAL DEPOSIT

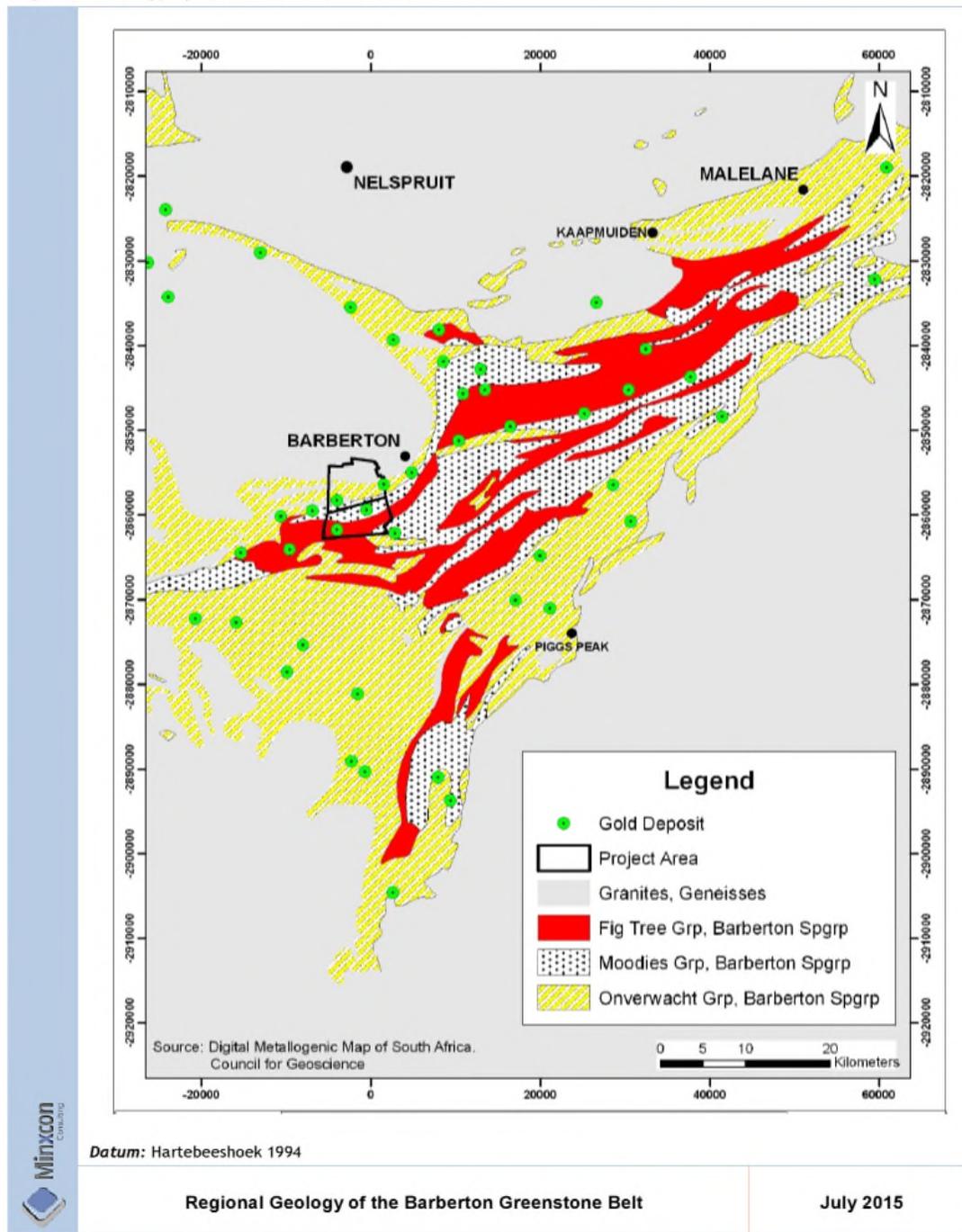
The Project Area is located within the 3.5-3.2 Ga Archaean Barberton Greenstone Belt (“BGB”). The BGB comprises metasedimentary and mafic to ultramafic units with later granitoid intrusions throughout. It is host to a number of economic gold deposits typical of global Archaean lode gold mineralisation

The volcanic and sedimentary units of the BGB have been complexly folded, forming a broad synclinal structure with three litho-stratigraphic units comprising the Barberton Supergroup. The oldest unit is the largely volcanic Onverwacht Group, which is 7 km thick. The Onverwacht Group is overlain by banded ironstones (banded iron formation, “BIF”), which are metamorphosed sandstone, siltstone and mudstone sediments of the Fig Tree Group which is 2.5 km thick. The Fig Tree Group is overlain by the younger Moodies Group, which consists of 2.5 km of arenaceous sediments.

Mineralisation in the BGB is structurally controlled. Mineralisation is associated with all three the above lithological groups along shear zones, thrusts and fractures, but is predominantly associated with the base of the Fig Tree sediments and specifically with the BIF, cherts, greywackes, shales and quartzites. It may also often be found in contact with the altered ultramafic schists.

The regional geology of the Barberton Greenstone Belt, indicating the location of major gold deposits is illustrated below.

Regional Geology of the Barberton Greenstone Belt

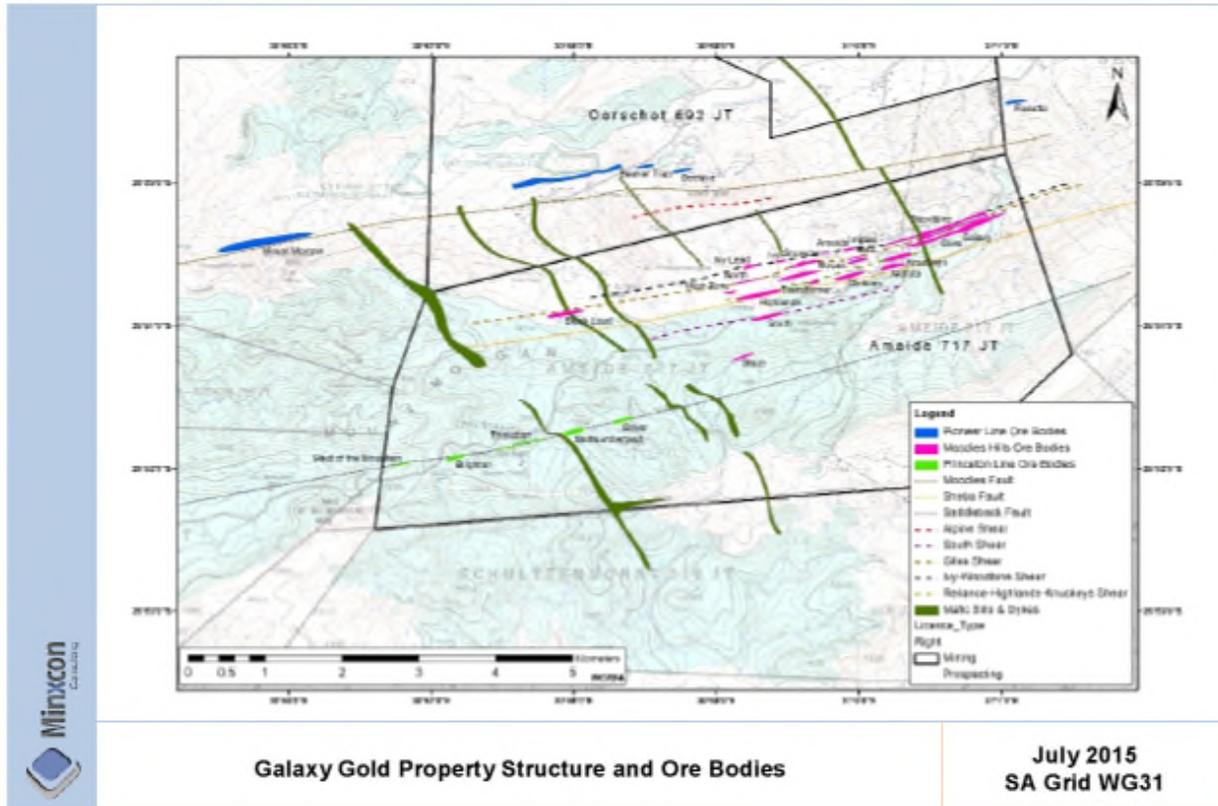


**Item 1 (d) - OVERVIEW OF THE PROJECT GEOLOGY**

The Galaxy Gold Mine overlaps a number of structurally separate stratigraphic units of the Barberton Greenstone Belt. The regional strike of the lithologies in the Project Area is generally in an east to northeast direction, with dips varying between about 60 and 85° south. The area is traversed by a number of pre-2000 Ma (i.e. pre-Transvaal age) diabase dykes trending in a north-westerly direction, which have not as yet been shown to have any major effect on the auriferous structures in the area. The ore bodies at Galaxy are orientated along structural lines that are namely, from north to south:- the Pioneer Line (Pioneer, Tiger Trap, Beaver Trap, Beehive, the BIF type Golden Hill, Mount Morgan, Rosetta ore bodies), Moodies Hills

(or Agnes) Line (Galaxy, Woodbine, Giles, SMZ type and Alpine), Princeton Line (New Brighton, Princeton, Cumberland, Northumberland, Dover) and Alpine Line.

### Galaxy Gold Property Structure and Ore Bodies



### Pioneer Line

The ultramafic-hosted reefs Pioneer, Tiger Trap, Beaver Trap Hill and Rosetta Ore Bodies lie on the farm Oorschot 692JT in close proximity to the Moodies Fault. Narrow shears of up to 300 m in length are either parallel to the regional strike or are slightly transgressive to bedding.

The Pioneer lode represents the first discovery of gold in the Barberton district and the prospect was extensively worked. In the Pioneer Group, free-milling gold has been recovered from quartz veinlets hosted within sheared fuchsitic carbonated schists.

Golden Hill represents an eastern extension of the Pioneer shear zone, although a banded iron formation provides a lithological control for the mineralizing shear over a 225 m strike. The ore is mainly refractory, but thin quartz veins are also developed throughout the ore body and host a minor free gold component.

### Alpine Line

The Alpine Line is not as distinct as the other three lines, and comprises the following reefs and mines listed from east to west: the Shebang, Reliance, Durham Allans, Alpine Mine including Black Lead, Lydlinch, Poverty and Union Reefs.

The reefs on the Alpine Line tend to be narrow, nuggety and of dark quartz.

### Moodies Hills (Agnes Line)

The locality of the Agnes Line is often referred to as the Moodies Hills. The area is dominated by subvertically dipping east-west to northeast-southwest striking siltstones and shales of the Moodies Group comprising (from oldest to youngest) the Clutha, Joe's Luck and Baviaanskop formations on the southern limb of the Moodies Syncline. The main concentration of the mineralization in the Agnes Line is confined to a zone roughly 400 m wide, located in the Clutha Formation of the Moodies Group. Gold mineralization is localized predominantly within sub-parallel shear-fault zones that cross-cut the steeply dipping lithologies at angles that vary between 2 and 10°. In this broad zone, there are a large number of individual horizons, or reefs, which are occasionally interconnected, but more commonly separated by barren country rocks. At present, the major part of the mining activity in the Agnes Line is confined to three main horizons. These are - from north to south - the Woodbine Reef, the Giles Reef and the Galaxy Reefs.

The Woodbine and Giles Reefs consist of zones in which narrow quartz-carbonate-pyrite veins are developed within chloritised and silicified zones of shearing within the siltstones.

The payable mineralization on the Woodbine and Giles Reefs is not continuously present along strike, but is confined to definite shoots. The Galaxy Reef dips sub-vertically with a plunge of 35° to the east and is adjacent to the Giles Reef.

#### **Princeton Line**

The Princeton Ore Body is located approximately 4 km southwest of the Agnes Line on the farm Ameide 717JT. The Princeton Line refers to a series of cherty banded iron formations bounded to the north by shales and greywackes of the Fig Tree group, and to the south by fuchsitic-quartz carbonate schists of the Onverwacht Group.

The most important host for the gold mineralization at Princeton is the banded iron formation at the base of the Fig Tree sediments, while there is sporadic gold mineralization developed in the surrounding rocks. The Princeton Banded Iron Formation is a banded, sideritic carbonate facies situated between fuchsitic schist hanging wall and shale-greywacke footwall lithologies which all dip steeply at about 80° to the south.

The Princeton Line is an east to west striking anastomosing zone of shearing that links discontinuous fragments or boudins of BIF.

The BIF units vary in thickness from zero to 60 m. Typical Fig Tree greywackes and shales lie in contact with the BIF to the north. The sheared southern contact of the BIF juxtaposes a 20 m thick package of Onverwacht fuchsitic schist. All strata in the mine area dip steeply to the south (80°).

#### **Item 1 (e) - STATUS OF EXPLORATION**

The Galaxy operations and projects are currently under care and maintenance, and thus no exploration work has been carried out subsequent to the 2011 Mineral Resource declaration.

In 2011, exploration work was carried out on the Galaxy properties in the form of structural analysis carried out by Dr R Harris to identify the structural controls of mineralisation in the area. Harris generated exploration targets based on the vergence of D2 and D3 structures, and it is these targets that should become the main focus for future exploration.

Planned future exploration activities by Galaxy includes geophysical surveys focussed on the structural targets generated during the structural analysis carried out by Dr Harris.

#### **Item 1 (f) - MINERAL RESOURCES AND MINERAL RESERVE ESTIMATES**

The Mineral Resource classification is a function of the confidence in the whole process from drilling, sampling, geological understanding, data Quality Assurance and Quality Control, as well as geostatistical relationships the summarised Galaxy Gold Mine Mineral Resources are tabulated below and have been classified in accordance with the requirements of the NI 43-101 Code:-

*Summarised Galaxy Gold Mine Mineral Resources as at 31 August 2015*

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

*Notes:*

1. 2015 Mineral Resource estimation were 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 this 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.

The Mineral Reserves for Galaxy Gold Mine are illustrated in the table below and have been classified in accordance with the requirements of the NI 43-101 Code:-

*Summarised Galaxy Gold Mine Mineral Reserve Statement as at 31 August 2015*

Mineral Resources Category	Tonnes	Grade Au	Content Au
	t	g/t	Oz
Probably Mineral Reserves	1,457,322	3.37	169,586
<b>Total Mineral Reserves</b>	<b>1,457,322</b>	<b>3.37</b>	<b>169,586</b>

*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 TSF.
5. Pay Limits calculated: USD/oz. = 1,130 and Exchange rate of ZAR11.70/USD.

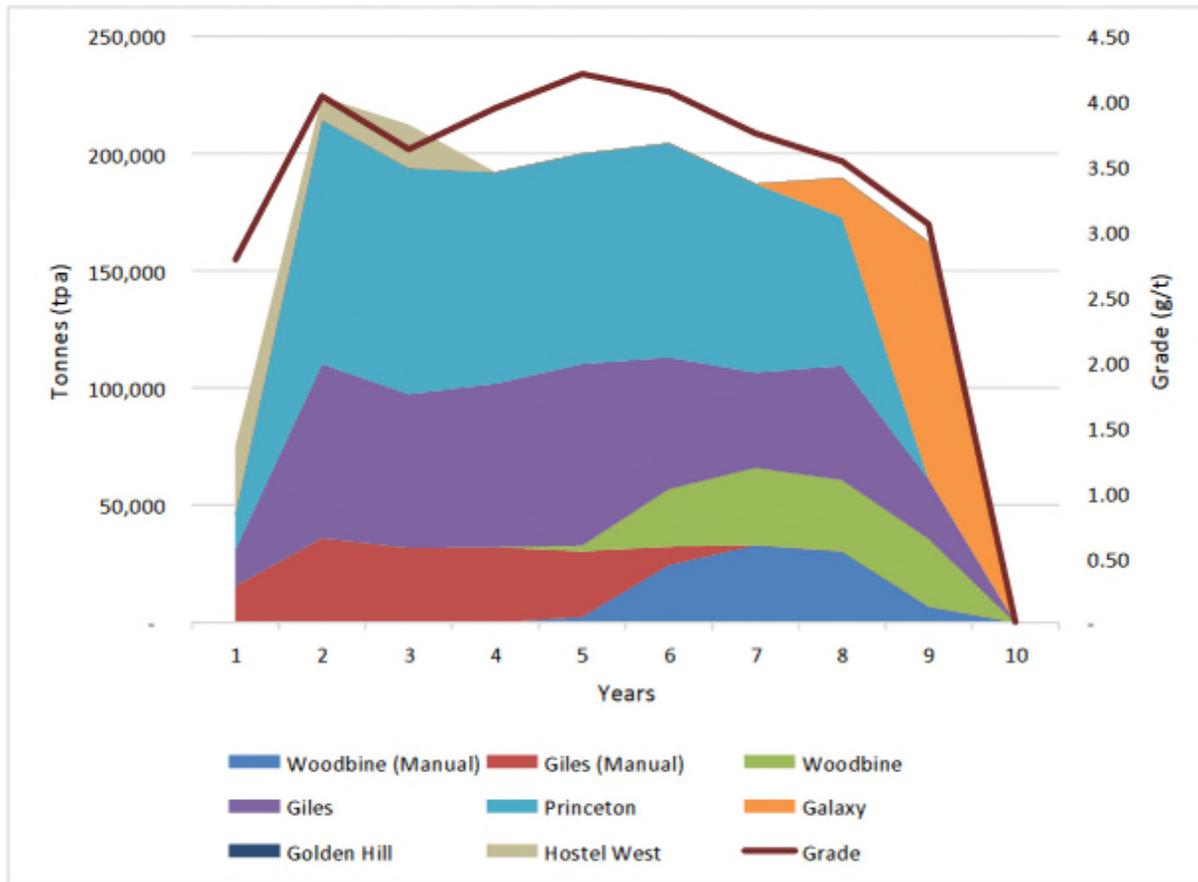
**Item 1 (g) - DEVELOPMENT AND OPERATIONS**

**Mining**

Two different mining methods will be used at the Galaxy Gold Mines, a fully mechanised cut and fill mining method and a conventional shrinkage stope mining method. Furthermore the Tailing Storage Facilities will be mined utilising a truck and shovel operation.

The life of mine plan for Galaxy is based on a production capacity of 15 ktpm constrained by the processing plant capacity. The life of mine production profile is illustrated in the figure below.

**Galaxy Gold Mine Life of Mine Production**



**Processing**

The Galaxy plant has operated intermittently since it was purchased in 2009. Currently the processing facilities are on care and maintenance. The operation consist of two plants, namely the south plant where crushing, milling, flotation, elution and smelting takes place, and the north plant where biological oxidation (“BIOX®”) and leaching of flotation concentrate takes place. Galaxy aim to refurbish the south plant only in order to produce and sell a flotation concentrate. The flotation plant has a total RoM capacity of approximately 15 ktpm. With consistent operation, it is expected that a flotation gold recovery of approximately 90% can be achieved.

Capital is required to refurbish and re-commission the Galaxy plant prior to production.

**Item 1 (h) - PROJECT VALUATION**

This valuation is based on a free cash flow and measures the economic viability of the Mineral Reserves to demonstrate if the extraction of the Mineral Deposit is viable and justifiable under a defined set of realistically assumed modifying factors. This is illustrated by using the Discounted Cash Flow (“DCF”) method on a Free Cash Flow to the Firm (“FCFF”) basis, to calculate the nett present value (“NPV”) and the intrinsic value (fundamental value based on the technical inputs, and a cash flow projection that creates a NPV) of the Project in real terms. The valuation reflects the full value of the operation and no values attributable to Galaxy’s participation in the Mine were calculated. The model was set up in calendar years starting in year 1. The effective date of the valuation is 1 September 2015.

## Operating Costs

Costs reported for the Mine, which consist of plant, mining and other operating costs, are displayed in the following table. Galaxy Gold Mine has an all-in sustainable cost of ZAR834/milled tonne. When comparing gold mine costs to the gold price in terms of USD/oz, the Mine has an all-in sustainable cost of USD688/oz.

### Opex Summary

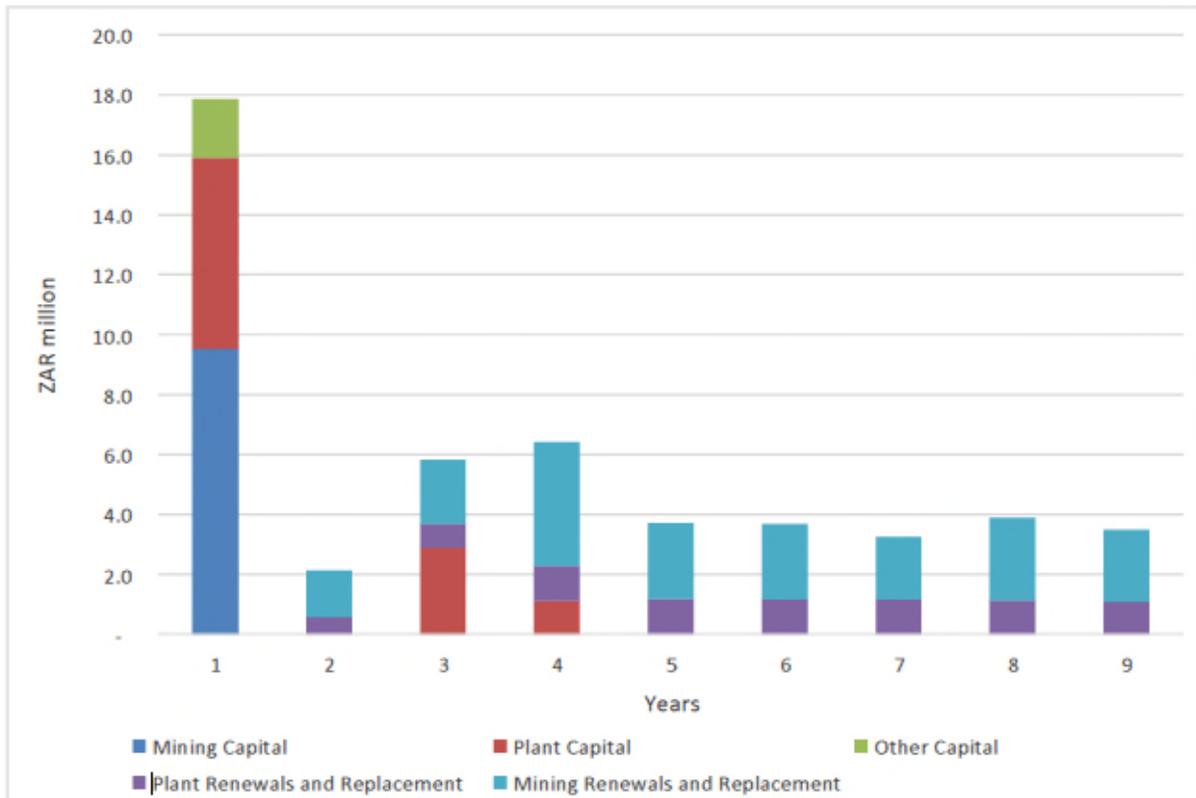
Item	Unit	Galaxy Gold Mine
<b>Net Turnover</b>	<b>ZAR/Milled tonne</b>	<b>960</b>
Mine Cost	ZAR/Milled tonne	459
Plant Costs	ZAR/Milled tonne	190
Other Costs	ZAR/Milled tonne	138
<b>Direct Cash Costs (C1)</b>	<b>ZAR/Milled tonne</b>	<b>787</b>
Capex	ZAR/Milled tonne	34
<b>Production Costs (C2)</b>	<b>ZAR/Milled tonne</b>	<b>822</b>
Royalties	ZAR/Milled tonne	13
Other Cash Costs	ZAR/Milled tonne	-
<b>All-in Sustaining Cost (C3)</b>	<b>ZAR/Milled tonne</b>	<b>834</b>
<b>NCE Margin</b>	<b>%</b>	<b>13%</b>
EBITDA*	ZAR/Milled tonne	160
EBITDA Margin	%	17%
Gold Recovered	oz	151,421
<b>Net Turnover</b>	<b>USD/Gold oz</b>	<b>792</b>
Mine Cost	USD/Gold oz	379
Plant Costs	USD/Gold oz	157
Other Costs	USD/Gold oz	114
<b>Direct Cash Costs (C1)</b>	<b>USD/Gold oz</b>	<b>649</b>
Capex	USD/Gold oz	28
<b>Production Costs (C2)</b>	<b>USD/Gold oz</b>	<b>678</b>
Royalties	USD/Gold oz	10
Other Cash Costs	USD/Gold oz	-
<b>All-in Sustaining Cost (C3)</b>	<b>USD/Gold oz</b>	<b>688</b>
EBITDA*	USD/Gold oz	132

#### Notes:

1. \*EBITDA excludes capital expenditures.
2. Numbers may not add up due to rounding.

82% Of the initial capital expenditure to return the mothballed operation to full production gets spent during year 1. The initial capital amounts to ZAR17.9 million. This will mainly be on the plant upgrade and the shaft repairs that has to be done. The renewals and replacement capital for the plant and mine was calculated as 3.5% of the plant and mining operating costs respectively over the LoM and is displayed in the figure below. The total including the initial capital amounts to ZAR50.2 million over the LoM.

**Capital Schedule**



The table below illustrates the Project NPV at various discount rates with a best-estimated value of ZAR138 million at a real discount rate of 9.1%. The IRR was calculated at 226%. This number should be treated with care, as it is skewed by the fact that it is an existing mine. The Mine and plant are on care and maintenance and therefore the capital requirement is not high. The low initial capital requirement of ZAR18 million in year 1 and high cash flow of ZAR110 million in year 2 returns resulted in an IRR that was calculated at 226% which is very high compared to new developed mines. The overall project has an all-in cost margin of 13% which is low compared to other operating mines and makes the Project marginal. That is despite an estimated low all-in sustainable cost of USD688/oz. The reason for this is the current expected turnover of only USD792/oz due to a payability of only 70% of the price on the metal content in the concentrate sold.

**Project Valuation Summary - Real Terms**

Item	Unit	Value
Real NPV @ 0.00%	ZARm	179
Real NPV @ 5.00%	ZARm	154
<b>Real NPV @ 9.07%</b>	<b>ZARm</b>	<b>138</b>
Real NPV @ 10.00%	ZARm	134
Real NPV @ 15.00%	ZARm	119
IRR	%	226%

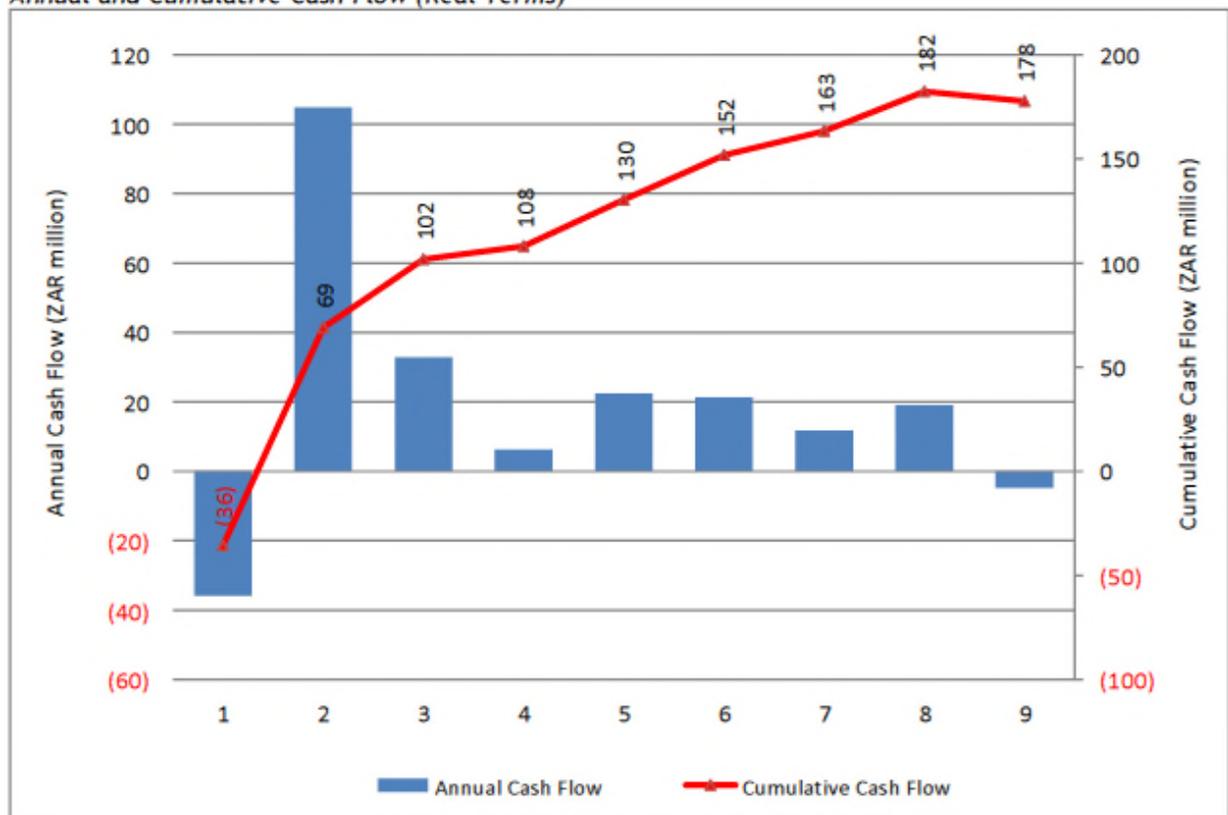
The table below illustrates the Project profitability ratios.

**Profitability Ratios**

Item	Unit	Profitability Ratios
Total ounces in Reserve LoM plan	oz.	169,586
In-Situ Mining Inventory Valuation	USD/oz.	70
Production LoM	Years	9
Present Value of Income flow	ZARm	182
Peak Funding Requirement	ZARm	36
Payback Period	Years	1
Break Even Milled Grade	g/t	3.15
Break Even/Incentive Gold Price	USD/oz.	688

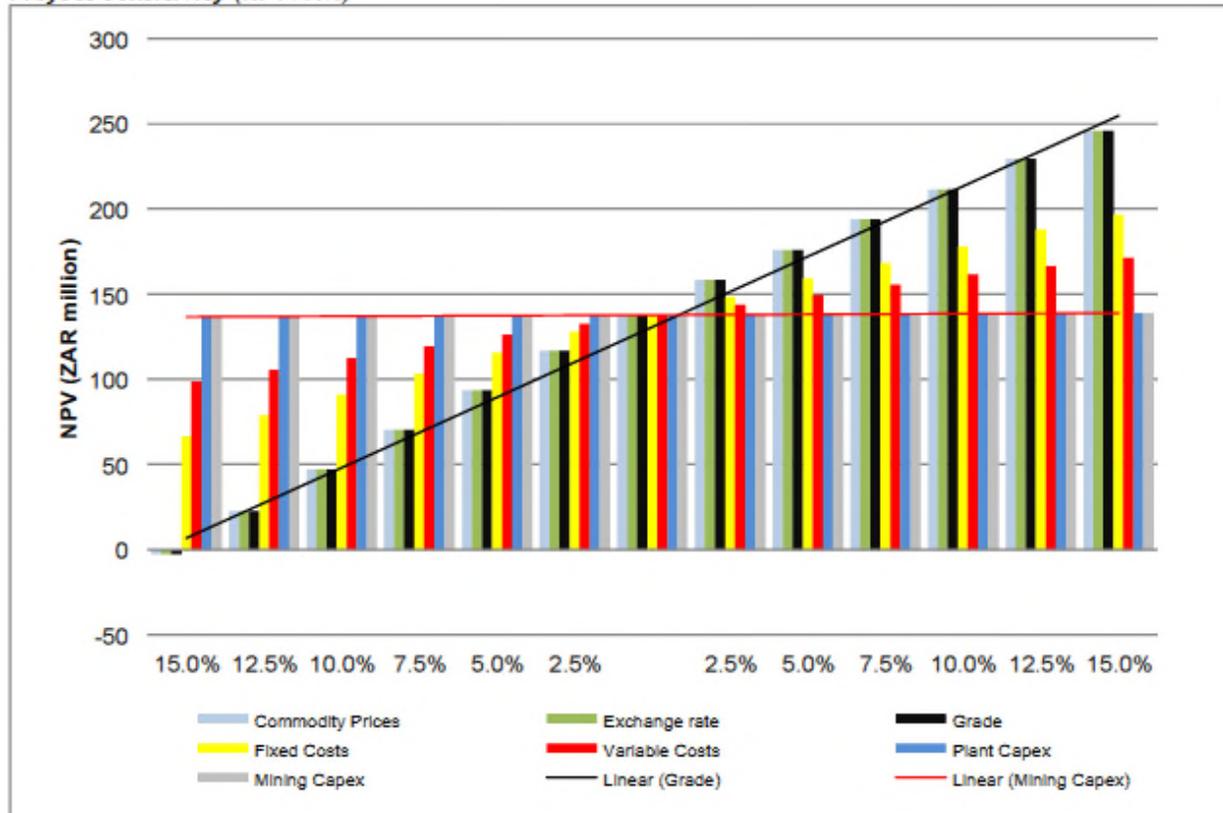
The annual and cumulative cash flow forecast for the LoM is displayed in the following figure. From the figure below it can also be seen that the peak funding requirement amounts to ZAR36 million in year 1.

**Annual and Cumulative Cash Flow (Real Terms)**



For the DCF, the gold price, exchange rate and grade have the most significant impact on the sensitivity of the Project, followed by the operating cost. The Project is not sensitive to the capital.

Project Sensitivity (NPV9.1%)



**Item 1 (i) - QUALIFIED PERSON’S CONCLUSION AND RECOMMENDATIONS**

**Conclusions**

**Mineral Resources:-**

- The Galaxy Gold Mine Mineral Resources were last estimated in 2011, with little subsequent mining.
- Minxcon reviewed, depleted and updated the Mineral Resources as at 31 August 2015.
- The operations are on care and maintenance, with no resident geological team in place.
- Digital data is not formally archived by Galaxy, however all Mineral Resource estimation data is stored on the Minxcon server and is readily available. Data security thus presents minimal risk.

**Mining:-**

- A portion (25%) of the LoM plan was completed from manual plans. Manual plans are scheduled and depleted from the block values indicated on the plans.
- The remaining portion (75%) of the LoM plan was completed in CAD software. The software produces the values generated from the resource block models.
- Minxcon has completed the LoM plan and schedule under the guidance of the Galaxy management team, who have also signed off the LoM plan.
- The LoM plan for Princeton was change from a cut and fill to a longhole stoping method. This was done to reduce waste development which had an impact on the cost effectiveness of mining.
- The Woodbine-Giles sub-shaft needs refurbishment before it can be fully operational. It was assumed that the shaft is open and had access to 30 Level. The shaft is very important to the LoM plan as is services the Woodbine, Giles and Galaxy ore bodies.

- The mine plan is based on a contractor mining model but the terms of the contract have not yet been determined.
- Limited skilled labour is currently employed at the Mine because the operation is on care and maintenance; skilled labour will need to be sourced well in advance of operation start-up.

***Processing:-***

- Galaxy will not produce dorè but plans to sell a concentrate.
- As a result of the high sulphur content in the concentrate, BIOX® technology is not appropriate at this point.
- Capital of ZAR6.4 million will be required to refurbish and re-commission the Galaxy flotation plant.
- Approximately 4 months will be required for the plant refurbishment and commissioning.
- With a stable plant feed rate of 15 ktpm, it is estimated that the plant can achieve a flotation recovery of 90%.
- No-off-take agreement is currently in place. A payability of 70% contained gold was assumed.

***Reserve Market Evaluation:-***

- There was a significant decrease in the gold price in the past 3 to 4 years which placed immense pressure on gold mine margins.
- Galaxy has a IRR of 226% which is very high compared to new developed mines and the number should be treated with care, as it is skewed by the fact that it is an existing mine.
- The peak funding requirement is ZAR36 million which is reached in the first year of the Project. The Mine and plant are also on care and maintenance and therefore the capital requirement is not high. This together with the low development capital is the reason for the skewed IRR.
- The all-in sustainable cost (which includes capital cost) of Galaxy was calculated as USD688/oz and is well below the current gold price. One of the reasons for the low operating cost is the fact that the mine has already been established and the development needed to access the orebody is limited.
- However, the project has an all-in cost margin of only 13% which is low compared to other operating mines.
- The Project is marginal with small annual cash flows of approximately ZAR20 million from year 2 onwards. The reason for this is the current expected turnover of only USD792/oz due to a payability of only 70% of the price on the metal content in the concentrate sold.

**Recommendations**

***Legals:-***

- Galaxy should prioritise obtaining all environmental authorisations and get approval for an EMP and Water Use Licence as soon as possible.

***Mineral Resources:-***

- Implement a common datum for all resource models for ease of planning and data management.
- Adjust block sizes post estimation in order to improve accuracy of resource model depletions.

***Mining:-***

- Mining contract agreement should be put in place.
- The mine design is currently at a PFS level of accuracy and should be improved to an operational level of accuracy prior to implementation.
- The technical aspects of the LoM plan should be improved which include ventilation, rock engineering, equipment and safety.

- Given the current status of being on care and maintenance, a detailed re-opening plan would assist in bringing the mine back into operation successfully.

***Processing:-***

- Ensure that critical spares and equipment items are identified and ordered before plant start-up.
- The tailings dam capacity should be confirmed by tailings experts.
- A flotation concentrate off-take agreement should be secured as soon as possible.

***Market Evaluation:-***

- An expected 30% discount on the price due to selling concentrate has a significant impact on the margin. Galaxy should investigate alternative processing options to be able to upgrade the final product to a dorè instead of receiving a 70% payability on the concentrate.