

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

GALANE GOLD LTD.

For the three and six month periods ended June 30, 2019

Note to Reader:

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

GALANE GOLD LTD.

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

As at June 30, 2019 and December 31, 2018

	Notes	June 30, 2019	December 31, 2018
Assets			
Current assets:			
Cash		\$ 3,837,120	\$ 4,173,052
Trade and other receivables	6	1,606,247	1,849,945
Inventories	7	3,978,086	4,410,241
Deferred financing asset		89,106	-
		9,510,559	10,433,238
Non-current assets:			
Mining and exploration properties	8	37,433,952	34,133,406
Plant and equipment	8	2,195,623	1,788,543
Deferred financing asset		226,031	-
		39,855,606	35,921,949
		\$ 49,366,165	\$ 46,355,187

Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities	10	\$ 9,095,054	\$ 9,321,370
Loans and borrowings	11	8,242,956	3,947,288
		17,338,010	13,268,658
Non-current liabilities:			
Loans and borrowings	11	11,450,528	10,571,690
Warrants denominated in a foreign currency	13	974,690	1,109,662
Restoration and rehabilitation provision	9	6,631,192	6,420,233
		19,056,410	18,101,585
Shareholders' equity:			
Share capital	13	\$ 38,329,654	38,329,654
Reserves	13	2,587,664	2,515,382
Deficit		(25,238,311)	(25,860,092)
Equity attributable to Galane Gold Ltd. Shareholders		15,679,007	14,984,944
Non-controlling interest	5	(2,707,262)	-
		12,971,745	14,984,944
		\$ 49,366,165	\$ 46,355,187

Commitments and contingencies (Note 15)

Approved and authorized by the Board for issue on August 15, 2019:

“Ravi Sood” Director “Dino Titaro” Director

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

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

Three and six month periods ended June 30, 2019 and 2018.

	Note	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Mining Revenue		\$ 11,424,704	\$ 13,169,757	\$ 19,901,125	\$ 23,077,706
Mining Costs	14	10,603,441	10,978,749	19,903,085	20,613,030
Earnings (Loss) from mining operations		\$ 821,263	\$ 2,191,008	\$ (1,960)	\$ 2,464,676
Expenses:					
Exploration costs		-	57,809	4,111	117,985
Foreign exchange (gain) loss		(76,415)	(1,228,870)	37,324	(633,655)
Corporate general and administration	14	223,000	646,560	899,388	1,296,795
Financing costs	14	103,782	152,594	488,509	304,203
Other expenses	14	408,272	163,764	654,189	453,039
		\$ 658,639	\$ (208,143)	\$ 2,083,521	\$ 1,538,367
(Loss) earnings and comprehensive (loss) earnings for the period before taxation		\$ 162,624	\$ 2,399,151	\$ (2,085,481)	\$ 926,309
Taxation	12	\$ -	\$ -	\$ -	\$ -
Net (loss) earnings and comprehensive (loss) earnings for the period		\$ 162,624	\$ 2,399,151	\$ (2,085,481)	\$ 926,309
Attributable to:					
Equity holders of Galane Gold Ltd.		331,471	2,399,151	(1,888,037)	926,309
Non-controlling interest		(168,847)	-	(197,444)	-
Net (loss) earnings and comprehensive (loss) earnings for the period		\$ 162,624	\$ 2,399,151	\$ (2,085,481)	\$ 926,309
Basic (loss) earnings per common share	13	\$ 0.00	\$ 0.02	\$ (0.01)	\$ 0.01
Diluted (loss) earnings per common share	13	\$ 0.00	\$ 0.02	\$ (0.01)	\$ 0.01
Weighted average number of common shares- basic	13	200,804,760	146,804,760	200,804,760	146,806,760
Weighted average number of common shares - diluted	13	200,804,760	146,804,760	200,804,760	146,806,760

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

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

Six month periods ended June 30, 2019 and 2018

	Notes	Capital Stock		Reserves	Deficit	Attributable to Galane Shareholders	Non-controlling Interest	Total
		Number	Amount	Stock based payments				
Balance as at December 31, 2017		146,804,760	37,348,880	2,280,668	(25,538,147)	14,091,401	-	14,091,401
Stock-based compensation	13	-	-	123,918	-	123,918	-	123,918
Net loss and comprehensive loss for the period		-	-	-	926,309	926,309	-	926,309
Balance as at June 30, 2018		146,804,760	\$37,348,880	\$2,404,586	\$(24,611,838)	\$15,141,628	\$-	\$15,141,628
Balance as at December 31, 2018		200,804,760	38,329,654	2,515,382	(25,860,092)	14,984,944	-	14,984,944
Stock-based compensation	13	-	-	72,282	-	72,282	-	72,282
Galaxy share donation	5	-	-	-	2,509,818	2,509,818	(2,509,818)	-
Net loss and comprehensive loss for the period		-	-	-	(1,888,037)	(1,888,037)	(197,444)	(2,085,481)
Balance as at June 30, 2019		200,804,760	\$38,329,654	\$2,587,664	\$(25,238,311)	\$15,679,007	\$(2,707,262)	\$12,971,745

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

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

Six month periods ended June 30, 2019 and 2018

	Notes	2019	2018
Cash flows from operating activities:			
Net (loss) earnings for the period		\$ (2,085,481)	\$ 926,309
Items not involving cash:			
Depreciation and amortization	8	2,938,678	2,901,662
Share based compensation	14	72,282	123,918
Accretion	14	145,148	185,746
Interest expense	14	478,334	118,550
Foreign exchange loss (gain)		172,464	(505,799)
Change in fair value of warrants	14	(134,972)	(93)
Working capital adjustments:			
Change in trade and other receivables		245,362	(180,833)
Change in inventories		432,155	130,699
Change in trade and other payables		(253,188)	(505,575)
Cash flows from operating activities		\$ 2,010,782	\$ 3,194,584
Cash flows from investing activities:			
Mining assets acquired	8	(4,640,853)	(1,622,660)
Cash flows used in investing activities		\$ (4,640,853)	\$ (1,622,660)
Cash flow from financing activities:			
Debt interest paid		(232,563)	-
Deferred royalty paid		(609,558)	(86,372)
Deferred royalty interest paid		(170,444)	(113,628)
Barak facility drawdown		3,650,000	-
Barak facility fees		(200,000)	-
Capital lease obligations		(166,985)	(230,054)
Cash flows from financing activities		\$ 2,270,450	\$ (430,054)
(Decrease) Increase in cash		\$ (359,621)	\$ 1,141,870
Effect of unrealized foreign exchange gain on cash		23,689	(7,138)
Cash, at January 1		4,173,052	2,550,701
Cash, at June 30		\$ 3,837,120	\$ 3,685,433

See accompanying notes to the consolidated financial statements.

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(in U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

1. Corporate Information

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

2. Liquidity Risk

As at June 30, 2019, the Company had a working capital deficiency of \$7.8 million compared to a deficiency of \$2.8 million at December 31, 2018.

During the six months ended June 30, 2019, the Company paid, on a timely basis, the 5% royalty to the government of Botswana on all gold sales in accordance with the terms of the royalty. The royalty expense for the six months ended June 30, 2019, was \$1.0 million, which was funded from cash flows from operations, in addition to \$0.8 million repaid from deferred royalties in accordance with the agreement with the Government of Botswana for the repayment of deferred royalties. The Company has unsecured convertible debt in the amount of \$2.7 million that is due in November 2019, and the Company will look to renegotiate the maturity date of such debt.

The operating performance at the Mupane mine for the six months ended June 30, 2019 was impacted by operational challenges, with a loss from operations of \$0.0 million, compared to earnings of \$2.5 million for the same period in 2018. However, with the ongoing strength in gold price, the Company remains confident in achieving its full year budget allowing the Company to generate sufficient cashflow from operations in order to meet its obligations as they fall due for at least the next 12 months.

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

3. Basis of preparation

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the “Financial Statements”) of the Company as at and for the six months ended June 30, 2019 have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

(b) Significant accounting judgments, estimates and assumptions

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The particular areas of estimation uncertainty and critical judgments are outlined in detail in the annual audited consolidated financial statements for the year ended December 31, 2018 (the “Annual Financial Statements”).

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

(c) Functional and presentation currency

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

4. Significant Accounting Policies

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

IFRS 16 Leases - The Company adopted IFRS 16 on a retrospective basis effective January 1, 2019. The adoption of this standard did not have any measurement impact on prior period financial results or financial position.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8.5%.

The change in accounting policy had the following effect on the balance sheet on January 1, 2019:

- Recognition of Right of Use liabilities of \$1,896,294.
- Recognition of Right of Use assets of \$1,896,294.

From January 1, 2019, leases are recognized as a right of use asset and corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use assets are depreciated over the shorter of their useful life and the lease term on a straight-line basis.

5. Galaxy Share Donation

On March 19, 2019, the Company donated 17% of the issued and outstanding shares of Galaxy to Phakamani Foundation Trust (operating as Phakamani Foundation NPC). The donation was made in relation to the terms of the *Mineral and Petroleum Resources Development Act, 2004* of South Africa, together with the *Broad-Based Social-Economic Empowerment Charter for Mining and Mineral Industry, 2018* and the requirement for Galaxy, as holder of existing gold mining rights, to be comprised, directly or indirectly, of at least a 20% shareholding by historically disadvantaged persons (the "BEE Requirement").

On March 19, 2019, 10% of the issued and outstanding shares of Galaxy Gold Reefs (Pty) Ltd, was donated to a South African community based trust and a South African local employee share scheme. The donation was made in relation to the BEE Requirement.

Non-controlling interests represent the equity in subsidiaries owned by outside parties. It is presented separately within equity in the consolidated statement of financial position, and separately from equity attributable to the shareholders of the Company. Losses within a subsidiary continue to be attributed to the non-controlling interests even if that results in a deficit balance. Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

6. Trade and other receivables

	June 30, 2019	December 31, 2018
Trade receivables	\$ 436,160	\$ 262,434
Taxes recoverable	484,567	647,657
Prepaid expenses	606,227	847,128
Other receivables	79,293	92,726
	<u>\$ 1,606,247</u>	<u>\$ 1,849,945</u>

7. Inventories

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

	June 30, 2019	December 31, 2018
Gold in process	\$ 552,977	\$ 681,773
Supplies	3,034,503	3,425,227
Ore Stockpiles	390,606	303,241
	<u>\$ 3,978,086</u>	<u>\$ 4,410,241</u>

8. Mining assets

The continuity of mining assets for the six months ended June 30, 2019 is as follows:

	Construction in Progress	Mining and Exploration Properties	Plant and Equipment	Total
Cost at December 31, 2018	\$ 3,530,565	\$ 86,784,253	\$ 6,303,891	\$ 96,618,709
Adjustment on adoption of IFRS 16	-	1,321,388	574,906	1,896,294
Restated balance at January 1, 2019	3,530,565	88,105,641	6,878,797	98,515,003
Additions:				
Additions	3,365,622	1,054,362	330,026	4,750,010
Cost at June 30, 2019	<u>\$ 6,896,187</u>	<u>\$ 89,160,003</u>	<u>\$ 7,208,823</u>	<u>\$ 103,265,013</u>
Accumulated depreciation and amortization at December 31, 2018	\$ -	\$ (56,181,412)	\$ (4,515,348)	\$ (60,696,760)
Depreciation and amortization	-	(2,440,826)	(497,852)	(2,938,678)
Accumulated depreciation and amortization at June 30, 2019	<u>\$ -</u>	<u>\$ (58,622,238)</u>	<u>\$ (5,013,200)</u>	<u>\$ (63,635,438)</u>
Net book value, June 30, 2019	<u>\$ 6,896,187</u>	<u>\$ 30,537,765</u>	<u>\$ 2,195,623</u>	<u>\$ 39,629,575</u>

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

9. Restoration and rehabilitation provision

	Restoration and rehabilitation provision	
At December 31, 2018	\$	6,420,233
Revaluation		65,811
Accretion		145,148
At June 30, 2019	\$	6,631,192

10. Trade accounts payable and accrued liabilities

	June 30, 2019		December 31, 2018	
Trade accounts payable	\$	7,424,929	\$	7,475,382
Accrued liabilities		1,670,125		1,845,988
	\$	9,095,054	\$	9,321,370

11. Loans and borrowings

	June 30, 2019		December 31, 2018	
Current				
Debentures (1)	\$	2,738,592	\$	2,690,970
Mining Royalties (2)		4,076,970		1,219,116
Equipment leases (3)		92,381		37,202
Barak loan facility (4)		790,436		-
Barak royalty (4)		89,106		-
Right of use liability (5)		455,471		-
	\$	8,242,956	\$	3,947,288
Non-Current				
Debentures (1)	\$	3,439,919	\$	3,608,028
Mining Royalties (2)		3,467,414		6,963,662
Equipment leases (3)		74,606		-
Barak loan facility (4)		3,003,657		-
Barak royalty (4)		226,031		-
Right of use liability (5)		1,238,901		-
	\$	11,450,528	\$	10,571,690

(1) The Company issued unsecured debentures to certain loan holders of Galaxy Gold Mining (Pty) Limited (formerly Galaxy Gold Mining Limited, "Galaxy") and other parties as settlement of amounts previously due on the acquisition of Galaxy in 2015. The current terms of the debentures are as follows:

- initial principal amount - \$5,650,269;
- interest rate - fixed rate of 4% per annum, compounded annually;
- \$2,400,836 of such principal is repayable on November 20, 2019 and is convertible into common shares at a price of C\$0.58 per share, based on a pre-determined exchange rate, with interest convertible into common shares, based on a pre-determined exchange rate, at a price equivalent to the greater of C\$1.00 and the Discounted Market Price (as defined by the TSX Venture Exchange) at the time of conversion, subject to acceptance of the TSX Venture Exchange; and
- In accordance with an amended and restated debenture agreed to between the Company and a debenture holder in the second quarter of 2018: (i) \$3,249,433 of such principal is repayable

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

on November 20, 2021 and is convertible into common shares at a price of C\$0.15 per share, based on a pre-determined exchange rate; (ii) interest is convertible into common shares, based on a pre-determined exchange rate, at a price equivalent to the greater of C\$0.15 and the Discounted Market Price at the time of conversion; (iii) the Company has a right of forced conversion for the principal where the trading price of the common shares exceeds C\$0.15 for 10 consecutive trading days; (iv) the accrued interest to December 31, 2017 becomes payable 7 days after the Company first draws down on the proposed loan facility to be provided to the Company by Barak Fund SPC Limited; and (v) commencing January 1, 2018, interest for a calendar year will be due and payable on March 31 of the subsequent year, with the first such payment being due on March 31, 2019. The first payment of interest under the rescheduled agreement was made in April, 2019

- (2) The Government of Botswana royalties were all recorded as current liabilities at December 31, 2017, however on March 19, 2018 an agreement was reached with the government regarding royalties payable on the sale of gold and subsequent repayment thereof under the following terms:
- \$8,398,709 of royalties deferred to December 2017 will commence repayment in March 2018 over 34 months as follows:
 - principal repayments of \$21,593 per month for ten months commencing March 2018,
 - principal repayments of \$101,593 per month for 12 months commencing January 2019, and
 - the remaining balance to be repaid in 12 equal monthly payments commencing January 2020;
 - interest to be charged at Bank of Botswana commercial bank prime lending rate plus 5%, applied on a simple interest basis, equating to \$28,407 per month over the 34 month repayment period; and
 - the deferral amount is unsecured.
- (3) The Company acquired a Komatsu Excavator in March 2019 and financed \$189,000 of the acquisition costs. The term of the loan is 24 months, with payments of approximately \$8,600 coming due each month including payment of the principal and interest. The loan is secured by the asset related to such loan.
- (4) On October 2, 2018, the Company announced that it had completed all the conditions precedent to finalize the loan agreement with Barak Fund SPC Limited (“Barak”) with respect to a \$5,000,000 secured loan facility (the “Barak Facility”), for a term ending three years from the date of the first drawdown and bearing interest at a rate of 14% per annum. The funds are to be used towards the refurbishment and expansion of the processing facilities and restarting underground mining operations at the Galaxy Gold Mine in Barberton, South Africa. The Company will pay to Barak, or its nominee, 0.75% of the net proceeds accruing to Galaxy under an off-take agreement covering the annual gold concentrate production of the Agnes gold mine in Barberton owned and operated by Galaxy, after taking into account all attributable logistics and freight costs, State Royalties (as defined in the Barak Facility) and value-added tax (if applicable). The Company received the funds from drawdown requests totalling \$3,650,000 under the Barak Facility up to June 30, 2019.
- (5) On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019, was 8.5%. A Right of use liability of \$1,896,294 was recognized on the initial application at January 1, 2019.

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

12. Income and Mining Taxes

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

As a result of the effect of utilization of loss carry forwards available to the Company, the Company reported no income tax expense for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 - \$nil). The effective income tax rates vary from the combined Canadian federal and provincial statutory income tax rate of 26.50% for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 – 26.50%) due to the geographical distribution of earnings, which are subject to different tax rates, fluctuations in exchange rates and other non-deductible expenses.

13. Share Capital

(a) Authorized share capital:

As at June 30, 2019, the authorized share capital of the Company consisted of an unlimited number of common shares. All issued shares are fully paid.

(b) Issued share capital:

As at June 30, 2019, 200,804,760 common shares are issued and outstanding.

The Company did not issue any common shares during the six month period ended June 30, 2019, or the period ended June 30, 2018.

(c) Stock Options:

The Company has a stock option plan whereby options may be granted to directors, officers, employees and consultants. As at June 30, 2019, a maximum of 20,080,476 options to purchase common shares were issuable under the Company's stock option plan, of which 11,380,476 remained available for issuance.

The following is a summary of stock options outstanding as at June 30, 2019 and December 31, 2018 along with changes during the periods then ended:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Balance December 31, 2017	9,700,000	\$ 0.11
Options expired	(1,000,000)	0.12
Balance December 31, 2018 and March 31, 2019 ⁽¹⁾⁽²⁾	8,700,000	\$ 0.11

⁽¹⁾ The weighted average time to expiration for outstanding options is 2.2 years.

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

⁽²⁾ As at June 30, 2019, 2,970,000 options were exercisable (December 31, 2018 – 2,970,000).

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

(d) Earnings (loss) per share:

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

	Three months ended June 30, 2019	Six months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2018
Earnings (loss) attributable to Galane shareholders	\$ 331,471	\$ (1,888,037)	\$ 2,399,151	\$ 926,309
Weighted average number of common shares outstanding for purposes of basic earnings per share	200,804,760	200,804,760	146,804,760	146,804,760
Dilutive deferred share units	-	-	-	-
Dilutive options	-	-	-	-
Weighted average number of common shares outstanding for the purpose of diluted earnings per share	200,804,760	200,804,760	146,804,760	146,804,760
Earnings (loss) per share				
Basic	\$ 0.00	\$ (0.01)	\$ 0.02	\$ 0.01
Diluted	\$ 0.00	\$ (0.01)	\$ 0.02	\$ 0.01

Basic earnings (loss) per share is computed by dividing the earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of outstanding warrants, stock options deferred share units or convertible debentures in the weighted average number of common shares outstanding during the period, if dilutive. For the three and six months ended June 30, 2019, and the three and six months ended June 30, 2018, all instruments were anti-dilutive.

(e) Deferred Share Units

The Company has established a deferred share unit plan whereby deferred share units (“DSUs”) may be granted to directors, officers, employees and consultants. As at June 30, 2019, a maximum of 13,262,888 DSUs were issuable under the Company’s deferred share unit plan, of which 7,327,060 remained available for issuance.

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

(f) Warrants:

The following is a summary of warrants outstanding as at June 30, 2019 and changes during the periods then ended:

	Number of Warrants	Weighted Average Exercise Price (CDN\$)
Balance, December 31, 2017	520,016	0.18
Expired November 16, 2018	(520,016)	0.18
Issued October 1, 2018 ⁽¹⁾	54,000,000	0.05
Balance, December 31, 2018 and June 30, 2019	54,000,000	0.05

(1) The 54,000,000 outstanding warrants had an initial term of 2 years from the date of issue, having an expiry date of September 30, 2020.

The following is a summary of the value of the warrants outstanding as at June 30, 2019 and changes during the years then ended:

	Warrants denominated in a foreign currency (\$)
Balance, December 31, 2017	31,402
Expired November 16, 2018	(31,402)
Issued October 1, 2018	1,093,123
Revaluation at balance date	16,539
Balance, December 31, 2018	1,109,662
Revaluation at balance date	(134,972)
Balance, June 30, 2019	974,690

14. Breakdown of costs

(a) Mining costs

	Three months ended June 30, 2019	Six months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2018
Mining and production	\$ 8,093,247	\$ 15,321,199	\$ 8,454,305	\$ 15,717,449
Administrative	840,826	1,643,208	1,005,935	1,993,919
Total	\$ 8,934,073	\$ 16,964,407	\$ 9,460,240	\$ 17,711,368
Depreciation and amortization	1,669,368	2,938,678	1,518,509	2,901,662
	\$ 10,603,441	\$ 19,903,085	\$ 10,978,749	\$ 20,613,030

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

(b) Corporate and General Administration

	Three months ended June 30, 2019	Six months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2018
Professional Fees	\$ 134,723	\$ 298,483	\$ 142,221	\$ 272,200
Share Based Compensation	36,081	72,282	58,905	123,918
Corporate Administration	52,196	528,623	445,434	900,677
	\$ 223,000	\$ 899,388	\$ 646,560	\$ 1,296,795

(c) Financing costs

	Three months ended June 30, 2019	Six months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2018
Interest on long term debt	\$ 137,384	\$ 478,334	\$ 70,877	\$ 118,550
(Decrease)/increase in fair value of warrants denominated in foreign currency	(103,797)	(134,973)	(573)	(93)
Accretion	70,195	145,148	82,290	185,746
	\$ 103,782	\$ 488,509	\$ 152,594	\$ 304,203

(d) Other expenses

	Three months ended June 30, 2019	Six months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2018
Other expenses (income)	\$ 5,338	\$ 31,641	\$ 7,545	\$ 4,615
Galaxy on-going costs	402,934	622,548	156,219	448,424
	\$ 408,272	\$ 654,189	\$ 163,764	\$ 453,039

15. Commitments and Contingencies

(a) Royalty expenses

Production from the Company's Mupane operation is subject to third party royalties (included in mining costs) of 5% of revenues based on market prices at the date of shipment. For the six month period ended June 30, 2019, the Company paid \$1,006,904 in royalties (2018 – deferred \$1,186,651).

(b) Claims

The Company is subject to the possibility of revised tax assessments for some years. The Company does not believe that, should unfavourable decisions arise from any review of its tax filings, that any amount it might be required to pay will be material. No amounts have been provided for in the Financial Statements.

GALANE GOLD LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three and six months ended June 30, 2019 and 2018

16. Related party transactions

During the six months ended June 30, 2019, no related party transactions occurred.

The remuneration of directors and other members of key management personnel during the six months ended June 30, 2019 are as follows:

	Six months ended June 30, 2019	Six months ended June 30, 2018
Salaries	\$ 273,261	\$ 757,603
Management fees ⁽¹⁾	88,165	85,756
Directors fees	41,759	40,777
Share-based compensation ⁽²⁾	72,282	123,918
	\$ 475,467	\$ 1,008,054

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

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

17. Segmented information

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

	Canada	South Africa	Botswana	Total
Cash	\$ 38,568	\$ 373,810	\$ 3,424,742	\$ 3,837,120
All other assets	85,968	12,900,637	32,542,440	45,529,045
Balance, June 30, 2019	\$ 124,536	\$ 13,274,447	\$ 35,967,182	\$ 49,366,165