

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended June 30, 2020

Dated: August 7, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Galane Gold Ltd. ("Galane" or the "Company") was prepared by management as at August 7, 2020. Throughout this MD&A, unless otherwise specified, "Galane", "the Company", "we", "us" or "our" refer to Galane Gold Ltd. and its subsidiaries and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2020 (the "Interim Financial Report"), as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 (the "Annual Financial Statements").

The Annual Financial Statements have been prepared by management and have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Interim Financial Report has been prepared by management in accordance with IFRS applicable to interim financial reporting, including IAS 34, Interim Financial Reporting. All amounts are expressed in U.S. dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Annual Financial Statements.

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

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

FORWARD LOOKING STATEMENTS

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

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

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metallurgical recoveries and capital and operating costs of such projects; contests over title to properties, particularly title to undeveloped properties; risks and expenses related to reclamation costs and related liabilities; lack of infrastructure; employee relations, labour unrest or unavailability; health risks in Africa; supply chain disruptions, major health issues, pandemics, and COVID-19; the Company's interactions with surrounding communities and artisanal miners; extensive laws and regulations governing the environment, health and safety; the Company's ability to successfully integrate acquired assets; risks related to ramping-up production; the speculative nature of exploration and development, including the risks of diminishing quantities or grades of reserves; development of the Company's exploration properties into commercially viable mines; risks related to climate change; risks related to information security; risk of using derivative instruments including credit risk, market liquidity risk and unrealized mark-to-market risk; stock market volatility; conflicts of interest among certain directors and officers; lack of dividends; lack of liquidity for shareholders of the Company; risks related to the market perception of junior gold companies; litigation risk; and difficulties in bringing actions and enforcing judgments for foreign investors. See "Risk Factors" in the Company's annual information form for the year ended December 31, 2019, a copy of which is available on the Company's SEDAR profile at www.sedar.com. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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

MINERAL RESERVES AND RESOURCES

Information of a technical and scientific nature that forms the basis of the disclosure in the MD&A has been approved by Kevin Crossling Pr. Sci. Nat., MAusIMM., Business Development Consultant for Galane Gold, and a "qualified person" as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

All mineral reserves and mineral resources have been estimated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101. All mineral resources are reported exclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no guarantee that any of the mineral resources disclosed in the MD&A will be converted to mineral reserves. There is also no guarantee that any of the inferred mineral resources will be upgraded to measured or indicated mineral resources. Information on data verification performed on the mineral properties mentioned in this MD&A that are considered to be material mineral properties to the Company are contained in the Company's most recent annual information form and the current technical report for each of those properties, all available on the Company's SEDAR profile at www.sedar.com.

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CORPORATE OVERVIEW

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

OUTLOOK

The extent and duration of impacts that COVID-19 may have on the Company's ability to ship and sell gold dore and gold concentrate, on our suppliers and employees and on global financial markets over the remainder of the year and going forward is not known at this time but could be material. As a result, the Company has suspended all previously issued 2020 annual guidance.

Mupane

The Company has been notified by the Republic of Botswana Government that, as a mining operation, Mupane is deemed an essential operation and was allowed to keep operating during the country's 28 day lockdown which commenced on April 2, 2020 and was subsequently extended to May 21, 2020. For Mupane to continue in operation it has been working closely with the Department of Mines on protocols to manage the potential for spread of COVID-19 between its employees and in particular, in its underground operations. During this period Mupane production has been restricted, although approval was granted on April 28, 2020 to recommence operations while observing compliance with capacity and enhanced operating requirements. The Company will continue to assess the viability of operating at the government mandated levels and look to manage production in line with any further easing or tightening of operating restrictions.

Galaxy

The Galaxy project was placed on temporary care and maintenance in late March, as mandated by the government of South Africa. On April 23, 2020, the Company was notified that Galaxy had been designated as an essential service and can operate at 50% of its normal capacity, with the Company recommencing operations on May 4, 2020 in compliance with the capacity and enhanced operating requirements. On July 13, 2020, the government removed the restrictions relating to operating capacity, however social distancing protocols are still to be maintained. The Company will continue to assess the viability of operating within the government mandated levels and look to manage production in line with any further easing or tightening of operating restrictions.

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DISCUSSION OF OPERATIONS

For the three and six months ended June 30, 2020

The following is an analysis of the Company's operating results for the three months ended June 30, 2020 ("Q2 2020") and the six months ended June 30, 2020 ("YTD 2020").

Operating activity:

Commentary regarding the Company's operating activity during Q2 2020 and YTD 2020 follows:

Mining

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

		2020			2019				
		Q2	Q1	YTD	Q4	Q3	Q2	Q1	Total
Mupane (Tau)	Ore (t)	59,532	67,368	126,900	82,316	77,054	92,762	87,461	339,593
	Grade (g/t)	2.58	2.64	2.61	2.67	2.90	3.25	2.11	2.74
	Waste (t)	6,464	16,482	22,946	18,258	15,472	20,520	10,520	64,770
Dinokwe	Ore (t)	4,283	4,012	8,295	-	-	-	-	-
	Grade (g/t)	1.67	1.37	1.52	-	-	-	-	-
	Waste (t)	241,524	106,870	348,394	-	-	-	-	-
Low Grade Stockpiles	Ore (t)	12,105	1,527	13,632	37,110	62,010	30,719	71,263	201,102
	Grade (g/t)	1.44	1.74	1.47	0.77	0.75	0.77	0.77	0.77
Monarch Slimes Dump	Ore (t)	83,605	69,465	153,070	86,299	68,222	57,191	1,736	213,448
	Grade (g/t)	0.78	1.26	1.00	1.00	0.94	0.94	1.00	0.96

The Company continued to mine from the Tau deposit at the Mupane Property during Q2 2020, and reclamation of the Monarch slimes dump, while commencing open cut mining operations at Dinokwe:

- **Tau** – In Q2 2020, the Company continued mining in the main reef of the ore body with 59,532 tonnes at 2.58 g/t being mined (three months ended June 30, 2019 ("Q2 2019") – 92,762 tonnes at 3.25 g/t). The tonnes and grade for Q2 2020 were lower than Q2 2019 with mining activity reduced during the quarter due to COVID-19 restrictions, and the impact of increasing mine depth. For YTD 2020, 126,900 tonnes at 2.61 g/t were mined compared to 180,223 tonnes at 2.70 g/t for the six months ended June 30, 2019 ("YTD 2019"). The tonnes and grade for YTD 2020, have been impacted by the COVID-19 restrictions and the impact of increasing mine depth.
- **Dinokwe** – In early 2020 the Company commenced development of a small scale open pit mine at Dinokwe, approximately 7 kilometres from the Mupane processing plant, and is expected to mine approximately 93,000 tonnes of ore at an average grade of 2.22 g/t over the life of the operation, with exploration having identified approximately 7,000 in situ ounces available from the open pit. For Q2 2020 mining was focused on stripping operations with 241,524 tonnes of waste mined, and 4,283 tonnes of ore at a grade of 1.67 g/t. For YTD 2020 a total of 348,394 tonnes of waste have been mined, along with 8,295 tonnes of ore at an average grade of 1.52 g/t.
- **Monarch** – In Q2 2020, the Company transported 83,605 tonnes at an average grade of 0.78 g/t, (Q2 2019- 57,191 tonnes at 0.94 g/t) with the hauling of Monarch sands for Q2 2020 being used to supplement for the reduced tonnes from the Tau underground operation. For YTD 2020 the Company transported 153,070 tonnes at an average grade of 1.00 g/t compared to 58,927 tonnes at an average grade of 0.94 g/t, with the YTD 2019 tonnages lower due to operations only commencing towards the end of Q1 2019.

In addition, the Company is currently processing ore from its previously mined low-grade stockpiles, which are located next to the Golden Eagle mine located approximately 26 kilometres from the Mupane Property. In Q2 2020, it processed 12,105 tonnes at an average grade of 1.44 g/t (Q2 2019 – 30,719 tonnes at 0.77 g/t) and for YTD 2020, it processed 13,632 tonnes at an average grade of 1.47 g/t (YTD

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2019 – 101,982 tonnes at 0.77 g/t). The decrease in tonnes processed from low grade stockpiles is primarily due to the commencement of processing of the Monarch slimes dump material referred to above.

Processing

The following table sets forth certain key processing statistics at the Mupane Property:

	2020			2019				
	Q2	Q1	YTD	Q4	Q3	Q2	Q1	Total
Ore milled	157,644	144,853	302,497	187,548	205,000	178,918	161,323	732,789
Head grade	1.52	2.08	1.78	1.71	1.76	2.12	1.69	1.72
Recovery	74.0%	70.4%	72.2%	82.8%	72.8%	71.4%	72.3%	74.8%
Gold production	5,691	6,818	12,509	6,839	8,435	8,694	6,326	30,294

Gold production in Q2 2020 was 5,691 ounces compared to 8,694 ounces in Q2 2019. The ore milled for Q2 2020 of 158kt (Q2 2019 – 179kt) was lower due to low feed stock availability resulting from the impact of the COVID-19 restrictions on mining operations. The grade in Q2 2020 of 1.52 g/t was below the grade for Q2 2019 of 2.12 g/t and was reflective of the feedstock available, with a greater proportion of Monarch slimes processed during Q2 2020 compared to Q2 2019. The recovery for Q2 2020 of 74.0% was above the recovery for Q2 2019 of 71.4%. The increased recovery was reflective of the favourable mineralogy within the ore processed for Q2 2020.

Gold production for YTD 2020 was 12,509 ounces compared to 15,020 ounces for YTD 2019. The ore milled for YTD 2020 of 302kt (YTD 2019 – 340kt) was lower due to lower feed stock availability resulting from the impact of COVID-19 restrictions on mining operations. The grade for YTD 2020 of 1.78 g/t was below the grade for YTD 2019 of 1.91 g/t and was reflective of the feedstock available. The recovery for YTD 2020 of 72.2% was above the recovery for YTD 2019 of 71.8%. The increased recovery was reflective of the favourable mineralogy within the ore processed for YTD 2020.

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Revenue and earnings from mining operations

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

	Q2 2020	Q1 2020	YTD 2020
Revenue (000)	\$ 10,375	\$ 9,474	\$ 19,849
Gold sold (oz.)	6,046	6,105	12,151
Earnings (Loss) from mining operations (000)	\$ 1,980	\$ 871	\$ 2,851
Operating cash cost excluding royalties (\$/oz.) ⁽¹⁾	\$ 1,065	\$ 1,037	\$ 1,050

	Q2 2019	Q1 2019	YTD 2019
Revenue (000)	\$ 11,425	\$ 8,476	\$ 19,901
Gold sold (oz.)	8,750	6,565	15,315
Earnings (Loss) from mining operations (000)	\$ 821	\$ (823)	\$ (2)
Operating cash cost excluding royalties (\$/oz.) ⁽¹⁾	\$ 966	\$ 1,189	\$ 1,060

Note:

(1) Operating cash cost excluding royalties per ounce is a non-GAAP measure. See "Supplemental Information to Management's Discussion and Analysis".

In Q2 2020, the Company generated \$10.4 million in revenue from the sale of 6,046 ounces of gold plus incidental silver at an average combined price of \$1,716 per ounce and earnings from mining operations of \$2.0 million. This compares to \$11.4 million in revenue from the sale of 8,750 ounces of gold plus incidental silver at an average combined price of \$1,306 per ounce and earnings from mining operations of \$0.8 million in Q2 2019.

The reason for the change in earnings from mining operations from Q2 2020 to Q2 2019 is a result of several factors:

- Gold sales for Q2 2020 were 2,704 ounces less than in Q2 2019. The impact of the reduced ounces sold was partially offset by an increase in the average gold price achieved of \$410 per ounce, resulting in an overall revenue decrease of \$1.0 million compared to Q2 2019.
- Mining costs in Q2 2020 were \$2.4 million compared to \$3.1 million in Q2 2019. The decrease in cost is due mainly to the reduction in mining activity resulting from the COVID-19 restrictions during Q2 2020.
- Processing costs in Q2 2020 were \$3.7 million compared with \$5.0 million in Q2 2019. The actual tonnes milled decreased from 178,918 tonnes in Q2 2019 to 157,644 tonnes in Q2 2020 with costs reducing more than proportionately to the reduction in feed tonnes with the increased tailings processed for Q2 2020 reducing reagent and grinding media consumption.
- General and administration costs in Q2 2020 were \$0.7 million compared to \$0.8 million in Q2 2019.
- Depreciation and amortization expense was \$1.5 million in Q2 2020 compared to \$1.7 million in Q2 2019.

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As a result of the above factors the operating cash cost per ounce excluding royalties in Q2 2020 was \$1,065 compared to \$966 per ounce in Q2 2019.

YTD 2020 the Company generated \$19.8 million in revenue from the sale of 12,151 ounces of gold plus incidental silver at an average combined price of \$1,634 per ounce, generating earnings from mining operations of \$2.9 million. This compares to \$19.9 million in revenue from the sale of 15,315 ounces of gold plus incidental silver at an average combined price of \$1,299 per ounce generating a loss from mining operations of \$0.3 million for YTD 2019.

The reason for the change in earnings from mining operations for YTD 2020 to YTD 2019 is a result of several factors:

- Gold sales for YTD 2020 were 3,164 ounces less than YTD 2019. The impact of the reduced ounces sold was offset by an increase in the average gold price achieved of \$335 per ounce, resulting in an overall revenue decrease of \$0.1 million compared to YTD 2019.
- Mining costs for YTD 2020 were \$5.4 million compared to \$6.0 million for YTD 2019. The decrease in cost is due primarily to the COVID-19 restrictions in place during Q2 2020.
- Processing costs for YTD 2020 were \$7.1 million compared to \$9.3 million for YTD 2019. The actual tonnes milled decreased from 340,241 tonnes YTD 2019 to 302,497 tonnes YTD 2020 with costs reducing more than proportionately to the reduction in feed tonnes with the increased tailings processed for YTD 2020 reducing reagent and grinding media consumption.
- General and administration costs for YTD 2020 were \$1.6 million, consistent with YTD 2019 spend of \$1.6 million.
- Depreciation and amortization expense was \$2.9 million for YTD 2020 compared to \$2.9 million for YTD 2019.

As a result of the above factors the operating cash cost per ounce excluding royalties for YTD 2020 was \$1,050 compared to \$1,060 per ounce for YTD 2019.

Results

The Company's earnings (loss) comprised of:

	Q2 2020	YTD 2020	Q2 2019	YTD 2019
Earnings (loss) from mining operations	\$ 1,980,054	\$ 2,850,755	\$ 821,263	\$ (1,960)
Exploration costs	-	-	-	(4,111)
Corporate general and administrative costs	(432,207)	(928,710)	(186,919)	(827,106)
Stock-based compensation	(78,051)	(136,938)	(36,081)	(72,282)
Foreign exchange gain (loss)	109,399	1,336,739	76,415	(37,324)
Interest on long term debt	(70,440)	(230,444)	(137,384)	(478,334)
Galaxy on-going costs	(149,632)	(443,243)	(402,934)	(622,548)
Other income (expenses)	(32,007)	(67,786)	(5,338)	(31,641)
Other financing income (costs)	(1,717,870)	(1,111,551)	33,602	(10,175)
	\$ (390,754)	\$ 1,268,822	\$ 162,624	\$ (2,085,481)

Other financing costs increased by \$1.7 million for Q1 2020 and \$1.1 million for YTD 2020, with the increase primarily due to the revaluation of the warrants denominated in foreign currency with an expense of \$1.7 million for Q2 2020 and \$1.0 million for YTD 2020.

Interest on long term debt for YTD 2019 of \$0.5 million was impacted by \$0.2 million for Barak financing facility fees that did not impact YTD 2020.

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Corporate general and administration costs are comprised of the following:

	Q2 2020	YTD 2020	Q2 2019	YTD 2019
Professional fees	\$ 236,578	\$ 346,858	\$ 134,723	\$ 298,483
Management fees to officers	41,623	211,489	(165,563)	117,649
Investor relations	32,700	79,253	37,920	80,906
Corporate general and administration	121,306	291,110	179,839	330,068
	\$ 432,207	\$ 928,710	\$ 186,919	\$ 827,106

SUMMARY OF FINANCIAL POSITION

Selected Consolidated Statement of Financial Position Data:

	June 30, 2020 \$	March 31, 2020 \$	December 31, 2019 \$	September 30, 2019 \$
Total current assets	10,107,858	7,766,249	9,345,569	9,304,363
Total current liabilities	23,274,143	21,098,020	23,663,805	15,789,107
Working capital	(13,166,285)	(13,331,771)	(14,318,236)	(6,484,744)
Non-current assets	38,355,067	38,867,449	38,912,824	39,784,421
Non-current liabilities	10,864,398	10,898,590	11,675,964	19,790,681
Total shareholders' equity	14,324,384	14,637,088	12,918,624	13,508,996

	June 30, 2019 \$	March 31, 2019 \$	December 31, 2018 \$	September 30, 2018 \$
Total current assets	9,510,559	7,606,437	10,433,238	8,635,671
Total current liabilities	17,338,010	14,125,556	13,268,658	10,347,024
Working capital	(7,827,451)	(6,519,119)	(2,835,420)	(1,711,353)
Mining assets	39,855,606	38,705,198	35,921,949	35,608,850
Non-current liabilities	19,056,410	19,413,038	18,101,585	19,971,442
Total shareholders' equity	12,971,745	12,773,041	14,984,944	13,926,055

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As at the end of Q2 2020, there was a working capital deficiency of \$13.2 million, a decrease of \$0.2 million from the end of Q1 2020. The decrease in working capital deficiency was mainly due to the following movements in total current liabilities and cash balance:

- A cash balance increase of \$2.5 million.
- Trade and other receivables increased by \$0.5 million to \$2.3 million, with a \$0.3 million increase in trade receivables and a \$0.2 million increase in taxes recoverable.
- A decrease of \$0.7 million for inventories, with a decrease of \$0.4 million in stores inventory for the quarter and a decrease of \$0.3 million in gold in process inventory.
- An increase of \$0.4 million in accounts payable and accruals, with accounts payable increasing \$0.5 million, offset by a decrease of \$0.1 million in accrued liabilities for Q2 2020.
- An increase of \$0.1 million in interest bearing loans and borrowings in Q2 2020, with an increase of \$0.2 million for the current portion of the Barak facility.
- An increase of \$1.7 million for warrants denominated in a foreign currency, with the closing share price of C\$0.145 for Q2 2020 resulting in a significant increase in the warrant liability.

As at the end of Q2 2020, non-current liabilities remained consistent at \$10.9 million.

Total shareholders' equity in Q2 2020 decreased by \$0.4 million primarily as a result of the net loss for the quarter of \$0.4 million.

As at the end of Q2 2020, there was a working capital deficiency of \$13.2 million, a decrease of \$1.2 million from the year ended December 31, 2019. The decrease in working capital deficiency was mainly due to the following movements in total current liabilities and cash balance:

- A cash balance increase of \$1.4 million.
- Trade and other receivables increased by \$0.1 million, with an increase of \$0.2 million in trade receivables and \$0.1 million in taxes recoverable, offset by a decrease of \$0.2 million in prepaid expenses.
- A decrease of \$0.8 million for inventories, with a decrease of \$0.8 million in stores inventory for the year to date as the year end build up of inventory is consumed, and a \$0.3 million increase in gold in process inventory, offset by a \$0.3 million decrease in ore stockpiles.
- A decrease of \$1.3 million in accounts payable and accruals reflecting the lower overall spend during the COVID-19 restrictions.
- Interest bearing loans and borrowings remained consistent at \$13.1 million, with current deferred royalties decreasing \$0.3 million consistent with the repayments for the year, offset by an increase of \$0.3 million for the current portion of the Barak loan facility reflecting the net accrued interest for the year.
- An increase of \$1.0 million in warrants denominated in a foreign currency, reflecting the increased liability with the YTD 2020 closing share price of C\$0.145.

For YTD 2020, non-current liabilities decreased by \$0.8 million, with an increase of \$0.1 million for the accrued debenture interest offset by a decrease of \$0.5 million in lease liabilities reflecting the payments made for YTD 2020 and a decrease of \$0.4 million in the rehabilitation provision with \$0.1 million of accretion offset by a \$0.6 million foreign currency revaluation.

Total shareholders' equity for YTD 2020 decreased by \$1.4 million primarily as a result of the net loss for the year to date of \$1.3 million.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

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

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In order to fund the business activities intended in its current business plan, management expects that the Company's Mupane mining operations will continue to provide positive cash flow from its operations that is more than sufficient to support its corporate expenses, capital expenditure requirements and exploration activities, subject to the Going Concern commentary below related to the current uncertain impact of COVID-19 on the operating environment. As described above under "Summary of Financial Position", at June 30, 2020, the Company had a working capital deficiency of \$13.2 million with cashflow from operations of \$4.5 million for the six months ended June 30, 2020.

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

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

Going Concern

The Interim Financial Report was prepared using international financial reporting standards that are applicable to a going concern.

During the six months ended June 30, 2020, several measures have been implemented in Botswana, South Africa and the rest of the world in response to the increased impact from COVID-19. The Company was notified by the Republic of Botswana Government that, as a mining operation, Mupane is deemed an essential operation and is allowed to keep operating during the country's 28 day lockdown which commenced on April 2, 2020, and was subsequently extended to May 21, 2020. For Mupane to continue in operation it has been working closely with the Department of Mines on protocols to manage the potential for spread of COVID-19 between its employees and in particular, in its underground operations. During this period Mupane production was restricted, although approval was granted on April 28, 2020 to recommence operations while observing compliance with capacity and enhanced operating requirements. The Galaxy project was placed on temporary care and maintenance in late March, as mandated by the Government of South Africa. On April 23, 2020, the Company was notified that Galaxy had been designated as an essential service and can operate at 50% of its normal capacity, with the Company recommencing operations on May 4, 2020 in compliance with the capacity and enhanced operating requirements. On July 13, 2020, the government removed the restrictions relating to the operating capacity, however social distancing protocols are still to be maintained. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on our future production, cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on the Company's financial position, results of operation and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted.

As at June 30, 2020, the Company had a working capital deficiency (current assets less current liabilities) of \$13.2 million compared to a deficiency of \$14.3 million at December 31, 2019.

During the six months ended June 30, 2020, 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, 2020 was \$1.0 million, which was funded from cash flows from operations, in addition to \$0.4 million repaid from deferred royalties. The working capital deficiency includes deferred royalties with a total outstanding balance of \$6.6 million now classified as a current liability. While management projects that the current gold price would allow the Company to repay the deferred royalties consistent with the payment schedule agreed with the Government of Botswana in 2018, the Company has entered into discussions with the Government of Botswana to reschedule the outstanding balance. However, with the current focus on the COVID-19 shutdown of non-essential services in the country, these discussions have now been put on hold.

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The impact of the COVID-19 pandemic results in material uncertainties which may give rise to significant doubt as to the ability of the Company to continue as a going concern. Because of these uncertainties, there can be no assurance that the measures that management are taking to mitigate the impact of the COVID-19 pandemic will be successful.

The ongoing strength in gold prices and positive operating performance at the Mupane mine have resulted in earnings from mining operations of \$2.9 million for the six months ended June 30, 2020, compared to a loss from mining operations of \$0.0 million for the same period in 2019. In addition, cash flow generated from operations for the six months ended June 30, 2020 was \$4.5 million, after royalty payments made in the normal course of business, compared to \$2.0 million for the same period in 2019. The Company has no material commitments for capital expenditures at the Mupane mine as of June 30, 2020.

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

The Interim Financial Report does not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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SUMMARY OF QUARTERLY RESULTS

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

	Three months ended			
	June 30, 2020 \$	March 31, 2020 \$	December 31, 2019 \$	September 30, 2019 \$
Revenue	10,375,274	9,473,565	9,038,969	12,462,310
Total mining costs	(8,395,220)	(8,602,865)	(9,778,762)	(10,888,260)
Non-mining expenses	(2,370,808)	788,876	(1,482,536)	(1,089,606)
(Loss) earnings	(390,754)	1,659,576	(2,222,329)	484,444
(Loss) earnings per share				
- Basic	(0.00)	0.01	(0.01)	0.00
- Fully diluted	(0.00)	0.01	(0.01)	0.00
Total assets at end of quarter	48,462,925	46,633,698	48,258,393	49,088,784
Total liabilities at end of quarter	34,138,541	31,996,610	35,339,769	35,579,788
Total equity at end of quarter	14,324,384	14,637,088	12,918,624	13,508,996

	Three months ended			
	June 30, 2019 \$	March 31, 2019 \$	December 31, 2018 \$	September 30, 2018 \$
Revenue	11,424,704	8,476,421	11,017,035	10,555,280
Total mining costs	(10,603,441)	(9,299,644)	(9,705,264)	(11,360,302)
Non-mining expenses	(658,639)	(1,424,882)	(1,301,258)	(453,744)
Earnings (loss)	162,624	(2,248,105)	10,513	(1,258,766)
Earnings (loss) per share				
- Basic	0.00	(0.01)	(0.00)	(0.01)
- Fully diluted	0.00	(0.01)	(0.00)	(0.01)
Total assets at end of quarter	49,366,165	46,311,635	46,355,187	44,244,521
Total liabilities at end of quarter	36,394,420	33,538,594	31,370,243	30,318,466
Total equity at end of quarter	12,971,745	12,773,041	14,984,944	13,926,055

Note:

(1) Information for all periods is presented in accordance with IFRS applicable to interim financial reporting and in U.S. dollars.

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FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, interest bearing loans and borrowing, and warrants denominated in foreign currencies. The fair value of the Company's trade and other receivables, and accounts payable and accrued liabilities approximate their carrying value. The Company's other financial instruments, specifically interest bearing loans and borrowings are recorded at amortized cost using the effective interest rate method.

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. The credit risk related to the trade receivable is considered minimal as gold and gold concentrate is sold to creditworthy major banks and offtake partners and settled promptly, usually within the following month, and the other receivable balance consists of amounts outstanding on tax credits from governmental authorities, each of which are expected to be paid in the near term at face value. The Company's exposure to credit risk is minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020, the Company had current assets of \$10,107,858 (December 31, 2019 - \$9,345,569) to settle current liabilities of \$23,274,143 (December 31, 2019 - \$23,663,805). See "Liquidity and Capital Resources" section for further commentary on the Company's liquidity risks.

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

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

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

ISSUED AND OUTSTANDING SHARE CAPITAL

The Company's authorized capital consists of an unlimited number of Common Shares, of which 226,254,510 Common Shares are issued and outstanding as of the date of this MD&A.

The Company adopted a stock option plan (the "Option Plan"). Under the terms of the Option Plan, officers, directors, employees and consultants are eligible to receive grants of stock options to purchase Common Shares for a period of up to ten years from the date of grant, provided that the number of Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Common Shares at the date of the grant. As of the date of this MD&A, subject to the terms of the Option Plan, options to purchase 12,700,000 Common Shares are outstanding and options to purchase 9,925,451 Common Shares are available for grant.

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

The Company has adopted a deferred share unit plan (the "DSU Plan"). Subject to adjustment in certain circumstances, the maximum aggregate number of Common Shares that may be reserved for issuance pursuant to the DSU Plan is 13,262,888 Common Shares. As of the date of this MD&A, subject to the terms of the DSU Plan, participating officers, directors, employees and consultants of the Company may be issued an aggregate of up to 7,170,046 Common Shares pursuant to outstanding deferred share units awarded under the DSU Plan and 1,125,782 Common Shares have been issued under the DSU Plan.

On October 2, 2018 the Company issued 54,000,000 common share purchase warrants ("2018 Warrants"), with each 2018 Warrant entitling the holder thereof to acquire one Common Share at an exercise price of C\$0.05 until October 1, 2020. The expiry date of the 2018 Warrants can be accelerated by the Company to the date that is 10 business days after the date where the closing price of the Common Shares on the Exchange is higher than C\$0.20 for 10 consecutive trading days. As of the date hereof 25,289,750 Common Shares have been issued pursuant to the exercise of the 2018 Warrants and 28,710,250 2018 Warrants are outstanding.

DEBENTURES

As part of the acquisition of the Galaxy Property in 2015, the Company issued approximately \$2.4 million aggregate principal amount of unsecured convertible debentures (the "Galaxy Debentures") to settle outstanding debt or contractual obligations owed by Galaxy Gold Mining (Pty) Limited (formerly Galaxy Gold Mining Limited, "Galaxy") and its subsidiary Galaxy Gold Reefs (Pty) Ltd. The original terms of the Galaxy Debentures were: (i) to mature on November 20, 2019, (ii) to bear 4% interest per annum, accrued and paid at maturity, (iii) to allow conversion of the principal at the option of the holder into Common Shares at a price of C\$0.58⁽¹⁾ per Common Share, based on a pre-determined exchange rate of \$1.00: C\$1.30, and (iv) to allow conversion of the interest at the option of the holder into Common Shares, based on a pre-determined exchange rate of \$1.00: C\$1.30, at a price per Common Share equivalent to the greater of C\$1.00 and the Discounted Market Price (as defined by the Exchange) at the time of conversion, subject to acceptance of the Exchange. On September 27, 2019, the Company prepaid \$728,000 of principal amount of the Galaxy Debentures. On September 30, 2019, the Company entered into an agreement with a requisite percentage of Galaxy Debenture holders to amend certain terms of the Galaxy Debenture. Under the terms of the amended Galaxy Debentures: (i) the maturity date is extended to November 20, 2021, (ii) the principal is convertible at the option of the holder into Common Shares at a price of C\$0.20 per Common Share, at a pre-determined exchange rate of \$1.00:C\$1.30, (iii) the interest is convertible at the option of the holder into Common Shares, based on a pre-determined exchange rate of \$1.00: C\$1.30, at a price per Common Share equivalent to the greater of C\$0.20 and the Discounted Market Price (as defined by the Exchange) at the time of conversion, subject to acceptance of the Exchange, and (iv) the Company has the right of forced conversion with respect the principal if the trading price of the Common Shares exceeds C\$0.20 for 10 consecutive trading days. On December 15, 2019, the Company prepaid an additional \$838,486 of the principal and \$12,517 of the interest on the Galaxy Debenture.

In addition, on March 29, 2016, the Company announced that it and its subsidiary, Galaxy, entered into a full and final settlement agreement with Traxys Europe SA, Mine2Market S.à.r.l. and certain others (collectively the "Traxys parties") with respect to various outstanding claims arising from the time period when the Traxys parties operated Galaxy's mining operations. In connection with the settlement, the Traxys parties settled their claim for \$4.3 million of indebtedness in exchange for the issuance by the Company of an unsecured convertible debenture of approximately \$3.2 million in aggregate principal (the "Traxys Debenture"). On June 29, 2018, the Company entered into an agreement with applicable Traxys parties to replace the existing Traxys Debenture with an amended and restated debenture (the

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“A&R Debenture”). Under the terms of the A&R Debenture: (i) the principal is repayable on November 20, 2021 and is convertible at the option of the holder into Common Shares at a price of C\$0.15 per share, based on a pre-determined exchange rate of \$1.00:C\$1.35; (ii) interest is convertible at the option of the holder into Common Shares, based on a pre-determined exchange rate of \$1.00:C\$1.35, at a price equivalent to the greater of C\$0.15 and the Discounted Market Price (as defined in the policies of the Exchange) at the time of conversion; (iii) the Company has a right of forced conversion with respect to the principal where the trading price of the Common Shares exceeds C\$0.15 for 10 consecutive trading days; (iv) 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.

⁽¹⁾The initial conversion price of the Galaxy Debentures was C\$1.00 per share. As a result of the completion of the rights offering of the Company in May 2016, the conversion price was adjusted downward to C\$0.58 per share.

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.

TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended June 30, 2020 and 2019, there were no related party transactions other than key management compensation as disclosed in the Interim Financial Report.

COMMITMENTS

As at the date of this MD&A, the Company did not have any commitments.

OFF-BALANCE SHEET ARRANGEMENTS

Other than the low value operating lease arrangements not recognized on the initial adoption of the revised IFRS 16 Leases, the Company currently has no off-balance sheet arrangements.

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SUPPLEMENTAL INFORMATION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

CASH COSTS

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

The following tables provide a reconciliation of cash cost measures for the mine to the mining costs excluding impairment, depreciation and amortization reflected in the Financial Statements.

	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Mining costs excluding impairment, depreciation and amortization	\$ 6,889,365	\$ 7,215,634	\$ 8,243,831	\$ 9,617,217
Adjust for:				
Inventory movement	(304,234)	339,922	550,819	(222,748)
Total operating cash cost	\$ 6,585,131	\$ 7,555,556	\$ 8,794,650	\$ 9,394,469
Royalties	(523,194)	(484,419)	(457,142)	(631,199)
Total operating cash cost excluding royalties	\$ 6,061,937	\$ 7,071,137	\$ 8,337,508	\$ 8,763,270
Gold production (ounces)	5,691	6,818	6,839	8,435
Total operating cash cost excluding royalties per oz.	\$ 1,065	\$ 1,037	\$ 1,214	\$ 1,026

	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Mining costs excluding impairment, depreciation and amortization	\$ 8,934,073	\$ 8,030,333	\$ 8,321,085	\$ 9,963,751
Adjust for:				
Inventory movement	41,530	(82,961)	(28,678)	(763,182)
Total operating cash cost	\$ 8,975,603	\$ 7,947,372	\$ 8,292,407	\$ 9,200,569
Royalties	(579,792)	(427,112)	(562,172)	(557,603)
Total operating cash cost excluding royalties	\$ 8,395,811	\$ 7,520,260	\$ 7,730,235	\$ 8,642,966
Gold production (ounces)	8,694	6,326	9,245	8,545
Total operating cash cost excluding royalties per oz.	\$ 966	\$ 1,189	\$ 836	\$ 1,011

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INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company is responsible for designing internal controls over financial reporting or causing them to be designed under the supervision of the CEO and CFO in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's CEO and CFO are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis disclosure controls and procedures as well as internal controls over financial reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

RISKS AND UNCERTAINTIES

There are a number of risk factors that could cause future results to differ materially from those described herein. A discussion of the principal risk factors relating to the Company's operations and business appear in the Company's annual information form for the year ended December 31, 2019, which may be viewed on the Company's SEDAR profile at www.sedar.com. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business.

APPROVAL

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

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2019, can be found on the Company's SEDAR profile at www.sedar.com.

SUBSEQUENT EVENTS

Galaxy Technical Report

On July 6, 2020, the Company released an independent updated National Instrument 43-101 technical report supporting its preliminary economic assessment for the Galaxy Property.

Exercise of 2018 Warrants

On July 27, 2020, the Company issued 2,853,600 Common Shares pursuant to the exercise of 2,853,600 2018 Warrants at an exercise price of CDN\$0.05 per Common Share resulting in proceeds to the Company of CDN\$142,680.