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

GALANE GOLD LTD.

For the three and nine month periods ended September 30, 2012

Note to Reader:

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

GALANE GOLD LTD.

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

As at September 30, 2012 and December 31, 2011

	Notes		September 30, 2012		December 31, 2011
Assets					
Current assets:					
Cash		$	14,610,134	$	6,531,004
Trade and other receivables	6		8,717,965		8,341,572
Inventories	7		7,114,388		11,558,613
			30,442,487		26,431,189
Non-current assets:					
Mining and exploration properties	8		31,080,574		14,812,322
Plant and equipment	8		2,586,377		4,468,947
Ore stockpiles	7		8,346,262		7,321,516
			42,013,213		26,602,785
		$	72,455,700	$	53,033,974
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	10	$	5,716,978		7,196,711
Current portion of interest bearing loans	11		2,720,321		-
			8,437,299		7,196,711
Non-current liabilities:					
Interest-bearing loans and borrowings	11		1,547,439		3,800,000
Restoration and rehabilitation provision	9		5,361,369		4,985,731
Warrants denominated in foreign currency	13		2,506,053		4,690,342
			9,414,861		13,476,073
Shareholders' equity:					
Share capital	13	$	33,025,205	$	30,348,992
Reserves	13		587,651		587,651
Retained earnings			20,990,684		1,424,547
			54,603,540		32,361,190
		$	72,455,700	$	53,033,974

Subsequent events (note 18)
Commitments and contingencies (note 15)

Approved and authorized by the Board on November 26, 2012:

"Ravi Sood " Director *"Philip Condon "* Director

The notes on pages 5 to 20 are an integral part of these consolidated financial statements.

GALANE GOLD LTD.

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

Three and nine month periods ended September 30, 2012 and 2011

	Note	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Mining Revenue		$ 19,342,231	$ 1,481,325	$ 67,729,212	$ 1,481,325
Mining Costs	14	13,021,859	3,671,981	48,793,450	3,671,981
Earnings from mining operations		$ 6,320,372	$ (2,190,656)	$ 18,935,762	$ (2,190,656)
Exploration costs		(34,274)	-	(417,592)	-
Non-mineral related (expenses) income:					
Foreign exchange (loss) gain		(35,643)	(136,306)	178,591	(136,306)
Corporate general and administration	14	(437,648)	(356,778)	(1,307,466)	(714,466)
Financing income (costs)	13,14	1,926,518	(19,632)	2,159,628	(19,632)
Stock based compensation		-	(858,600)	-	(858,600)
Other income (expenses)		19,685	(332,344)	17,214	(332,344)
		$ 1,438,638	$ (1,703,660)	$ 630,375	$ (2,061,348)
Earnings (loss) from comprehensive earnings (loss) for the period before taxation		$ 7,759,010	$ (3,894,316)	$ 19,566,137	$ (4,252,004)
Taxation	12	$ -	$ -	$ -	$ -
Net earnings (loss) and comprehensive earnings (loss) for the period		$ 7,759,010	$ (3,894,316)	$ 19,566,137	$ (4,252,004)
Basic earnings (loss) per common share		$ 0.16	$ (0.23)	$ 0.42	$ (0.61)
Fully diluted earnings (loss) per common share		$ 0.15	$ (0.23)	$ 0.41	$ (0.61)
Weighted average number of common shares- basic		48,296,130	16,848,311	47,100,143	6,949,347
Weighted average number of common shares- fully diluted		48,560,896	16,848,311	47,292,117	6,949,347

The notes on pages 5 to 20 are an integral part of these consolidated financial statements.

GALANE GOLD LTD.

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

Nine month periods ended September 30, 2012 and 2011

		Capital Stock				Reserves				
	Notes	Number		Amount		Stock based payments		Retained Earnings		Total
Issuance of shares on incorporation, November 15, 2010		2,500,000	$	320	$	-	$	-	$	320
Balance as at December 31, 2010		2,500,000	$	320	$	-	$	-	$	320
Cancelled		(500,000)		(64)						(64)
Issued for:										
Private placement	13	20,545,500		14,454,471		-		-		14,454,471
Share issuance costs	13			(2,485,126)		-		-		(2,485,126)
Completion of Gallery Acquisition	5, 13	21,875,000		17,893,750		-		-		17,893,750
Completion of Carlaw Acquisition	5, 13	687,500		485,641		-		-		485,641
Stock-based compensation for the period	13	-		-		587,651		-		587,651
Net loss for the nine months ended September 30, 2011		-		-		-		(4,252,004)		(4,252,004)
Balance as at September 30, 2011		45,108,000	$	30,348,992	$	587,651	$	(4,252,004)	$	26,684,639
Net earnings for the three months ended December 31, 2011		-		-		-		5,676,551		5,676,551
Balance as at December 31, 2011		45,108,000	$	30,348,992	$	587,651	$	1,424,547	$	32,361,190
Issued for:										
NLE Acquisition		3,125,000		2,613,975		-		-		2,613,975
Participation in ESPP	13	63,130		62,238		-		-		62,238
Net earnings for the nine months ended September 30, 2012		-		-		-		19,566,137		19,566,137
Balance as at September 30, 2012		**48,296,130**	**$**	**33,025,205**	**$**	**587,651**	**$**	**20,990,684**	**$**	**54,603,540**

The notes on pages 5 to 20 are an integral part of these consolidated financial statements.

GALANE GOLD LTD.

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

Nine month period ended September 30

	Notes	2012	2011
Cash flows from operating activities:			
Net earnings (loss) for the period		$ 19,566,137	$ (4,252,004)
Items not involving cash:			
(Gain) Loss on disposal of equipment		(18,850)	-
Depreciation and amortization	8	6,236,738	942,028
Share based compensation		-	858,600
Accretion	9	391,785	12,689
Interest expense		171,579	19,632
Financing income	14	(2,726,351)	-
Foreign exchange		(94,631)	-
Other expenses		-	397,342
Working capital adjustments:			
Change in trade and other receivables		(304,813)	328,893
Change in inventories		3,419,479	(2,479,109)
Change in trade and other payables relating to operating activities		(1,680,005)	(401,598)
Cash flows from operating activities		24,961,068	(4,573,527)
Cash flows from investing activities:			
Cash acquired from Carlaw Acquisition		-	179,678
Net cash used in Gallery Acquisition		-	(6,559,462)
Mining assets acquired since Acquisitions	8	(17,065,360)	(122,192)
Cash flows used in investing activities		(17,065,360)	(6,501,976)
Cash flow from financing activities:			
Net proceeds from issuance of shares and warrants		41,945	15,006,359
Interest paid		(171,579)	(19,632)
Capital lease obligations incurred		280,772	-
Cash flows from financing activities		151,138	14,986,727
Increase in cash		8,046,846	3,911,224
Effect of unrealized foreign exchange gain on cash		32,284	-
Cash, at January 1		6,531,004	256
Cash, at September 30		$ 14,610,134	$ 3,911,480

The notes on pages 5 to 20 are an integral part of these consolidated financial statements.

1. Corporate Information

Galane Gold Ltd., formerly Carlaw Capital III Corp., (the "Company" or "GGL"), operates through its wholly-owned subsidiary, Galane Gold Mines Ltd. ("GGM") 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.

These unaudited condensed consolidated interim financial statements include the results of operations of GGM from the date of incorporation, and Galane Gold Ltd. (formerly Carlaw Capital III Corp.) and Gallery Gold Pty Ltd. from August 30, 2011, the date of the Gallery Acquisition and the Carlaw Acquisition (collectively, the "Acquisitions") (Note 5).

2. Basis of preparation:

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the "Financial Statements") of the Company and all of its subsidiaries as at and for the three and nine months ended September 30, 2012 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.

The Financial Statements have been approved by the Board of Directors on November 26, 2012.

(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 continuously 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, 2011 (the "Annual Financial Statements").

2. Basis of preparation (continued):

(c) Basis of consolidation

The significant subsidiaries of the Company are accounted for as follows:

	Country of incorporation	% equity interest	Accounting Method
Galane Gold Mines Ltd.	Canada	100%	Consolidation
Mupane Gold Mines Limited	Mauritius	100%	Consolidation
Gallery Gold Pty Ltd.	Australia	100%	Consolidation
Mupane Gold Mining (Pty) Ltd.	Botswana	100%	Consolidation
The Northern Lights Exploration Company (Pty) Ltd.	Botswana	100%	Consolidation

The Company's other subsidiaries are Galane Gold Botswana (Pty) Ltd. (Botswana) (100% owned) and Shashe Mines (Pty) Ltd. (Botswana) (85% owned).

(d) 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.

3. Significant Accounting Policies:

These Financial Statements have been prepared following the same accounting policies and methods of computation as the Annual Financial Statements.

4. Future Accounting Policies:

The following new standards and amendments to standards and interpretations which were issued but not yet effective for the third quarter ended September 30, 2012, have not been applied in preparing these Financial Statements. They are summarized as follows:

IFRS 9- Financial Instruments

The IASB has issued IFRS 9, Financial Instruments, which is a four-part project proposing to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is planned to be effective on January 1, 2015. The Company is in the process of evaluating the requirements of the new standard.

IFRS 10- Consolidated financial statements

The IASB recently issued its new suite of consolidation and related standards, replacing the existing accounting for subsidiaries and joint ventures (now joint arrangements), and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27, Consolidated and separate financial statements, and SIC 12, Consolidation- Special purpose entities. IFRS 10 will be effective January 1, 2013 and early adoption is permitted. The Company is in the process of evaluating the requirements of the new standard.

4. Future Accounting Policies (continued):

IFRS 12 – Disclosure of Interests in Other Entities

The IASB issued IFRS 12 Disclosure of Interests in Other Entities, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. When applied, it is expected that the amendment to IFRS 12 will increase the current level of disclosure of interests in other entities.

IFRS 13- Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance, and defines value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. IFRS 13 is applicable prospectively starting January 1, 2013 and early adoption is permitted. The Company is in the process of evaluating the requirements of the new standard.

IFRIC 20 – Stripping costs in the production phase of a surface mine

Stripping costs in the production phase of a surface mine IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 is applicable for annual periods beginning on or after January 1, 2013 and early application is permitted. The Company is in the process of evaluating the requirements of the new standard.

5. Acquisitions:

Gallery Acquisition:

On August 30, 2011, the Company acquired from IAMGOLD Corporation ("IAMGOLD") 100% of the outstanding shares of Gallery Gold Pty Ltd. ("Gallery"), an Australian company that, through its subsidiaries, holds the rights to conduct activities prescribed under mining and prospecting licenses at the Mupane gold mine, located in the Republic of Botswana (the "Mupane Property").

On the closing of the NLE Acquisition referred to below, the number of warrants issued to IAMGOLD pursuant to the Gallery Acquisition was adjusted from 1,265,253 warrants to 4,377,778 warrants to purchase common shares in the capital of the Company exercisable on or before March 1, 2013 at a price of CDN$1.10 per share

The preliminary allocation of the purchase price to assets and liabilities acquired, based on preliminary estimates of fair value, is provided below. The Company's assessment of final valuation estimates is substantially complete in respect of inventories, restoration and rehabilitation provision, cash and other current assets. Final valuations of trade and other payables, plant and equipment, mining properties and ore stockpiles are not yet complete due to the inherent complexity associated with the valuations. This is a preliminary purchase price allocation and therefore subject to adjustment upon completion of the valuation process and analysis of resulting tax effects.

	Fair value
Mining properties	$ 14,574,736
Plant and Equipment	4,984,330
Ore stockpiles	7,078,579
Inventory	10,479,500
Other current assets	1,977,930
Cash	5,946,998
Trade and other payables	(5,563,668)
Restoration and rehabilitation provision	(4,971,445)
Net assets	$ 34,506,960
Consideration:	
Cash consideration	$ 12,506,460
Share and warrant consideration	
• 21,875,000 common shares, plus 1,265,253 warrants to purchase common shares, exercisable until March 1, 2013 at CDN$1.10 per share (Notes 14 (d))	18,200,500
Debt consideration (Note 12)	3,800,000
Acquisition of subsidiary	$34,506,960

5. Acquisitions (continued):

NLE Acquisition:

The Company entered into an agreement dated July 27, 2011 with the shareholders of NLE to acquire all of its issued and outstanding shares (the "NLE Acquisition"). NLE owns the rights to a number of exploration licenses near the Mupane Property.

The NLE Acquisition was completed on April 10, 2012. As consideration for all of the issued and outstanding shares of NLE, the Company issued 3,125,000 common shares to the shareholders of NLE and promissory notes in the aggregate principal amount of CDN$400,000. The notes bear interest from the date of closing at 6% per annum with principal payments as follows:

- On closing CDN$100,000
- On the 2nd, 4th, and 6th month anniversary after closing CDN$100,000

If, in the reasonable opinion of the Board of Directors of the Company, any principal payment would cause undue stress to the Company, the principal payment can be extended to a mutually agreed upon schedule.

The agreement also provides for the issuance of up to an additional 8,750,000 common shares upon the achievement of the following exploration milestones on the NLE mineral properties within seven years from the date of the closing of the NLE Acquisition. The milestones set forth below are cumulative.

Milestone	Share Consideration	Cumulative Consideration
Exploration work on the mineral properties of NLE confirms by way of a NI 43-101 report a measured mineral resource containing at least 100,000 ounces of gold or the number of ounces of contained gold that is mined exceeds 100,000 ounces (or any combination thereof without duplication)	1,375,000 common shares	1,375,000 common shares
Exploration work on the mineral properties of NLE confirms by way of a NI 43-101 report a measured mineral resource containing at least 250,000 ounces of gold or the number of ounces of contained gold that is mined exceeds 250,000 ounces (or any combination thereof without duplication)	1,750,000 common shares	3,125,000 common shares
Exploration work on the mineral properties of NLE confirms by way of a NI 43-101 report a measured mineral resource containing at least 500,000 ounces of gold or the number of ounces of contained gold that is mined exceeds 500,000 ounces (or any combination thereof without duplication)	3,125,000 common shares	6,250,000 common shares
Exploration work on the mineral properties of NLE confirms by way of a NI 43-101 report a measured mineral resource containing at least 1,000,000 ounces of gold or the number of ounces of contained gold that is mined exceeds 1,000,000 ounces (or any combination thereof without duplication)	2,500,000 common shares	8,750,000 common shares
Total	**8,750,000 common shares**	**8,750,000 common shares**

6. Trade and other receivables

		September 30, 2012		December 31, 2011
Trade receivables	$	5,058,892	$	6,264,462
Taxes recoverable		2,189,657		1,717,871
Advances		42,152		108,875
Prepaid expenses		1,427,264		250,364
	$	8,717,965	$	8,341,572

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 value at the end of the respective periods are:

		September 30, 2012		December 31, 2011
Gold in process	$	1,671,030	$	5,837,071
Supplies		5,443,358		5,721,542
	$	7,114,388		11,558,613
Ore Stockpiles	$	8,346,262	$	7,321,516

8. Mining assets

The continuity of mining assets for the nine months ended September 30, 2012 is as follows:

	Construction in Progress	Mining and Exploration Properties	Plant and Equipment	Total
Cost at December 31, 2011	$ 1,674,002	$ 16,369,740	$ 3,418,196	$ 21,461,938
Additions:				
Additions in the period	497,446	19,292,414	939,033	20,728,893
Transfers in the period	(2,160,001)	1,347,796	812,205	-
Disposals in the period	-	-	(106,472)	(106,472)
Cost at September 30, 2012	$ 11,447	$ 37,009,950	$ 5,062,962	$ 42,084,359
Accumulated depreciation and amortization at December 31, 2011	$ -	$ (1,557,418)	$ (623,251)	$ (2,180,669)
Amortization charge for the period	-	(4,383,405)	(1,959,806)	(6,343,211)
Disposals in the period	-	-	106,472	106,472
Accumulated depreciation and amortization at September 30, 2012	$ -	$ (5,940,823)	$ (2,476,585)	$ (8,417,408)
Net book value, September 30, 2012	$ 11,447	$ 31,069,127	$ 2,586,377	$ 33,666,951

Refer to Note 5 for a discussion on the allocation of the purchase price among the components of the mining properties in the Gallery Acquisition and the NLE Acquisition.

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9. Restoration and rehabilitation provision

		Restoration and rehabilitation provision
At December 31, 2011	$	4,985,731
Accretion during the nine month period ended September 30, 2012		391,785
Expenditures in the period		(16,147)
At September 30, 2012	$	5,361,369

10. Trade accounts payable and accrued liabilities:

		September 30, 2012		December 31, 2011
Trade accounts payable	$	4,108,590	$	5,822,564
Accrued liabilities		1,608,388		1,374,147
	$	5,716,978	$	7,196,711

Trade accounts payable and accrued liabilities are non-interest bearing and are normally settled on 60 day terms after date of receipt of invoice.

11. Interest-bearing loans and borrowings:

		September 30, 2012		December 31, 2011
Current				
Unsecured note (1)	$	2,533,333	$	-
Capital lease obligation (2)		88,703		-
NLE promissory notes (3)		98,285		-
	$	2,720,321	$	-
Non-Current				
Unsecured note (1)	$	1,266,667	$	-
Capital lease obligation (2)		280,772		-
	$	1,547,439	$	-

(1) The Company issued an unsecured note to IAMGOLD as part of the consideration paid for the purchase of the shares in the Gallery Acquisition (see Note 5). Details are as follows:

- Initial principal amount $3,800,000
- Interest rate fixed rate of 6% per annum, payable quarterly commencing November 30, 2011
- Principal repayment $1,266,667 on February 28, 2013, August 30, 2013, and February 28, 2014

11 Interest-bearing loans and borrowings (continued):

(2) The Company acquired seven vehicles for use at the mine for total cost of $364,348 and financed the purchase through capital lease obligations. The capital leases are for a term of 36 months, with monthly payments of $9,130.56 per month principal and interest and a final payment of $101,054.

(3) On the NLE Acquisition (see Note 5) the Company issued as a part of the consideration paid promissory notes of an aggregate value of $400,000 which bear interest at 6% per annum. The notes were payable in 3 equal instalments with the last instalment due on October 12, 2012.

12. Income and Mining Taxes:

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

As a result of the effect of utilization of loss carry forwards available to the Company, the Company reported no income tax expense for the three and nine months ended September 30, 2012 (three and nine months ended September 30, 2011 - $nil). The effective income tax rates vary from the combined Canadian federal and provincial statutory income tax rate of 27% for the three and nine months ended September 30, 2012 (three and nine months ended September 30, 2011 – 28%) due to the geographical distribution of earnings, which are subject to different tax rates, fluctuations in exchange rates and other non deductible expenses.

The Company has generally not recognized tax benefits on losses generated in several countries where the recent history of operating losses does not satisfy the probable criteria for the recognition of deferred tax assets. Consequently, there are no income tax benefits recognized on the pre-tax losses in these jurisdictions.

13. Share Capital

(a) Authorized share capital:

As at September 30, 2012, 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:

During the three and nine month period ended September 30, 2012, the Company had the following share transactions:

On June 15, 2012, in accordance with the Company's employee stock purchase plan ("ESPP"), certain directors and officers subscribed for 63,130 common shares of the Company, at a price of CDN$0.99 per share, for gross proceeds of CDN$62,500 ($62,238) (see Note 13 (g)).

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13. Share Capital (continued)

(c) Stock Options:

The Company has a stock option plan whereby options may be granted to directors, officers, employees and consultants. As at September 30, 2012, a maximum of 4,829,613 options to purchase common shares were issuable under the Company's stock option plan, of which 2,844,623 remained available for issuance

As no options were issued and/or vested in the period, no amount for share-based compensation has been recognized in the period.

(d) Warrants:

The following is a summary of warrants outstanding as at September 30, 2012 and December 31, 2011 and changes during the periods then ended:

	Number of Warrants	Weighted Average Exercise Price (CDN$)
Outstanding, date of incorporation November 15, 2010 and December 31, 2010	-	-
Issued from private placement August 30, 2011 (Note 13(b)) to investors [1]	10,272,750	1.10
Issued from private placement August 5, 2011 (Note 13(b)) to Agent [2]	1,888,980	0.80
Issued on the Gallery Acquisition (Note 13(b))[1]	1,265,253	1.10
Balance, December 31, 2011	13,426,983	1.06
Issued on the closing of the NLE Acquisition (Note 5)[1]	3,112,525	1.10
Balance, September 30, 2012	16,539,508	1.07

[1] Using the Black Scholes Model for estimating fair market value, the warrants issued to investors were valued at $2,351,750 on issuance, and on the Gallery Acquisition were valued at $846,335 on issuance and then re-valued on a quarterly basis since issuance. As a result of changes in the share price of the Company since issuance, a decrease in the expected life as time passes, and fluctuations in exchange rates between the Canadian and US dollar and the risk-free interest rate, the warrants have decreased in value by $3,357,652 for the nine month period ended September 30, 2012, and decreased in value by $1,835,528 for the three month period then ended for a total balance at September 30, 2012 of $2,048,313. The assumptions used in the Black Scholes Model are:

- Risk free discount rate	1.02%
- Expected volatility (using historic volatility of comparable companies as a basis)	80%
- Expected life	0.75 years

13. Share Capital (continued)

(d) Warrants (continued):

[2] Using the Black Scholes Model for estimating fair market value, the warrants issued to the Agent were valued at $587,938 on issuance and then re-valued on a quarterly basis since issuance. As a result of changes in the share price of the Company since issuance, a decrease in the expected life as time passes, and fluctuations in exchange rates between the Canadian and US Dollar, the warrants have decreased in value by $602,422 for the nine month period ended September 30, 2012, and decreased in value by $278,910 for the three month period then ended for a total balance at September 30, 2012 of $457,740. The assumptions used in the Black Scholes Model are:

- Risk free discount rate	1.02%
- Expected volatility (using historic volatility of comparable companies as a basis)	80%
- Expected life	0.75 years

A recovery of $2,723,874 (reflected as financing income) has been recorded in the statement of earnings and comprehensive earnings to reflect the movement in fair value of the warrant for the nine months ended September 30, 2012, and a recovery (reflected as financing costs) of $2,114,438 has been reflected for the three month period ended September 30, 2012.

At September 30, 2012, a total of 561,782 warrants were held in escrow, releasable in equal tranches of 561,782 warrants every six months after September 2, 2011.

(e) Performance shares:

On August 30, 2011 the Company authorized for allotment, to the Chairman and the CEO of the Company, a maximum of 2,500,000 common shares (the "Performance Shares"), which will become issuable on the achievement by the Company and its subsidiaries of the following performance milestones prior to September 2, 2014:

1. 130,000 ounces of gold production from the Company's mining properties at an average cash cost per ounce of $900 or less over any eight consecutive fiscal quarters; or
2. $25,000,000 of cash flow from operations from its mining properties in any four consecutive fiscal quarters.

To date, neither milestone has been reached, therefore no shares have been issued. The progress of the Company's mining operations to date plus budgeted amounts has been insufficient to indicate that these milestones will be achieved. The Company has not recorded any related expense or obligation as of September 30, 2012.

13. Share Capital (continued)

(f) Earnings per share:

The calculations of earnings per share is based on the following data:

	Three months ended September 30, 2012	Nine months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2011
Earnings (loss)	$ 7,759,010	$ 19,566,137	$ (3,894,316)	$ (4,252,004)
Weighted average number of common shares outstanding for purposes of basic earnings per share	48,296,130	47,100,143	16,848,311	6,949,347
Dilutive warrants	124,174	90,035	-	-
Dilutive options	140,592	101,939	-	-
Weighted average number of common shares outstanding for the purpose of diluted earnings per share	48,560,896	47,292,117	16,848,311	6,949,347
Earnings (loss) per share				
Basic	$ 0.16	$ 0.42	$ (0.23)	$ (0.61)
Diluted	$ 0.15	$ 0.41	$ (0.23)	$ (0.61)

Basic earnings per share is computed by dividing the earnings 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 and performance shares in the weighted average number of common shares outstanding during the period, if dilutive. The performance shares and contingent shares related to the NLE Acquisition were not included in the calculation of diluted earnings per share in 2012 because the conditions for their issuance had not been met assuming that the end of the contingency period was the reporting date. In 2011, all outstanding warrants, stock options and performance shares were anti-dilutive.

(g) Employee stock purchase plan:

The Company has adopted an ESPP, which was approved by shareholders at the annual and special meeting of the Company on June 12, 2012. Under the terms of the ESPP, 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 from the Company an equal number of common shares that they purchased under the ESPP 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 in three equal tranches over a three-year period following the date of the purchase of the qualifying shares.

As at September 30, 2012, 63,130 common shares have been subscribed for under the ESPP. As a result, the participating officers, directors and employees of the Company may be issued an aggregate of 63,130 deferred matching shares in three equal tranches over a three-year period.

14. Breakdown of earnings and comprehensive earnings items:

The following is a breakdown of certain items in the Condensed Consolidated Interim Statement of Earnings and Comprehensive Earnings:

(a) Mining costs

	Three months ended September 30, 2012	Nine months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2011
Mining and production (including employee costs of $1,533,441-three months, and $4,464,228-nine months)	$ 9,903,146	$ 37,810,305	$ 2,236,774	$ 2,236,774
Administrative (including employee costs of $624,660-three months, and $1,533,441-nine months)	1,632,986	4,746,407	493,179	493,179
Total	$ 11,536,132	$ 42,556,712	$ 2,729,953	$ 2,729,953
Depreciation and amortization	1,485,727	6,236,738	942,028	942,028
	$ 13,021,859	$ 48,793,450	$ 3,671,981	$ 3,671,981

(b) Corporate general and administration

	Three months ended September 30, 2012	Nine months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2011
Professional fees and other costs related to acquisitions	$ -	$ 14,563	$ 195,999	$ 489,794
Ongoing professional fees	178,286	567,598	28,972	39,034
Corporate administration	259,362	725,305	131,807	185,638
	$ 437,648	$ 1,307,466	$ 356,778	$ 714,466

(c) Financing costs (income)

	Three months ended September 30, 2012	Nine months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2011
Interest on long term debt	$ 56,976	$ 172,461	$ 19,632	$ 19,632
Movement in value of warrants denominated in foreign currency	(2,114,438)	(2,723,874)	-	-
Accretion on restoration and rehabilitation provision	130,944	391,785	-	-
	$ (1,926,518)	$ (2,159,628)	$ 19,632	$ 19,632

15. Commitments and Contingencies

(a) Royalty expenses

Production from the Mupane operation is subject to third party royalties (included in mining costs) of 5% of revenues based on market prices at the date of shipment. For the nine month period ended September 30, 2012, the Company paid $3,387,395 in royalties (2011 - $1,442,264).

(b) Operating contractual obligations

The Company has operating lease obligations which relate to obligations in 2011 for land operating lease agreements as follows:

• Incurred during the three and nine month period ended September 30, 2012	$285,190
• To be incurred in the remainder of 2012	$107,458
• To be incurred 2013-2016	$537,957

(c) Claims

The Company is subject to one known employment-related litigation action, and outside legal advisors have assessed the potential outcome of the litigation. At this time it has been determined that any potential payment will not be material. The Company is also subject to the possibility of revised tax assessments for some years. The Company does not believe that, should unfavourable decisions arise from any review of its tax filings, that any amount it might be required to pay will be material. No amounts have been provided for in the financial statements.

16. Related party transactions

During the nine months ended September 30, 2012, the following related party transactions occurred:

- Philip Condon, the Company's CEO and Miniera Group Limited (a consulting company owned by Philip Condon):
  - Management fees of $270,000 were paid in cash to Miniera Group Limited under its contract for the provision of the CEO services of Philip Condon;
  - Philip Condon subscribed for 12,626 common shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;
- Donald Cameron, the Company's CFO and InHouseCFO Inc. (a consulting company controlled by Donald Cameron):
  - Management fees of CDN$152,000 and accounting fees of CDN$18,000 were paid in cash in the period to InHouseCFO Inc. for the provision of the CFO services of Donald Cameron;
- Charles Byron, a director of the Company:
  - The Company paid salary in cash to Mr. Byron totaling $195,000 under his contract as Chief Geologist of the Company;
  - The Company paid rent of $16,266 for office premises to Great African Services (Pty) Ltd., a company owned by a consortium of individuals that includes Charles Byron;
  - The Company paid CDN$12,000 in cash and issued 1,500,000 common shares to Mr. Byron on the closing of the NLE Acquisition, as he was a shareholder of NLE;
  - Mr. Byron is entitled to receive CDN$192,000 in principal plus interest at 6% for his proportionate share of the note payable issued as part of the NLE Acquisition. Of this he had received CDN$132,000 plus interest of CDN$3,008 as at September 30, 2012;
  - Mr. Byron may be entitled to 4,200,000 of the 8,750,000 common shares that are potentially issuable pursuant to the NLE Acquisition;
- Ravi Sood, a director of the Company subscribed for 12,626 common shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;
- Amar Bhalla, a director of the Company subscribed for 12,626 common shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;
- Ian Egan, a director of the Company subscribed for 12,626 common shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;
- Richard Kimel, the corporate secretary of the Company subscribed for 12,626 common shares under the Company's ESPP at CDN$0.99 per share for a total subscription price of CDN$12,500;
- IAMGOLD, a shareholder with significant influence, by holding in excess of 20% of the common shares of the Company:
  - The Company accrued and paid $172,461 in cash representing interest on the interest bearing note to IAMGOLD;
  - The number of warrants held by IAMGOLD increased by 3,112,525 as a result of the closing of the NLE Acquisition.

16. Related party transactions (continued…)

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2012 is as follows:

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Salaries	$ 195,000	-
Management fees(2)	487,731	99,950
Share-based compensation(1)	-	858,600
	$ 682,731	958,550

(1) Share-based compensation is the fair value of options granted and vested with key management personnel.
(2) Management fees represent compensation paid to officers of the Company pursuant to contracts for services.

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 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	**Botswana**	**Total**
Cash	$ 103,788	$ 14,506,346	$ 14,610,134
All other assets	112,471	57,733,095	57,845,566
Balance, September 30, 2012	$ 216,259	$ 72,239,441	$ 72,455,700

18. Subsequent events

On October 4, 2012 the Company appointed Mr Nicholas Brodie as the new Chief Financial Officer. In connection with his appointment Mr Brodie was granted options to purchase up to 450,000 common shares in the capital of the Company, which shall vest in three equal tranches commencing on the first anniversary of the grant date and are exercisable for a period of five years at an exercise price of $0.88 per share.

On November 26, 2012, options to purchase up to an aggregate of 1,120,000 Common Shares were granted to certain officers and directors of the Company. The options are exercisable for a period of five years at an exercise price equal to the greater of $0.75 and the first closing price of the Common Shares following the release of the Company's financial results for the three and nine month period ended September 30, 2012. The stock option grants are subject to necessary regulatory approvals.

As part of its continuous review of the Company's compensation policies, the Board of Directors has approved a compensation plan for the non-executive directors of the Company. The anticipated annual fees are expected to total approximately $205,000, which are in line with relative comparator groups.