

GALANE GOLD LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2014

Dated: December 1, 2014.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 December 1, 2014. 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 nine months ended September 30, 2014 (the "interim financial report"), as well as with the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2013 (collectively the "Financial Statements").

The 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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). 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 Financial Statements.

The Company's certifying officers are responsible for ensuring that the 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 Financial Statements 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 a single mineral project; gold price volatility; risks associated with the conduct of the Company's mining activities in Botswana; regulatory, consent or permitting delays; risks relating to the Company's exploration, development and mining activities being situated in a single country; risks relating to reliance on the Company's management team and outside contractors; risks regarding mineral resources and reserves; 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 relating to project financing and equity issuances; risks arising from the Company's fair value estimates with respect to the carrying amount of

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FORWARD-LOOKING STATEMENTS (continued...)

mineral interests; mining tax regimes; risks arising from holding derivative instruments; 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, metallurgical recoveries and capital and operating costs of such projects; contests over title to properties, particularly title to undeveloped properties; laws and regulations governing the environment, health and safety; operating or technical difficulties in connection with mining or development activities; lack of infrastructure; employee relations, labour unrest or unavailability; health risks in Africa; the Company's interactions with surrounding communities and artisanal miners; the Company's ability to successfully integrate acquired assets; 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; stock market volatility; conflicts of interest among certain directors and officers; lack of liquidity for shareholders of the Company; risks related to the market perception of junior gold companies; and litigation risk. See "Risks and Uncertainties" below. 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.

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., which in turn operates a producing mine, and 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. The common shares in the capital of the Company (the "Common Shares") have been listed for trading on the TSX Venture Exchange under the symbol "GG" since September 6, 2011.

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OUTLOOK

The Company continues to carry out its improvement and exploration plan in Botswana, with a focus on the optimisation of the mining operations and the expansion of the resource base.

The Company has completed its new five year plan which will form the guide for our short term goals and long term strategy. The Company intends to utilize the following resources during the remainder of 2014 and the whole of 2015:

- Tau Underground – the Company has previously disclosed its intention to exploit the reported measured and indicated resource of 128.6 thousand ounces of gold for Tau through underground mining. Development will continue to ensure we meet our target to commence stoping in Q3 2015. Development will in some instances be through ore and it is expected that Tau will provide ore to the plant between now and the commencement of stoping. While developing underground we intend to commence exploration to attempt to confirm the extension of the Tau ore body at depth.
- Golden Eagle – due to the continued weakness of gold price the Company has decided to redesign the pit shell based on a \$1,000 gold price. Mining on the current \$1,400 pit shell will be stopped in Q4 2014 when we reach 935 meter mining level. At this point we will stop mining for approximately three months while we carry out extensive grade control drilling to further confirm the ore body and the new pit design. It is envisaged we will commence mining again towards the end of Q1 2015 and that the mine will provide ore to the end of Q3 2015. We will also commence a study on the economics of continuing to mine at Golden Eagle as an underground operation.
- Low Grade Stockpiles – the Company has commenced screening the 702,259 tonnes of low grade stockpile at an average grade of 0.97 g/t, which is located at the run-of-mine pad at the processing plant. We are screening the ore using a 40mm screen deck which increases 38% of the stockpile grade by 65%. The screening process is expected to produce an additional 266,858 tonnes of ore at an average grade of 1.60 g/t to feed the processing plant during Q4 2014 and 2015. The Company is also reviewing a further 1.4 million tonnes of low grade stockpiles which it hopes to use to supplement feed during 2015 and in future years.
- Tekwane – in 2013 the Company announced an indicated resource of 12,735 ounces and 11,443 ounces of inferred resource at Tekwane. The gold mineralisation is in a flat-lying quartz rubble bed within the soil profile, close to surface. We have completed work on the mining and processing methodology which will be strip mining and gravity separation respectively. The mining licence application has been submitted to the Department of Mines and we hope to receive approval to commence mining in Q2 2015. The Company plans to selectively mine the high grade areas in Q3 and Q4 2015.
- Tholo Pit – mining of the original pit plan has been completed. We have identified an opportunity to reclaim ore left behind in the access roads on the side wall of the pit and this will be mined during Q1 2015. Exploration will be carried out in 2015 to confirm if the Tholo ore body continues at depth.
- Tawana Pit – as part of the venting required for Tau Underground we have designed an exit through the existing Tawana Pit. The pit cut back and underground development drive to achieve the ventilation design parameters has exposed and provided additional oxide ore which will be mined during Q4 2014.

This mine plan is subject to change according to the prevailing gold price whereby the Company will adopt the appropriate plan for that prevailing gold price environment.

The Company's processing plant continues to focus on on-going stabilisation and optimisation of the processing operations. The projects identified for 2014, including the screening plant, liquid cyanide, pre-oxidization circuit and commencement of re-automating plant controls have been completed. The major project for 2015 is implementing a gravity concentrating circuit into the plant to concentrate free gold before leaching is initiated. This is in response to positive results received on the recovery of free gold from our existing ore resources and to process Tekwane ore. Work will also continue to re-automate plant controls to improve recovery and process efficiencies.

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DISCUSSION OF OPERATIONS

For the three and nine months ended September 30, 2014

The following is an analysis of the Company's operating results for the three months ended September 30, 2014 ("Q3 2014") and nine months ended September 30, 2014 ("YTD 2014"). For mining operations, processing and financial information, comparisons with the three and nine months ended September 30, 2013 ("Q3 2013" and "YTD 2013" respectively) have been provided.

Operating activity:

Commentary regarding the Company's operating activity during Q3 2014 and YTD 2014 follows:

Mining

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

		2014			YTD 2014	2013			YTD 2013
		Q3	Q2	Q1		Q3	Q2	Q1	
Mupane(Tholo & Tawana)	Ore (t)	104,597	117,959	102,071	324,627	171,643	137,451	84,435	393,529
	Grade (g/t)	1.68	1.92	2.19	1.93	2.08	2.11	2.30	2.14
	Waste (t)	488,305	436,016	816,759	1,741,080	1,300,705	1,354,077	1,717,427	4,372,209
Mupane (Tau)	Ore (t)	2,647	3,384	-	6,031	-	-	-	-
	Grade (g/t)	3.27	2.85	-	3.03	-	-	-	-
	Waste (t)	25,627	6,886	-	32,513	-	-	-	-
Golden Eagle	Ore (t)	64,860	15,100	1,106	81,066	5,483	85,959	47,267	138,709
	Grade (g/t)	1.64	1.66	1.58	1.64	1.50	1.41	1.58	1.47
	Waste (t)	649,249	525,005	369,729	1,543,983	6,856	847,311	902,695	1,756,862
Shashe Pencils	Ore (t)	-	671	993	1,664	-	-	-	-
	Grade (g/t)	-	2.92	4.04	3.59	-	-	-	-
	Waste (t)	-	9,019	5,187	14,206	-	-	-	-
Tailing Dump Material	Ore (t)	30,201	12,709	17,270	60,180	22,320	-	-	22,320
	Grade (g/t)	1.25	0.70	1.50	1.21	1.40	-	-	1.40
	Waste (t)	-	-	-	-	-	-	-	-

The Company has operated four mining operations at the Mupane Property during 2014. They are:

- Tholo - in Q3 2014, the volume of ore mined at Tholo was 104,597 tonnes at 1.68 grams per tonne (Q3 2013 – 171,643 tonnes at 2.08 g/t) and the stripping ratio was 4.67 (Q3 2013 – 7.57). This is in line with expectations and the Company's previous disclosure regarding the accelerated stripping completed in Q2 2013. The stripping ratio was expected to decrease to the end of the Tholo pit mine plan. For YTD 2014, 324,627 tonnes of ore were mined at 1.93 g/t with a stripping ratio of 5.36, compared to 393,529 tonnes of ore at 2.14 g/t and a stripping ratio of 11.11 for YTD 2013.
- Golden Eagle – during Q2 2013 the Company adopted a new mine plan reflective of a significantly reduced gold price and as a result mining at Golden Eagle was stopped consistent with the then previously disclosed business risk mitigation plan. Upon completion of its five year plan the Company recommenced mining in Q4 2013 on a reduced pit size to reflect the then prevailing gold price. The volume of ore mined in Q3 2014 was 64,860 tonnes at 1.64 g/t (Q3 2013 – 5,483 tonnes at 1.50 g/t) and the stripping ratio decreased to 10.01 (Q3 2013 – 1.25). For YTD 2014, 81,066 tonnes of ore were mined at 1.64 g/t, compared to 138,709 tonnes of ore at 1.47 g/t for YTD 2013. During YTD 2014 we continued to pre-strip at Golden Eagle hence the high stripping ratio.
- Tau Underground – first ore was mined in May 2014 and during Q3 2014 we mined 2,647 tonnes of ore at 3.27 g/t.
- Tailing Dump Material – during Q3 2014 the Company hauled 30,201 tonnes, at an average grade of 1.25 g/t, of tailings material on its mining licenses to the processing plant (Q3 2013 – 22,320 tonnes at 1.40 g/t).

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DISCUSSION OF OPERATIONS (continued...)

Processing

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

	Q3 2014	Q2 2014	Q1 2014	YTD 2014	Q3 2013	Q2 2013	Q1 2013	YTD 2013
Ore milled (000 t)	200	181	188	569	219	229	213	661
Head grade (g/t)	1.68	1.58	1.96	1.74	1.68	1.65	1.36	1.57
Recovery (%)	76.0%	73.7%	78.8%	77.7%	84.0%	78.0%	79.7%	80.7%
Gold production (oz.)	8,206	7,195	9,346	24,747	9,941	9,530	7,430	26,901

Processing and gold production in Q3 2014 was detrimentally effected by the failure of the SAG mill motor which occurred in May 2014 and was resolved at the end of August 2014. The faulty motor was replaced with an emergency spare that has 60% of the capacity of the replaced motor. As a result mill production from the end of May was at approximately 70% of planned levels. Production was effected in September to a lesser extent by the failure of the trunion end on the ball mill in September which meant it had to be stopped. The Company is currently planning to have the ball mill fully operational again by the end of November.

Gold production in Q3 2014 was 8,206 ounces compared to 9,941 ounces in Q3 2013. The head grade in Q3 2014 of 1.68 g/t was the same as the head grade in Q3 2013. The reduction in ounces was due to the fact that in Q3 2014 the amount of ore that could be milled was reduced due to the reduced capacity of the mill and the reduction in recovery from 84% to 76%. The tailings material milled in Q3 2013 was oxide in nature with a resultant high recovery rate and this resulted in an increase in the overall recovery rate compared to Q3 2014.

Gold production in YTD 2014 was 24,747 ounces compared to 26,901 ounces YTD 2013. The head grade YTD 2014 of 1.74 g/t was higher than the head grade YTD 2013 of 1.57 g/t and the recovery similar in both periods. This was offset by the reduction in milling capacity, because of the SAG mill motor failure, with 569,235 tonnes mill YTD 2014 compared to 661,250 tonnes YTD 2013.

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DISCUSSION OF OPERATIONS (continued...)

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:

	Q3 2014	Q2 2014	Q1 2014	YTD 2014	Q4 2013
Revenue (000)	\$ 9,461	\$ 10,773	\$ 12,437	\$ 32,671	\$ 13,761
Gold sold (oz.)	7,479	8,308	9,596	25,383	10,789
Earnings (Loss) from mining operations (000)	\$ 977	\$ 224	\$ 2,578	\$ 3,779	\$ 4,694
Earnings from mining operations (\$/oz.) ⁽¹⁾	\$ 131	\$ 27	\$ 269	\$ 149	\$ 435
Operating cash cost excluding royalties (\$/oz.) ⁽¹⁾	\$ 886	\$ 1,201	\$ 764	\$ 931	\$ 786

	Q3 2013	Q2 2013	Q1 2013	YTD 2013	Q4 2012
Revenue (000)	\$ 13,848	\$ 14,044	\$ 12,167	\$ 40,059	\$ 14,208
Gold sold (oz.)	10,310	10,405	7,466	28,181	8,362
(Loss) Earnings from mining operations (000)	\$ (1,096)	\$ (23,767)	\$ (4,113)	\$ (28,976)	\$ (2,033)
Earnings from mining operations (\$/oz.) ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -
Operating cash cost excluding royalties (\$/oz.) ⁽¹⁾	\$ 1,180	\$ 1,449	\$ 1,643	\$ 1,403	\$ 1,541

Note:

(1) Earnings from mining operations per ounce and operating cash cost excluding royalties per ounce are non-GAAP measures.

In the three months ended September 30, 2014, the Company generated \$9.5 million in revenue from the sale of 7,479 ounces of gold plus incidental silver at an average combined price of \$1,265 per ounce and a profit from mining operations of \$1.0 million. This compares to \$13.8 million in revenue from the sale of 10,310 ounces of gold plus incidental silver at an average combined price of \$1,343 per ounce and a loss from mining operations of \$(1.1) million in Q3 2013.

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DISCUSSION OF OPERATIONS (continued...)

The reason for the change in earnings from mining operations from Q3 2013 to Q3 2014 is a result of several factors:

- Gold sales for Q3 2014 were 2,831 ounces less than in Q3 2013. This was coupled with a reduction in the average gold price achieved between the two quarters of \$78 per ounce. As a result revenue was \$4.3 million less in Q3 2014. The decrease in ounces sold is due to a reduction in the tonnes milled of 18,861 tonnes. The decrease in tonnes milled was a result of the mill motor failure which meant we had to reduce the milling rate to accommodate the less powerful motor.
- Mining costs in Q3 2014 were \$2.3 million compared to \$6.1 million in Q3 2013. The variance is mainly due to the decrease in volume mined at Tholo which has a higher mining rate by over 60%.
- Processing costs decreased to \$3.4 million in Q3 2014 from \$6.4 million in Q3 2013. The actual tonnes milled decreased from 218,903 tonnes in Q3 2013 to 200,042 tonnes in Q3 2014. Coupled with this has been savings achieved from a reduction in consumable costs and more efficient use of consumables.
- General and administration costs in Q3 2014 were \$1.0 million compared to \$1.2 million in Q3 2013. A review of administration staffing resources was carried out in Q2 2014 and costs are expected to be lower going forward.
- Depreciation and amortization of \$1.8 million were also recognized in Q3 2014 compared to \$1.3 million in Q3 2013 with the increase due to the increase in processing of Golden Eagle and Tholo ore which incurred capitalized stripping costs.

As a result of the above factors the operating cash cost per ounce (excluding royalties) in Q3 2014 was \$886 compared to \$1,180 per ounce in Q3 2013.

In the nine months ended September 30, 2014, the Company generated \$32.7 million in revenue from the sale of 25,383 ounces of gold plus incidental silver at an average combined price of \$1,287 per ounce and a profit from mining operations of \$3.8 million. This compares to \$40.1 million in revenue from the sale of 28,181 ounces of gold plus incidental silver at an average combined price of \$1,421 per ounce and earnings from mining operations of \$(29.0) million YTD 2013.

The reason for the change in earnings from mining operations from YTD 2013 to YTD 2014 is a result of several factors:

- Gold sales for YTD 2014 were 2,798 ounces less than in YTD 2013. This was coupled with a reduction in the average gold price achieved between the two periods of \$134 per ounce. As a result revenue was \$7.4 million less YTD 2014.
- Mining costs YTD 2014 were \$8.2 million compared to \$18.7 million YTD 2013. The variance is mainly due to the decrease in volume mined by 50% in the two periods.
- Processing costs decreased to \$13.1 million YTD 2014 from YTD 2013 \$19.6 million. The actual tonnes milled decreased from 661,250 tonnes YTD 2013 to 569,235 tonnes YTD 2014.
- General and administration costs YTD 2014 were \$3.6 million compared to \$4.2 million YTD 2013.
- Depreciation and amortization of \$4.0 million were also recognized YTD 2014 compared to \$8.8 million YTD 2013 with the decrease consistent with the reduced carrying value of the assets in Q3 2013 after the impairment carried out in Q2 2013.
- Impairment of \$17.8 million in YTD 2013. For additional information, see "Impairment" below.

As a result of the above factors the operating cash cost per ounce (excluding royalties) YTD 2014 was \$931 compared to \$1,403 per ounce YTD 2013.

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DISCUSSION OF OPERATIONS (continued...)

Impairment

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Mining and Exploration Property	\$ -	\$ -	\$ -	\$ 16,867,329
Inventory	-	-	-	955,264
	\$ -	\$ -	\$ -	\$ 17,822,593

As at June 30, 2013, the carrying value of the net assets of the Company exceeded its market capitalization, which is an indicator of potential impairment of the carrying value of its net assets. In addition, prior to the close of the quarter ended June 30, 2013, the gold price declined significantly and has subsequently remained at these lower levels. As a result the Company assessed the recoverable amount of its cash-generating unit ("CGU"), Mupane Gold Mining (Pty) Limited.

Key assumptions

The key assumptions used in determining the recoverable amount (fair value less costs to sell) for its CGU are commodity prices, discount rates, cash costs of production, capital expenditures, foreign exchange rates, and the value of in-situ ounces. The fair value of mining and exploration properties is determined primarily using an income approach based on unobservable inputs, and as a result, is classified within Level 3 of the fair value hierarchy.

The Company's estimates of future metal prices are determined based on current prices, forward prices and forecasts of future prices prepared by industry analysts. For the June 30, 2013 impairment analysis, the Company estimated a gold price of \$1,400 per ounce.

The Company's estimates of future cash costs of production and capital expenditures are based on the life of mine plan. Costs incurred in currencies other than the U.S. dollar are translated to US dollar equivalents based on long-term forecasts of foreign exchange rates, on a currency by currency basis, obtained from independent sources of economic data.

The discount rate applied to present value the net future cash flows is based on a real weighted average cost of capital. For the June 30, 2013 impairment analysis, a discount rate of 6.25% was used.

The Company valued the potential of in-situ ounces declared in its latest mineral resource statement but not included in the life of mine plan. They were valued based on a review of the current market value of in-situ ounces recognized by the industry.

As at September 30, 2014 there were no indicators that suggested a review of the recoverable amount of the mining and exploration properties was required.

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DISCUSSION OF OPERATIONS (continued...)

Non-Cash Costs:

Earnings

The earnings comprised of:

	Q3 2014	YTD 2014	Q3 2013	YTD 2013
Income from mining operations	\$ 977,156	\$ 3,778,632	\$(1,096,421)	\$(28,976,120)
Exploration costs	(20,542)	(85,363)	(42,834)	(125,256)
Corporate general and administrative costs	(517,754)	(1,472,519)	(507,126)	(1,576,763)
Stock-based compensation	(121,398)	(241,082)	(31,001)	(113,064)
Foreign exchange (loss) gain	206,040	210,742	6,576	625,171
Interest on long term debt	(44,128)	(116,861)	(38,285)	(127,412)
Other (expenses) income	(608,869)	(617,761)	(8,063)	(518,879)
Other financing income (costs)	(82,606)	(241,776)	(158,315)	476,152
	\$ (212,101)	\$ 1,214,012	\$(1,875,469)	\$(30,336,171)

In Q1 2013 all outstanding warrants expired unexercised and the Company recorded financing income of \$1.0 million on their expiration. Included in YTD 2014 "other expenses" is a cost of \$0.2 million for staff retrenchment costs in relation to the reorganization of administration staff. YTD 2013 included \$0.5 million for staff retrenchment costs in relation to the closure of the Company's in house mining operations which were outsourced. Also included in Q3 2014 "other expenses" is a loss on disposal of \$0.4 million which relates to the disposal of redundant mining equipment no longer utilized by the Company (Q3 2013 - \$nil).

Corporate general and administration costs totaled \$0.5 million for Q3 2014 (Q3 2013 - \$0.5 million), and includes the following:

	Q3 2014	YTD 2014	Q3 2013	YTD 2013
Professional Fees	152,791	391,046	192,097	447,599
Management fees to officers	227,345	709,835	204,535	746,477
Investor relations	42,120	59,321	3,015	71,230
Corporate general and administration	95,498	312,317	107,479	311,457
	\$ 517,754	\$1,472,519	\$ 507,126	\$ 1,576,763

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SUMMARY OF FINANCIAL POSITION

Selected Consolidated Statement of Financial Position Data:

	September 30, 2014 \$	June 30, 2014 \$	March 31, 2014 \$	December 31, 2013 \$	September 30, 2013 \$	June 30, 2013 \$
Total current assets	17,803,595	16,329,277	17,211,476	17,414,539	13,164,032	14,484,706
Total current liabilities	9,398,810	8,931,132	7,768,542	10,089,864	7,483,353	6,322,962
Working capital	8,404,785	7,398,145	9,442,934	7,324,675	5,680,679	8,761,742
Mining assets	28,723,466	27,128,311	25,115,168	23,815,440	24,856,263	25,410,700
Non-current liabilities	9,082,789	6,390,290	5,819,343	4,549,746	7,569,232	8,721,329
Total shareholders' equity	28,045,462	28,136,166	28,738,759	26,590,368	22,967,712	24,841,115

In Q3 2014, the Company increased working capital by \$1.0 million from Q2 2014. This was mainly due to:

- an increase in current assets by \$1.5 million to reflect the increase in cash at bank of \$0.8 million and an increase in gold in process of \$0.4 million; and
- an increase in current portion of interest bearing loans of \$0.2 million.

Mining assets increased by \$1.1 million with expenditure incurred of \$1.4 million on pre-stripping at Golden Eagle and Tawana, \$0.1 million on exploration and \$1.7 million on work in progress, which includes the infrastructure for Tau underground. This was offset by depreciation of \$1.8 million in the quarter. In addition ore stockpiles increased by \$0.4 million as a result of stockpiling low grade Golden Eagle ore.

Non-current liabilities increased by \$2.7 million. The Company entered into a new loan facility and gold prepayment agreement with Samsung C&T UK Ltd dated as of August 22, 2014 for \$5.0 million. The facility is repayable in 17 installments commencing February 2015. A portion of the funds received were used to pay the outstanding IAMGold facility of \$2.5 million.

Total shareholders' equity decreased by \$0.1 million.

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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			
	September 30, 2014 \$	June 30, 2014 \$	March 31, 2014 \$	December 31, 2013 \$
Revenue	9,460,910	10,773,110	12,437,196	13,760,859
Mining costs				
- Cash	(6,724,357)	(9,422,080)	(8,704,905)	(9,648,688)
- Non-cash (depreciation, amortization and impairment)	(1,759,397)	(1,127,055)	(1,154,791)	581,593
Total mining costs	(8,483,754)	(10,549,135)	(9,859,696)	(9,067,095)
Non Mining Expenses	(1,189,257)	(918,916)	(456,445)	(1,328,143)
Earnings (loss)	(212,101)	(694,941)	2,121,055	3,365,621
Earnings (loss) per share				
- Basic	(0.00)	(0.01)	0.02	0.07
- Fully diluted	(0.00)	(0.01)	0.02	0.07
Total assets at end of quarter	46,527,061	43,457,588	42,326,644	41,229,978
Total liabilities at end of quarter	18,481,599	15,321,422	13,587,885	14,639,610
Total equity at end of quarter	28,045,462	28,136,166	28,738,759	26,590,368

	Three months ended			
	September 30, 2013 \$	June 30, 2013 \$	March 31, 2013 \$	December 31, 2012 \$
Revenue	13,847,644	14,044,253	12,166,886	14,207,894
Mining costs				
- Cash	(13,669,853)	(15,723,290)	(13,006,181)	(14,094,210)
- Non-cash (depreciation and amortization)	(1,274,212)	(22,088,125)	(3,273,241)	(2,147,918)
Total mining costs	(14,944,065)	(37,811,415)	(16,279,422)	(16,242,128)
Non Mining (Expenses) Income	(779,048)	(507,436)	(73,568)	(1,929,832)
Taxation	-	(1,809,000)	-	1,809,000
Earnings (loss)	(1,875,469)	(26,083,598)	(4,186,104)	(2,145,066)
Earnings (loss) per share				
- Basic	(0.04)	(0.51)	(0.08)	(0.04)
- Fully diluted	(0.04)	(0.51)	(0.08)	(0.04)
Total assets at end of quarter	38,020,263	39,895,406	63,885,890	71,812,992
Total liabilities at end of quarter	15,052,551	15,044,291	12,957,808	16,738,763
Total equity at end of quarter	22,967,712	24,841,115	50,928,082	55,074,228

Note:

(1) Information for all periods is presented in accordance with IFRS and in U.S. dollars.

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EXPLORATION

The Company is conducting a comprehensive exploration program over a large number of prospects contained within its mining leases and exploration tenements which cover the bulk of the Tati greenstone belt in Botswana. Exploration has covered the following areas during Q3 2014:

- Jim's Luck
 - The environmental impact assessment has been completed and the negotiation of a surface right agreement with the local land authority is in progress. Together these documents form an integral part of the mining licence application.
 - Follow up work continues on the gold mineralisation in both the Western Banded Magnetic Chert and Western Parallel horizons extending for some 20km southwards from Jim's Luck.
- Tekwane
 - A surface right agreement with the local land authority has successfully been negotiated. The mining licence application is expected to be completed and submitted in Q4 2014.
- Tailings
 - Final stages of obtaining permission from the Department of Mines and the Department of Environment to retreat the 500,000 tonne Monarch tailings dump are in progress. Initial discussions indicate that we will be required to complete an environmental management plan due to the location of the dump within the city limits of Francistown.
- Tenements
 - Renewal applications for both the Signal Hill and Molomolo mining licence areas have been submitted to the Department of Mines in accordance with the governing legislation. It is a requirement that these renewal applications be submitted a full year in advance of the expiry date of the licences.

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LIQUIDITY AND CAPITAL RESOURCES

The Company defines capital as consisting of shareholder's 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.

In order to fund the business activities intended in its current business plan, management expects that the Company's 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. As described above under "Summary of Financial Position", at September 30, 2014, the Company had \$8.4 million in working capital and generated \$4.1 million in cash flow from operations for the nine month period ended September 30, 2014. A continuation of these results is expected to provide sufficient capital to the Company to fund annual operating expenses, capital commitments budgeted and the exploration program contemplated until the end of 2014.

The revenue of the Company is dependent upon the spot price of gold. At the current level of operating costs, the Company would continue to generate positive cash flow on an annual basis from operations even if there was a 20% reduction in the spot price of gold as at September 30, 2014.

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.

ENVIRONMENTAL DISCUSSION

The mining activities of the Company can give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation work can include land rehabilitation and site restoration. The extent of work required and the associated costs are dependent on the requirements in the local jurisdiction and the interpretations of the requirements by relevant authorities.

Provision for the cost of the Company's restoration and rehabilitation program is recognized at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass obligated and reasonably estimable restoration and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate restoration and rehabilitation activities such as waste material handling conducted as an integral part of a mining or production process are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation that is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are the ones most appropriate for the location of the mine. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements. As at September 30, 2014, the amount reflected in the Company's restoration and rehabilitation provision is \$3.4 million (on an undiscounted basis, the total payments are estimated at \$3.8 million) which was calculated by an independent contractor.

The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognized as part of finance costs. Potential changes in the laws and regulations could have an adverse risk on the actual restoration costs that the Company could incur in the future.

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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. The fair value of the Company's trade and other receivables, and accounts payable and accrued liabilities approximate their carrying value, which is the amount disclosed on the balance sheet dates due to their short-term maturities or ability of prompt liquidation. Cash, under the fair value hierarchy, is based on level-one quoted prices in active markets for identical assets or liabilities. The Company's other financial instruments, specifically interest bearing loans and borrowings are recorded at amortized cost using the effective interest rate method.

Strategic and operational risks are risks that arise if the Company fails to identify opportunities and/or threats arising from changes in the markets in which the Company operates. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory developments and competitor actions. These risk factors are more fully addressed under the "Risks and Uncertainties" section of this MD&A.

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 Company currently has no trade receivables for the purchase of the gold it produces, and 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 September 30, 2014, the Company had a cash, gold inventory and receivables balance of \$17,803,595 (December 31, 2013 - \$17,414,539) to settle current liabilities of \$9,398,810 (December 31, 2013 - \$10,089,864). The Company has sufficient working capital to meet its short-term business requirements. See the "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. The Company's sensitivity to interest rates is currently immaterial.

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 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 or future cash flows of the Company 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 future mineral assets will be exposed to market risk on the price fluctuations of gold as a commodity.

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ISSUED AND OUTSTANDING SHARE CAPITAL

The Company's authorized capital consists of an unlimited number of Common Shares, of which 52,677,458 Common Shares are issued and outstanding as of the date of this MD&A. On a diluted basis, the Company has 57,012,458 Common Shares outstanding as of the date of this MD&A, assuming the exercise of 4,335,000 outstanding stock options pursuant to the Company's stock option plan.

The Company adopted the share purchase plan ("SPP"), which was approved by shareholders at the annual and special meeting of the Company 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, the participating officers, directors and employees of the Company may be issued an aggregate of 422,492 deferred matching shares under the SPP.

On June 15, 2014, the Company issued an aggregate of 16,836 Common Shares as deferred matching shares pursuant to the SPP.

The deferred share unit plan (the "DSU Plan") was approved by the shareholders of the Company at the annual and special meeting held on June 3, 2014. 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 5,266,062 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 4,077,381 Common Shares pursuant to deferred share units awarded under the DSU Plan.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended September 30, 2014, the following related party transactions occurred:

- Charles Byron, a director of the Company:
 - Mr Byron was issued 660,000 common shares that were payable pursuant to the NLE acquisition;
 - The Company paid rent of \$7,505 for office premises to Great African Services (Pty) Ltd., a company owned by a consortium of individuals that includes Charles Byron (2013 - \$17,444);
- IAMGOLD, a shareholder with significant influence, by holding in excess of 20% of the common shares of the Company:
 - During the nine months ended September 30, 2014 the Company paid to IAMGOLD \$2,533,333 in cash representing the final payment on its interest bearing note (2013 - \$1,266,667);
 - The Company paid to IAMGOLD \$191,978 representing the final interest payable on its interest bearing note (2013 - \$89,127).

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FUTURE ACCOUNTING POLICIES

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. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015, but rather be left open pending the finalization of the impairment and classification and measurement requirements. The Company will evaluate the impact of the change to its financial statements based on the characteristics on its financial instruments at the time of adoption.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15). The standard replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfer of Assets From Customers” and SIC 31 “Revenue – Barter Transactions Involving Advertising Services”. IFRS 15 is effective for periods beginning on or after January 1, 2017, permits early adoption, and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The Company is in the process of evaluating the requirements of the new standard.

IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets

In May 2014, the IASB issued amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets. The amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. The amendments clarify the factors in assessing the technical or commercial obsolescence and the resulting depreciation period of an asset and state that a depreciation method based on revenue is not appropriate. The Company is in the process of evaluating the requirements of the new standard.

IFRS 11 – Joint Arrangements

In May 2014, the IASB issued amendments to IFRS 11 Joint Arrangements (IFRS 11). The amendments in IFRS 11 are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. The amendments clarify the accounting for acquisition of interests in joint operations and require the acquirer to apply the principles on business combinations accounting in IFRS 3 Business combinations. The Company is in the process of evaluating the requirements of the new standard.

NEW AND AMENDED ACCOUNTING POLICIES

IFRIC 21 – Levies

IFRIC 21 provides guidance on the accounting for levies in accordance with the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. The Company adopted IFRIC 21 in its financial statements for the period beginning January 1, 2014 and it did not have a material impact on the financial statements.

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COMMITMENTS

As at the date of this MD&A, the Company had the following commitments:

(a) Royalty expenses

Production from the Company's Mupane operation is subject to third party royalties (included in mining costs) of 5% of revenues based on market prices at the date of shipment. For the nine month period ended September 30, 2014, the Company paid \$1,632,805 in royalties (2013 - \$2,026,575).

(b) Operating contractual obligations

The Company has operating lease obligations which relate to obligations in 2014 for land operating lease agreements as follows:

• Incurred during the nine month period ended September 30, 2014	<u>\$339,119</u>
• To be incurred in the remainder of 2014	<u>\$113,647</u>
• To be incurred 2014-2017	<u>\$1,351,105</u>

(c) Claims

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's annual MD&A for the year ended December 31, 2013, available at www.sedar.com.

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, 2013, can be found on SEDAR at www.sedar.com.

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SUPPLEMENTAL INFORMATION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash costs

The Company's MD&A often 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. This information is used 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, and attributable realized derivative gain or loss, but are exclusive of impairment, amortization, reclamation, and exploration and development costs. Cash cost excluding royalties is cash cost less royalties. Operating cash cost is the total cash cost less those costs capitalized as attributable to the removal of excess waste in developing new resources. Operating cash cost excluding royalties is operating cash cost less royalties. 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 table provides a reconciliation of cash cost measures for the mine to the mining costs excluding depreciation and amortization reflected in the Financial Statements.

	Q3 2014	Q2 2014	Q1 2014	YTD 2014	Q4 2013
Mining costs excluding impairment, depreciation and amortization	\$ 6,724,357	\$ 9,422,080	\$ 8,704,905	\$ 24,851,342	\$ 9,648,688
Adjust for:					
Stock movement	1,015,064	(239,462)	(944,851)	(169,249)	359,154
Total operating cash cost	\$ 7,739,421	\$ 9,182,618	\$ 7,760,054	\$ 24,682,093	\$ 10,007,842
Royalties	(471,041)	(538,250)	(623,514)	(1,632,805)	(696,460)
Total operating cash cost excluding royalties	\$ 7,268,380	\$ 8,644,368	\$ 7,136,540	\$ 23,049,288	\$ 9,311,382
Gold production (ounces)	8,206	7,195	9,346	24,747	11,853
Total operating cash cost excluding royalties per oz.	\$ 886	\$ 1,201	\$ 764	\$ 931	\$ 786

	Q3 2013	Q2 2013	Q1 2013	YTD 2013	Q4 2012
Mining costs excluding impairment, depreciation and amortization	\$ 13,669,853	\$ 15,723,290	\$ 13,006,181	\$ 42,399,324	\$ 14,094,210
Adjust for:					
Stock movement	(1,246,803)	(1,200,515)	(185,531)	(2,632,849)	852,851
Total operating cash cost	\$ 12,423,050	\$ 14,522,775	\$ 12,820,650	\$ 39,766,475	\$ 14,947,061
Royalties	(696,752)	(715,389)	(614,434)	(2,026,575)	(722,794)
Total operating cash cost excluding royalties	\$ 11,726,298	\$ 13,807,386	\$ 12,206,216	\$ 37,739,900	\$ 14,224,267
Gold production (ounces)	9,941	9,530	7,430	26,901	9,233
Total operating cash cost excluding royalties per oz.	\$ 1,180	\$ 1,449	\$ 1,643	\$ 1,403	\$ 1,541