# GIYANI GOLD CORP.

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**(Expressed in Canadian Dollars)**

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Giyani Gold Corp. (the "Company") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of 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 is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

| | |
|---|---|
| /s/ Duane Parnham | /s/ Daniel Crandall |
| Chief Executive Officer | Chief Financial Officer |

Toronto, Canada
March 31, 2017

## Independent Auditors' Report

To the Shareholders of Giyani Gold Corp.:

We have audited the accompanying consolidated financial statements of Giyani Gold Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of (income) loss and comprehensive (income) loss, changes in shareholders' deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Giyani Gold Corp. as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Giyani Gold Corp.'s ability to continue as a going concern.

*Other Matter*

The consolidated financial statements of the Company, for the year ended December 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2016.

MNP LLP

March 31, 2017
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

# GIYANI GOLD CORP.

**Consolidated Statements of Financial Position**
**(Expressed in Canadian Dollars)**

| As at | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 94,010 | $ - |
| Restricted cash (note 4) | - | 5,000 |
| Amounts receivable | 48,906 | 21,294 |
| Amounts due from related party (note 14) | 82,203 | - |
| Prepaids | 500 | 59,892 |
| Total current assets | 225,619 | 86,186 |
| Equipment (note 5) | 30,941 | 41,329 |
| Investment in associate (note 7) | 795,627 | - |
| Exploration and evaluation assets (note 6) | - | 1,378,327 |
| **Total Assets** | $ 1,052,187 | $ 1,505,842 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 572,867 | $ 1,275,663 |
| Promissory note (note 8) | - | 65,862 |
| Debenture (note 9) | - | 416,161 |
| Amounts due to related parties (note 14) | 660,956 | 692,648 |
| **Total Liabilities** | 1,233,823 | 2,450,334 |
| **Deficiency** | | |
| Share capital (note 10(b)) | 19,066,321 | 18,520,824 |
| Contributed surplus (note 11) | 5,326,516 | 5,090,180 |
| Warrants (note 12) | 4,093,233 | 4,093,233 |
| Cumulative translation adjustment | (158,861) | (150,673) |
| Deficit | (28,508,845) | (28,533,490) |
| | (181,636) | (979,926) |
| Non-controlling interest (note 19) | - | 35,434 |
| | (181,636) | (944,492) |
| **Total Liabilities and Deficiency** | $ 1,052,187 | $ 1,505,842 |

Nature of operations and going concern (note 1)
Commitments (note 20)
Subsequent events (note 22)

The notes to the consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

Director: Eugene Lee

Director: Scott Breard

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# GIYANI GOLD CORP.

**Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss**
**(Expressed in Canadian Dollars)**

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| **Expenses** | | |
| Corporate, general and administration (note 15) | $ 1,171,822 | $ 1,311,877 |
| Depreciation (note 5) | 10,388 | 11,474 |
| Write-down of property acquisition costs and exploration and evaluation assets (note 6) | 15,663 | 10,423,646 |
| **Net loss before interest and other items** | 1,197,873 | 11,746,997 |
| Foreign exchange (gain) loss | (1,737) | 1,121 |
| Interest and other expense (income) | 2,837 | (43,901) |
| Gain on disposal of equipment | - | (47) |
| Gain on disposition of exploration and evaluation assets (note 6) | (310,605) | - |
| Gain on debt settlement | (122,136) | - |
| Loss from associate (note 7) | 111,325 | - |
| Gain on marketable securities | (490,909) | - |
| Gain on deconsolidation (note 19) | (741,285) | - |
| General exploration expense | 3,589 | - |
| **Net (income) loss for the year** | $ (351,048) | $ 11,704,170 |
| **Other comprehensive (income) loss** | | |
| Items that may be subsequently reclassified to profit and loss: | | |
| Currency translation adjustment | 8,188 | 169,036 |
| **Comprehensive (income) loss for the year** | $ (342,860) | $ 11,873,206 |
| **Attributable to:** | | |
| Owners of the parent | $ (24,645) | $ 9,567,004 |
| Non-controlling interest | (326,403) | 2,137,166 |
| **Net (income) loss for the year** | $ (351,048) | $ 11,704,170 |
| **Basic diluted (income) loss per share** | $ (0.01) | $ 0.19 |
| **Diluted (income) loss per share** | $ (0.01) | $ 0.19 |
| **Weighted average number of shares outstanding, basis** | 64,957,729 | 61,346,988 |
| **Weighted average number of shares outstanding, diluted** | 65,096,779 | 61,346,988 |

The notes to the consolidated financial statements are an integral part of these statements.

# GIYANI GOLD CORP.

**Consolidated Statements of Changes in Shareholders' Deficiency**
**(Expressed in Canadian Dollars)**

| | Share Capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Contributed surplus | Warrant | Non-Controlling Interest | Cumulative Translation Adjustment | Deficit | Total |
| Balance, December 31, 2014 | 57,433,123 | $ 18,173,796 | $ 5,090,180 | $ 4,093,233 | $ 1,828,278 | $ 18,363 | $ (18,926,330) | $ 10,277,520 |
| Shares of subsidiary issued to non-controlling interest | - | - | | - | 344,322 | - | (40,156) | 304,166 |
| Private placement | 4,000,000 | 200,000 | | - | - | - | - | 200,000 |
| Shares issued for debt | 1,837,857 | 147,028 | | - | - | - | - | 147,028 |
| Currency translation adjustment | - | - | - | - | - | (169,036) | - | (169,036) |
| Net loss for the year | - | - | - | - | (2,137,166) | - | (9,567,004) | (11,704,170) |
| Balance, December 31, 2015 | 63,270,980 | 18,520,824 | 5,090,180 | 4,093,233 | 35,434 | (150,673) | (28,533,490) | (944,492) |
| Private placement, net of costs | 3,450,000 | 339,201 | | - | - | - | - | 339,201 |
| Exercise of stock options | 750,000 | 112,500 | | - | - | - | - | 112,500 |
| Fair value reclassed upon exercise of stock options | - | 93,796 | (93,796) | - | - | - | - | - |
| Currency translation adjustment | - | - | - | - | - | (8,188) | - | (8,188) |
| Options granted by Canoe | - | - | 19,777 | - | 30,728 | - | - | 50,505 |
| Share-based compensation | - | - | 310,355 | - | - | - | - | 310,355 |
| Deconsolidation of subsidiary | - | - | - | - | (392,565) | - | - | (392,565) |
| Net income for the year | - | - | - | - | 326,403 | - | 24,645 | 351,048 |
| Balance, December 31, 2016 | 67,470,980 | $ 19,066,321 | $ 5,326,516 | $ 4,093,233 | $ - | $ (158,861) | $ (28,508,845) | $ (181,636) |

The notes to the consolidated financial statements are an integral part of these statements.

# GIYANI GOLD CORP.

**Consolidated Statements of Cash Flows**
**(Expressed in Canadian Dollars)**

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| **Operating Activities** | | |
| Net income (loss) for the year | $ 351,048 | $ (11,704,170) |
| Accrued interest expense | 2,171 | 2,900 |
| Amortization | 10,388 | 11,474 |
| Stock-based compensation | 360,860 | - |
| Gain on marketable securities | (490,909) | - |
| Gain on debt settlement | (93,095) | - |
| Gain on disposal of equipment | - | (47) |
| Gain on deconsolidation | (741,285) | - |
| Loss from associate | 111,325 | - |
| Write-down of property acquisition costs and exploration and evaluation assets | (294,942) | 10,423,646 |
| Net change in non-cash working capital: | | |
| Amounts receivable | (23,447) | 79,195 |
| Amounts due from related party | 5,097 | - |
| Prepaid expenses | 27,864 | (8,830) |
| Accounts payable and accrued liabilities | 90,191 | 355,972 |
| Amounts due to related parties | (31,692) | 504,913 |
| **Cash used in operating activities** | (716,426) | (334,947) |
| **Investing Activities** | | |
| Proceeds from sale of exploration and evaluation assets | 500,000 | - |
| Restricted cash | 5,000 | - |
| Exploration and evaluation asset expenditures | (6,618) | (28,860) |
| Repayment of debenture | (150,000) | (50,000) |
| Change in cash related to deconsolidation | 18,541 | - |
| **Cash provided by (used in) investing activities** | 366,923 | (78,860) |
| **Financing Activities** | | |
| Proceeds on issuance of shares, net of issuance costs | 339,201 | 365,000 |
| Proceeds from exercise of stock options | 112,500 | - |
| **Cash provided by financing activities** | 451,701 | 365,000 |
| **Effect of foreign exchange on cash** | (8,188) | 14,842 |
| **Change in cash during the year** | 94,010 | (33,965) |
| **Cash, beginning of the year** | - | 33,965 |
| **Cash, end of the year** | $ 94,010 | $ - |

The notes to the consolidated financial statements are an integral part of these statements.

## 1. Nature of operations and going concern

Giyani Gold Corp. ("Giyani", or "the Company") was incorporated under the Canada Business Corporations Act on July 26, 2007 and continued under the Business Corporations Act of British Columbia on August 4, 2010. The Company is currently engaged in the acquisition, exploration, evaluation, and development in Sub Sahara Africa of raw material for the battery industry. Previously it was engaged in the acquisition, exploration, evaluation and development of principally gold resource properties in South Africa and Canada. The registered address is Suite 403 - 277 Lakeshore Road East, Oakville, Ontario, L6J 6J3. The Company trades on the TSX Venture Exchange (“TSXV”) under the symbol “WDG”.

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a “going concern”, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company reported net income of $351,048 for the year ended December 31, 2016 (2015 - loss of $11,704,170) and had an accumulated deficit of $28,508,845 at December 31, 2016 (December 31, 2015 - $28,533,490).

In addition to its working capital requirements, the Company must secure sufficient funding for existing commitments and exploration costs.

These circumstances indicate the existence of material uncertainty that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management plans to secure the necessary financing through a combination of the exercise of existing warrants for the purchase of common shares, the issue of new equity instruments and the entering into joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

These consolidated  financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and those adjustments could be material. The Company will continue to pursue opportunities to raise additional capital through equity markets and/or debt to fund investment in its exploration and evaluation assets; however, there is no assurance of the success or sufficiency of these initiatives. Should the Company fail to secure the necessary financing, judgments regarding the recoverability of the mineral property acquisition costs and the exploration and evaluation assets could change resulting in a significant impairment to existing assets.

## 2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements of the Company, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 31, 2017.

## 2. Basis of preparation (continued)

(b) Basis of consolidation and presentation

The consolidated financial statements have been prepared on a historical cost basis. All dollar amounts presented are in Canadian dollars unless otherwise specified.

*Subsidiaries*

These consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Subsidiaries are consolidated where the Company has the ability to exercise control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated.

*Associates*

An associate is an entity over which the investor has significant influence but not control or joint control. Significant influence is presumed to exist where the Company has between 20% and 50% of the voting rights, but can also arise where the Company has less than 20% if the Company has the power to be actively involved and influential in policy decisions affecting the entity. The Company's share of the net assets and net income or loss is accounted for in the consolidated financial statements using the equity method of accounting.

Outlined below is information related to the the Company's subsidiaries and associates owned by Giyani as at December 31, 2016:

| Entity name | Company ownership (%) | Place of Incorporation | Functional currency | Method |
|---|---|---|---|---|
| Canoe Mining Ventures Corp. ("Canoe") (1) | 33.3 | Canada | Canadian Dollar | Equity method |
| Coldstream Mineral Ventures Corp. | 33.3 | Canada | Canadian Dollar | Equity method |
| Sheltered Oak Resources Corp. | 33.3 | Canada | Canadian Dollar | Equity method |
| Alpha 111 Holdings Co. Ltd. | 100 | Barbados | Canadian Dollar | Consolidated |
| Beta 222 Holdings Co. Ltd. | 100 | Barbados | Canadian Dollar | Consolidated |
| Giyani Gold Holdings 333 (Pty) Ltd. | 100 | South Africa | Canadian Dollar | Consolidated |
| Giyani Gold South Africa (Pty) Ltd. | 100 | South Africa | South African Rand | Consolidated |
| Lexshell 831 Investments (Pty) Ltd. | 100 | South Africa | South African Rand | Consolidated |
| GGC South Africa Mining 111 (Pty) Ltd. | 100 | South Africa | South African Rand | Consolidated |
| Obliwize (Pty) Ltd. | 100 | South Africa | South African Rand | Consolidated |
| Obliweb (Pty) Ltd. | 100 | South Africa | South African Rand | Consolidated |
| Lexshell 837 Investments (Pty) Ltd. | 64 | South Africa | South African Rand | Consolidated |
| Rock Island Trading 17 (Pty) Ltd. (2) | 28.8 | South Africa | South African Rand | Joint Operation |

(1) During the year ended December 31, 2016, the Company deconsolidated Canoe due to loss of control and accounted for the retained investment in Canoe as an investment in associate using the equity method.

(2) 28.8% represents the Company's effective ownership in Rock Island Trading 17 (Pty) Ltd., a joint operation.

## 2. Basis of preparation (continued)

**Critical accounting estimates and judgments**

The Company performed an analysis of risk factors which, if any should be realized, could materially and adversely affect the results, financial position and/or market price of its securities.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses and other income for the year. These estimates and assumptions were based on management's knowledge of the relevant facts and awareness of circumstances, having regard to prior experience. Significant estimates and assumptions include the following (excluding going concern which is disclosed in Note 1):

(i) Stock-based compensation

Management is required to make certain estimates when determining the fair value of stock option awards and compensatory warrants. These estimates require the input of highly subjective assumptions including the expected price volatility and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statements of (income) loss based on estimates of forfeiture and expected lives of the underlying stock options and the value attributed to warrants issued as compensation for assets.

(ii) Other accounting estimates and judgments

Other estimates and judgments included determinations as to whether exploration costs should be expensed or capitalized.

While Management believes that these estimates and judgments are reasonable, actual results may differ from the amounts included in the consolidated financial statements.

## 3. Significant accounting policies

**Foreign currency translation**

Items included in the consolidated financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each entity is listed in Note 2(b). The consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of losses in the current year.

**3. Significant accounting policies (continued)**

**Foreign currency translation (continued)**

The results and financial position of all entities in the Company that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- equity transactions are translated at the historical exchange rate;
- income and expenses for each income statement are translated at the exchange rate in effect on date of the transaction (or at average exchange rates for the reporting period);
- exchange differences are recorded in cumulative translation adjustment.

**Financial instruments**

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash and restricted cash, amounts due from related party and amounts receivables as loans and receivables.

**3. Significant accounting policies (continued)**

**Financial instruments (continued)**

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Other financial liabilities:* This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities, promissory note, debenture and amounts due to related parties are classified as other financial liabilities.

**Deferred acquisition costs**

Acquisition costs related to mineral property interests are deferred until such time as title to the claim is obtained and the Company has the right to explore that mineral property. Once title is obtained, the Company reclassifies deferred acquisition costs to acquisition costs within exploration and evaluation assets. If title to a mineral property is not obtained, the deferred acquisition costs are written-off to the statement of loss during the period when it is determined that title will not be obtained.

**Exploration and evaluation assets**

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis, once the right to explore a property has been obtained by the Company. Such costs include mineral property acquisition costs and exploration and evaluation expenditures, net of any recoveries, and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project are written off.

**3. Significant accounting policies (continued)**

**Equipment**

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Equipment is depreciated using the following annual rates:

| | | |
|---|---|---|
| Computer equipment | 33.3% | declining balance |
| Furniture and fixtures | 14.3% | declining balance |
| Mining and exploration equipment | 14.3% | declining balance |
| Telecommunication and mobile equipment | 20.0% | declining balance |

**Impairment of non-current assets**

Non-current assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. Management also considers fair value based on cost information and the value of successful exploration activities.

The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

**Reversal of impairment**

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

## 3. Significant accounting policies (continued)

**Provision for Environmental Rehabilitation**

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.

Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

There are currently no environmental rehabilitation provisions recorded.

**Interest in joint arrangements**

The Company conducts a portion of its business through a joint operation whereby the joint operation participants are bound by contractual agreements establishing joint control. Joint control exists when unanimous consent of the joint operation participants is required regarding strategic, financial and operating policies of the joint operation. The Company has interests in a jointly controlled entity.

A jointly controlled entity is a corporation, partnership or other entity in which each joint arrangement participant holds an interest. A jointly controlled entity controls the assets of the joint arrangement and incurs its own liabilities and expenses. The Company has determined that its interest in the jointly controlled entity is a joint operation and accounts for their share of assets and liabilities, their expenses and any share of expenses of any future share of revenue of the joint operation. The Company's share of results from joint operations has been recognized in the Company's consolidated financial statements from the date the Company obtained joint control. Intercompany transactions between the Company and jointly controlled entities are eliminated to the extent of the Company's interest.

**Capital stock**

Proceeds from the exercise of stock options and warrants are recorded as capital stock in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Capital stock issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to capital stock based on the fair value of the common share and any residual value remaining is allocated to common share purchase warrants.

**3. Significant accounting policies (continued)**

**Flow-through common shares**

The Company finances a portion of its development and construction activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying expenditures to investors. At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received ("flow-through commitment") as follows:

- Share capital — at fair market value, based on the share price at the date of grant;
- Warrant reserve — Warrants (if any) are measured, based on the valuation derived using the Black-Scholes option-pricing model. A warrant reserve (if any) is recorded to the extent that the unit issue price is greater than the fair market value of the share capital; and
- Flow-through share premium — Recorded as a liability and equal to the residual balance.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. The Company considers the tax benefits of qualifying expenditures to have been effectively transferred if it has formally renounced those expenditures and has incurred the expenditures at any time before the end of the reporting period.

**Share-based payments**

The Company grants share options to acquire common shares of the Company to directors, officers, consultants and employees.

The fair value of the instruments granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the instruments are granted. The fair value of the awards is adjusted by the estimate of the number of awards that are expected to vest as a result of non-market conditions and is expensed over the vesting period using the graded vesting method of amortization. At each balance sheet date, the Company reviews its estimates of the number of options that are expected to vest based on the non-market vesting conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity. Volatility, as input into the Black-Scholes model, measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the expected life of the option.

**Income taxes**

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

**3. Significant accounting policies (continued)**

**Income taxes (continued)**

The Company uses the balance sheet method of accounting for deferred taxes. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(Income) loss per share**

Basic (income) loss per share is calculated using the weighted average number of common shares outstanding during the period.

The dilutive effect of options, warrants and similar instruments on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

**Non-controlling interests**

Non-controlling interests in the Company's less than wholly-owned subsidiaries are classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the acquisition date, adjustments are made to the carrying amount of non-controlling interests for the non-controlling interests' share of changes to the subsidiary's equity. Adjustments to recognize the non-controlling interests' share of changes to the subsidiary's equity are made even if this results in the non-controlling interests having a deficit balance.

If changes in the Company's ownership interest in a subsidiary result in a loss of control, the Company derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position, recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it in accordance with relevant IFRSs and recognizes the gain or loss associated with the loss of control attributable to the former controlling interest. During the year ended December 31, 2016, the Company deconsolidated Canoe and recognized the retained investment in Canoe as investment in associate accounted for using the equity method (note 7).

## 3. Significant accounting policies (continued)

### New standards not yet adopted

IFRS 9 — Financial instruments ("IFRS 9") was updated by the IASB in November 2009 and will replace part of IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 addresses the classification and measurement of financial assets. The two measurement categories for financial assets include amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is recorded at fair value through profit or loss.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments — Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of this pronouncement.

IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

## 4. Restricted cash

The Company had credit cards with a major financial institution with an aggregate credit limit of $nil (December 31, 2015 - $5,000). The financial institution held a $nil (December 31, 2015 - $5,000) deposit as collateral on the credit amount while the credit cards were active. During the year ended December 31, 2016, $5,000 of this deposit was released to the Company by the financial institution.

(Expressed in Canadian Dollars)

## 5. Equipment

| Cost | Furniture and Fixture | Mining and Exploration | Computer Equipment | Equipment | Total |
|---|---|---|---|---|---|
| Balance, December 31, 2014 | $ 31,186 | $ 21,724 | $ 21,175 | $ 42,243 | $ 116,328 |
| Disposition for the year | - | - | - | (9,500) | (9,500) |
| Balance, December 31, 2015 and December 31, 2016 | $ 31,186 | $ 21,724 | $ 21,175 | $ 32,743 | $ 106,828 |
| **Accumulated depreciation** | | | | | |
| Balance, December 31, 2014 | $ 12,145 | $ 17,754 | $ 18,093 | $ 11,155 | $ 59,147 |
| Depreciation for the year | 2,720 | 3,132 | 3,082 | 2,540 | 11,474 |
| Disposition for the year | - | - | - | (5,122) | (5,122) |
| Balance, December 31, 2015 | 14,865 | 20,886 | 21,175 | 8,573 | 65,499 |
| Depreciation for the year | 5,435 | 120 | - | 4,833 | 10,388 |
| Balance, December 31, 2016 | $ 20,300 | $ 21,006 | $ 21,175 | $ 13,406 | $ 75,887 |
| **Net book value** | | | | | |
| Balance, December 31, 2015 | $ 16,321 | $ 838 | $ - | $ 24,170 | $ 41,329 |
| Balance, December 31, 2016 | $ 10,886 | $ 718 | $ - | $ 19,337 | $ 30,941 |

## 6. Exploration and evaluation assets

| **Mineral property acquisition costs** | |
|---|---|
| Acquisition costs for Rock Island, South Africa | |
| Balance, December 31, 2014 | $ 5,680,292 |
| Write-down of property acquisition costs | (5,680,292) |
| Balance, December 31, 2015 and 2016 | $ - |

Total expenditures on exploration and evaluation assets are as follows:

| **South Africa** | |
|---|---|
| Balance, December 31, 2014 | $ 1,837,891 |
| Expenditures | 48,804 |
| Currency translation adjustment | (207,255) |
| Write-down of property | (1,679,440) |
| Balance, December 31, 2015 and 2016 | $ - |

| Canada - Iron Lake Gold Project | Abbie Lake | Keating | Total |
|---|---|---|---|
| Balance, December 31, 2014 | $ 797,281 | $ - | $ 797,281 |
| Expenditures (recoveries) | 617 | (23,333) | (22,716) |
| Write-down (recovery) of property | (797,898) | 23,333 | (774,565) |
| Balance, December 31, 2015 and 2016 | $ - | $ - | $ - |

**(Expressed in Canadian Dollars)**

**6. Exploration and evaluation assets (continued)**

| **Canada** | **Hamlin Deaty Creek** | **Coldstream** | **Kerrs** | **Total** |
|---|---|---|---|---|
| Balance, December 31, 2014 | $ 330,000 | $ 3,210,195 | $ 110,027 | $ 3,650,222 |
| Expenditures | - | 16,896 | 558 | 17,454 |
| Write-down of property | (230,000) | (2,059,349) | - | (2,289,349) |
| Balance, December 31, 2015 | 100,000 | 1,167,742 | 110,585 | 1,378,327 |
| Current expenditures | - | 3,920 | - | 3,920 |
| Write-down of property | - | (15,663) | - | (15,663) |
| Sale of property | (100,000) | (1,155,999) | - | (1,255,999) |
| Deconsolidation of Canoe | - | - | (110,585) | (110,585) |
| Balance, December 31, 2016 | $ - | $ - | $ - | $ - |

**South Africa**

*Rock Island Gold Project*

Pursuant to the joint operation agreement relating to the assets of Rock Island, the Company funds the joint operation with Corridor Mining Resources ("CMR") on a 50:50 basis, whereby both parties are to share the costs evenly on an ongoing basis. Exploration costs are recorded in a loan account where interest is accrued at an agreed upon rate. This loan will be repaid out of proceeds from the sale of the Rock Island asset. The loan is unsecured, with no fixed repayment terms and bears interest at South African prime +1%. As at December 31, 2016 and December 31, 2015, the Company had advanced $1,748,823 to Rock Island for exploration work.

The Company's exploration permits expired on July 10, 2015. Prior to expiry, an application to extend for a three year retention permit was submitted to the Department of Mineral Resources (the "DMR"). This application was submitted by Giyani's partner CMR. At the time, no competing applications were submitted. The DMR confirmed receipt of the application on May 4, 2016. For accounting purposes, the Company continues to present the Rock Island Gold Project at $nil.

The Company continues to work towards recovering the loan receivable (approximately $650,000) owed to it by Corridor Mining Resources ("CMR"), its joint venture partner on the Giyani Gold Project. Given the uncertainty of collectiability, no amounts have been setup as receivable in these consolidated financial statements.

**Northern Ontario, Canada**

*Abbie Lake Property - UCEL Option Agreement*

During the year ended December 31, 2015, Canoe completed a strategic review of its priorities and elected to write-down the value of the Abbie Lake Property to $nil.

*Hamlin-Deaty Creek Property, Ontario*

On May 12, 2014, Canoe entered into binding letters of intent ("Hamlin Agreement") with Glencore Canada Corporation ("Glencore"), Rainy Mountain Royalty Corp. ("Rainy Mountain"), and Mega Uranium Ltd. ("Mega Uranium") to purchase a 100% interest in the Hamlin Deaty Creek Property located in the Shebandowan Belt 110 km west of Thunder Bay, Ontario.

## 6. Exploration and evaluation assets (continued)

**Northern Ontario, Canada (continued)**

*Hamlin-Deaty Creek Property, Ontario (continued)*

Pursuant to the terms of the Hamlin Agreement, Canoe made a cash payment of $50,000 to Glencore and granted Glencore a 1% NSR together with a right of first refusal for an off-take agreement. Rainy Mountain and Mega Uranium were each issued 1,000,000 common shares of Canoe valued $280,000 in aggregate during the year ended December 31, 2014.

On April 6, 2016, Canoe and Wesdome entered into a definitive agreement whereby Wesdome purchased the 100% interest in the Hamlin-Deaty Creek Property ("Hamlin").

Pursuant to the terms and conditions of the agreement, on June 29, 2016 Wesdome acquired the Hamlin Property from Canoe free from all liens, mortgages, charges, pledges, encumbrances or other burdens with all rights now or thereafter attached thereto (other than with respect to any royalties set forth in the agreement). As consideration for the Hamlin Property, Wesdome paid an aggregate of $100,000 cash to Canoe and settled the residual balance of Canoe's debenture (note 9), as well as certain accounts payable balances of Canoe. In connection with the disposition, the Company recognized a gain of $310,605 on its consolidated statement of (income) loss and comprehensive income (loss).

*Coldstream Property, Ontario*

Canoe obtained a 100% interest in the Coldstream Property located in Thunder Bay, Ontario, via the acquisition of Birch Hill Gold Corp. ("Birch Hill").

*N Claims*

The N Claims are comprised of three patented mineral claims (N1, N2, N3) and are internal to Canoe's Coldstream Property. To acquire the claims, Birch Hill issued 500,000 pre-amalgamation shares in March 2014 valued at $62,500 and paid $50,000. Consequently, Canoe acquired a 100% interest in the claims.

On April 6, 2016, the Company and Wesdome entered into a definitive agreement whereby Wesdome purchased from the Company, a 100% interest in the Coldstream Property.

Pursuant to the terms and conditions of the agreement, on June 29, 2016 Wesdome acquired the Coldstream Property from the Company free from all liens, mortgages, charges, pledges, encumbrances or other burdens with all rights now or thereafter attached thereto (other than with respect to any royalties set forth in the agreement). As consideration for the Coldstream Property, Wesdome paid or issued (as applicable) to the Company the following at the closing of the acquisition:

(i) an aggregate of $400,000 cash (received); and
(ii) 454,545 fully paid and non-assessable common shares in the capital of Wesdome (ascribed a fair value of $749,999).

(Expressed in Canadian Dollars)

## 7. Investment in associate

On September 23, 2016, as a result of the deconsolidation of Canoe (see note 19), an equity investment in Canoe of $906,952 was recorded based on the fair value of the shares held on that date. During the period from September 24, 2016 to December 31, 2016, the Company's share of the loss of Canoe of $111,325 has been recorded in the consolidated statements of (income) loss and comprehensive (income) loss.

The continuity of investment in associate is as follows:

| | | Investment in associate |
|---|---|---|
| Balance, September 23, 2016 | $ | 906,952 |
| Loss pick-up from associate | | (111,325) |
| Balance, December 31, 2016 | $ | 795,627 |

The fair value of the Company's investment in Canoe as at December 31, 2016 was approximately $1,071,850.

The table below discloses selected financial information of Canoe on a 100% basis. The Company's share of Canoe is 33.3%.

| | | December 31, 2016 |
|---|---|---|
| Income and comprehensive income for the period from September 24, 2016 to December 31, 2016 | $ | 21,273 |
| Total assets | | 948,072 |
| Total liabilities | | 636,993 |

## 8. Promissory note

In connection with the amalgamation with Birch Hill Gold Corp., on June 3, 2014 ("Amalgamation"), Canoe assumed a promissory note with the Wahgoshig First Nation for a principal amount of $58,000 which accrues interest a rate of 5% per annum and matured on January 30, 2014. The promissory note has been derecognized upon deconsolidation of Canoe. During the year ended December 31, 2016, the Company recorded $2,842 (2015 - $7,862) of accrued interest expense.

## 9. Debenture

| | | |
|---|---|---|
| **Balance, December 31, 2014** | **$** | **466,161** |
| Payments (paid April 2, 2015) | | (50,000) |
| **Balance, December 31, 2015** | | **416,161** |
| Payments (paid May 27, 2016) | | (150,000) |
| Balance settled on disposition of exploration and evaluation assets (Note 6) | | (266,161) |
| **Balance, December 31, 2016** | **$** | **-** |

Prior to the Amalgamation, Birch Hill issued a non-interest bearing debenture to Alto Ventures Ltd. (“Alto”) as partial consideration for the acquisition of the remaining 40% interest in the Coldstream property. The debenture was secured by a security interest in Canoe’s 40% interest in the Coldstream property (including any buildings constructed on the property) and proceeds from any insurance payout or sale of the property.

(Expressed in Canadian Dollars)

**9. Debenture (continued)**

During the year ended December 31, 2016, Canoe settled the outstanding balance of the Debenture upon closing of the Wesdome transaction (see Note 6).

**10. Share capital**

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

The following is a continuity of shares issued:

| | Shares | Amount |
|---|---|---|
| **Balance, December 31, 2014** | **57,433,123** | **$ 18,173,796** |
| Private placement (Note 10(b)(i)) | 4,000,000 | 200,000 |
| Shares issued for debt (Note 10(b)(ii))) | 1,837,857 | 147,028 |
| **Balance, December 31, 2015** | **63,270,980** | **$ 18,520,824** |
| Private placement (Note 10(b)(iii)) | 3,450,000 | 339,201 |
| Exercise of stock options (Note 11) | 750,000 | 112,500 |
| Fair value reclassed upon exercise of stock options | - | 93,796 |
| **Balance, December 31, 2016** | **67,470,980** | **$ 19,066,321** |

(i) During the year ended December 31, 2015, the Company received funds of $200,000 for a private placement of 4,000,000 common shares at a price of $0.05 per share.

(ii) During the year ended December 31, 2015, the Company issued 1,837,857 common shares valued at $147,028 to settle accounts payable and accrued liabilities and amounts due to related parties.

(iii) On July 19, 2016, the Company closed a non-brokered private placement financing and issued a total of 3,450,000 common shares of the Company at a price of $0.10 per share for total proceeds to the Company of $345,000. The Company incurred transaction costs of $5,799 related to the private placement.

**11. Stock options**

The Company has adopted an incentive stock option plan in accordance with the policies of the TSXV, under which the Board of Directors of the Company may grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares provided the number of shares reserved for issuance under the stock option plan shall not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to five years from the date of grant. The Board of Directors determines the price per common share and the number of common shares, which may be allotted to directors, officers, employees and consultants, and all other terms and conditions of the option, subject to the rules of the TSXV.

**(Expressed in Canadian Dollars)**

### 11. Stock options (continued)

Stock option transactions are summarized as follows:

| | Number of stock options outstanding | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2014 | 4,750,000 | $ 0.96 |
| Forfeited | (1,000,000) | 1.24 |
| Expired | (500,000) | 1.30 |
| Balance, December 31, 2015 | 3,250,000 | $ 0.82 |
| Forfeited | (1,725,000) | 1.04 |
| Granted (i)(ii) | 2,500,000 | 0.15 |
| Exercised | (750,000) | 0.15 |
| Balance, December 31, 2016 | 3,275,000 | $ 0.33 |

(i) On June 24, 2016, the Company granted 1,850,000 stock options to directors, officers and consultants with each option exercisable into one common share of the Company at an exercise price of $0.10 per share until June 24, 2021. A fair value of $164,650 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 114%; risk-free interest rate - 0.64%; and an expected life - 5 years. The options vested immediately.

(ii) On August 3, 2016, the Company granted 650,000 stock options to directors and an officer of the Company. These options are exercisable at $0.305 per share, have a five year term and vest immediately. A fair value of $145,705 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 116%; risk-free interest rate - 0.63%; and an expected life - 5 years.

Stock options outstanding as at December 31, 2016:

| Expiry date | Exercise price ($) | Remaining contractual life (years) | Options exercisable |
|---|---|---|---|
| July 11, 2017 | 1.30 | 0.53 | 425,000 |
| March 4, 2019 | 0.25 | 2.17 | 850,000 |
| June 24, 2021 | 0.10 | 4.48 | 1,350,000 |
| August 3, 2021 | 0.31 | 4.49 | 650,000 |
| | | | 3,275,000 |

**Stock-based compensation**

Total stock-based compensation recognized in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2016 was $360,860 (year ended December 31, 2015 - $nil). Of this amount, $310,355 relates to options granted in the Company. The balance of $50,505 relates to the value of stock options granted by the Company's former subsidiary Canoe, determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: dividend yield - 0%; expected volatility (based on historical price data of Canoe's common share) - 161%; risk-free interest rate - 0.64%; and an expected life - 5 years. The options vested immediately.

(Expressed in Canadian Dollars)

## 12. Warrants

Warrant transactions are summarized as follows:

| | Number of warrants outstanding | Weighted average exercise price ($) |
|---|---|---|
| Balance, December 31, 2014, December 31, 2015 | 2,000,000 | 0.45 |
| Expired | (2,000,000) | 0.45 |
| Balance, December 31, 2016 | - | - |

As at December 31, 2016, the Company had no warrants outstanding.

## 13. Income taxes

The income tax allowance differs from the amount resulting from the application of the combined Canadian income tax rate as follows:

| | 2016 | 2015 |
|---|---|---|
| Income (loss) before income taxes | $ 351,048 | $ (11,704,170) |
| Combined statutory income tax rate | 26.5% | 26.5% |
| Income tax benefit at the combined Canadian statutory income tax rate | 93,028 | (3,101,605) |
| Permanent differences | (473,415) | (354) |
| Deconsolidation of previously unrecognized deferred tax assets | (1,701,553) | - |
| Change in tax benefits not recognized | 2,081,940 | 3,094,751 |
| Reversal of tax benefits not recognized | - | 7,208 |
| Actual income tax recovery | $ - | $ - |

## 14. Related party transactions

| | 2016 | 2015 |
|---|---|---|
| Payment to key management personnel: | | |
| Cash compensation | $ 308,500 | $ 93,929 |
| Payments with common shares for accrued fees | $ - | $ 124,529 |
| Stock-based compensation | $ 261,404 | $ - |

Management and consulting fees of $308,500 (year ended December 31, 2015 - $93,929) were paid or accrued to officers and directors or to companies controlled by officers or directors during the year ended December 31, 2016.

The Chief Financial Officer ("CFO") of the Company is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the year ended December 31, 2016, the Company paid or accrued professional fees of $29,453 (year ended December 31, 2015 - $nil) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting matters. MSSI also provides bookkeeping services to the Company. As at December 31, 2016, MSSI was owed $2,917 (December 31, 2015 - $nil) with respect to services provided. The balance owed was recorded in the consolidated statement of financial position as amounts due to related parties.

During the year ended December 31, 2016, the Company sold 2,910,000 Canoe shares to the Chief Executive Officer ("CEO") of the Company in settlement of $87,300 debt owed to him. The transaction resulted in a disposition of 5.8% of the total shares outstanding of Canoe.

**(Expressed in Canadian Dollars)**

### 14. Related party transactions (continued)

As at December 31, 2016, the Company owed $660,956 (December 31, 2015 - $590,966) to directors and officers of the Company and entities controlled by or associated with directors and officers of the Company. These amounts were included in due to related parties.

### 15. Corporate, general and administrative

| | 2016 | 2015 |
|---|---|---|
| Professional fees | $ 463,602 | $ 854,929 |
| Salaries and benefits | 391,870 | 113,773 |
| Regulatory fees | 75,256 | 105,116 |
| Shareholder information | 53,583 | 2,718 |
| Travel | 41,984 | 18,710 |
| General and administrative | 145,527 | 216,631 |
| | $ 1,171,822 | $ 1,311,877 |

### 16. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. The capital of the Company consists of equity.

The Company manages its capital structure and makes adjustments in light of the changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the Company's capital requirements, the Company has in place planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. With the exception of commitments detailed in note 20 as noted below, there were no externally imposed capital requirements to which the Company is subject as at December 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the Exchange which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company is compliant with known requirements other than Policy 2.5 of the TSX Venture Exchange. The Company continues to evaluate various options in order to meet the capital requirement imposed by Policy 2.5 of TSX Venture Exchange. There can be no assurance that the Company's financing activities will be successful or sufficient.

### 17. Financial instruments and risk management

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 17. Financial instruments and risk management (continued)

Fair values

The Company's cash is comprised primarily of current deposits held with a Canadian chartered bank. The fair value of cash approximates its carrying value due to its short-term nature. As at December 31, 2016, the Company had $94,010 cash balance.

The Company's risk exposure and the impact on the financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and restricted cash.

The Company reduces its risk by maintaining its bank accounts at large Canadian, Barbados, and South African financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet its liabilities when they come due. The Company manages its liquidity risk by forecasting cash flows required by operations to and anticipated investing and financing activities. The Company's financial obligations currently consist of accounts payable and accrued liabilities, and amounts due to related parties. The carrying value of the accounts payable, accrued liabilities and amounts due to related parties approximates fair value as they are short term in nature.

The Company had cash at December 31, 2016 of $94,010 (December 31, 2015 - $nil). As at December 31, 2016, the Company had accounts payable and accrued liabilities and amounts due to related parties of $1,233,823 (December 31, 2015 - $1,968,311).

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

a) Interest Rate Risk

The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments fluctuations in market rates do not have a significant impact on estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The interest income earned on cash is minimal; therefore, the Company is not subject to material interest rate risk.

## 17. Financial instruments and risk management (continued)

Market Risk (continued)

b) Foreign Currency Risk

The Company is exposed to foreign currency risk of the South African Rand. This risk is limited as contracts and loan agreements are denominated in Canadian dollars where possible.

| | South African Rand |
|---|---|
| Accounts payable and accrued liabilities | 421,326 |

Based on the net exposure at December 31, 2016, a 10% depreciation or appreciation of the South African Rand against the Canadian dollar would result in approximately a $4,128 increase or decrease in the Company's comprehensive income for the year.

c) Other Price Risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to any other price risk.

## 18. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO.

The Company has two operating segments: the exploration, evaluation and development of precious metal mining projects located in Ontario ("Canoe") and located in South Africa ("South Africa Mining"). The rest of the entities within the Company are grouped into a secondary segment ("Corporate").

The segmental report is as follows:

| December 31, 2016 | Canoe | South Africa Mining | Corporate | Total |
|---|---|---|---|---|
| Equipment | $ - | $ - | $ 30,941 | $ 30,941 |
| Exploration and evaluation assets | - | - | - | - |
| Total assets | - | - | 1,052,187 | 1,052,187 |
| Total liabilities | - | 157,650 | 1,076,173 | 1,233,823 |
| Net loss (income) | (1,166,451) | (14,499) | 829,902 | (351,048) |

**(Expressed in Canadian Dollars)**

## 18. Segmented information (continued)

| December 31, 2015 | Canoe | South Africa Mining | Corporate | Total |
|---|---|---|---|---|
| Equipment | $ - | $ - | $ 41,329 | $ 41,329 |
| Exploration and evaluation assets | 1,378,327 | - | - | 1,378,327 |
| Total assets | 1,415,810 | 20,280 | 69,752 | 1,505,842 |
| Total liabilities | 1,357,276 | 208,734 | 884,324 | 2,450,334 |
| Net loss | 3,549,759 | 7,390,124 | 764,287 | 11,704,170 |
| Net addition to exploration and evaluation assets | (5,262) | (158,451) | - | (163,713) |
| Impairment to property acquisition costs and exploration and evaluation assets | (3,063,914) | (7,359,732) | - | (10,423,646) |

## 19. Non-controlling interest

On December 5, 2013, Canoe entered into an Amalgamation Agreement with 2299895 and Giyani to carry out a qualifying transaction. As a result of the transaction, Giyani's interest in Canoe declined from 98.1% to 57.4%. Pursuant to additional equity issuances by Canoe during the years ended December 31, 2014 and 2015, the Company's interest in Canoe declined to 39.1% as at December 31, 2015. The Company had assessed its investment in Canoe and judged that it had maintained control over Canoe as defined by IFRS 10 and continued to consolidated Canoe for the year ended December 31, 2015 and from January 1, 2016 to September 23, 2016. As a result of the resignation in of a Giyani director who served on both the Company during the year and Canoe's board of directors and the reduction of the Company's ownership in Canoe to approximately 33% on September 23, 2016, management has determined that Canoe no longer requires to be consolidated and has accounted for the retained investment in Canoe as an investment in associate using the equity method. A gain on deconsolidation of $741,285 and an equity investment in Canoe of $906,952 were recognized.

The major transactions and the resulting impact are summarized and described as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Balance, beginning of the year | $ 35,434 | $ 1,828,278 |
| Change in non-controlling interest | - | 344,322 |
| Stock-based compensation in Canoe | 30,728 | - |
| Share of income (loss) attributable to non-controlling interests | 326,403 | (2,137,166) |
| Loss of control | (392,565) | - |
| Balance, end of the year | $ - | $ 35,434 |

**(Expressed in Canadian Dollars)**

### 19. Non-controlling interest (continued)

The fair value of Canoe net assets deconsolidated and the gain on deconsolidation was as follows:

| | September 23, 2016 |
|---|---|
| Cash | $ 121,435 |
| Amounts receivable | 1,938 |
| Prepaids | 6,528 |
| Marketable securities | 1,240,911 |
| Exploration and evaluation assets | 110,585 |
| Accounts payable and accrued liabilities | (528,853) |
| Debentures | (68,033) |
| Amounts due to related parties | (238,979) |
| | 645,532 |
| Less: | |
| Settlement of due to related party | 87,300 |
| Non-controlling interest | 392,565 |
| Fair value of investment in Canoe | 906,952 |
| Gain on deconsolidation | $ (741,285) |

### 20. Commitments

**Financing Agreement**

During the year ended December 31, 2014, the Company entered into an equity agreement (“Equity Agreement”) with Lambert Private Equity LLC (“Lambert”), a California-based private equity firm.

In accordance with the Equity Agreement, Lambert will commit up to a maximum of $10,000,000 over a period of three years. And, at the Company’s discretion at any time over the next 5 years, Lambert's commitment amount may be increased from $10,000,000 to $25,000,000 with all other terms and conditions of the Equity Agreement remaining unchanged and with no additional fees or compensation due.

Subject to certain conditions, upon notice by the Company ("Notice"), Lambert and associates of Lambert will subscribe for, and the Company will agree to issue and sell, units ("Units") through a series of private placements (each, a "Private Placement"). The purchase price per Unit for any given Private Placement will be equal to the greater of (i) 90% of the lowest daily volume-weighted average price of the common shares of the Company (each, a "Share") on the TSXV during the 15 trading days following Notice, or (ii) the lowest price permitted by the policies of the TSXV.

Each Unit will be comprised of one Share and one Share purchase warrant (each, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one additional Share for a period of five years from the date of issuance of such Warrant at the lowest price permitted by the policies of the TSXV.

The number of Units to be subscribed for in each Private Placement will be determined by the Company in its sole discretion and will be set forth in the applicable Notice. To the extent that Lambert arranges eligible substituted purchasers for each Private Placement, its own obligation to subscribe for Units shall be reduced accordingly, subject to certain conditions.

## 20. Commitments and contingency (continued)

### Financing Agreement (continued)

The proceeds from each Private Placement will be used for general corporate and working capital purposes and may be used to evaluate and pursue strategic acquisitions. The Shares and Warrants underlying the Units issued pursuant to each Private Placement will be subject to a four-month hold period.

Pursuant to the Equity Agreement, the Company paid Lambert a commitment fee valued at $150,000 by issuing 454,545 common shares.

Prior to filing a Notice, Lambert may engage in purchases and sales of shares held for its own account as well as shares borrowed by Lambert from third parties, including insiders. The obligation to deliver any borrowed securities may be satisfied by delivery of shares subscribed for by Lambert pursuant to the Private Placement. With respect to Shares subscribed for under the Equity Agreement, one or more existing shareholders of the Company, including insiders, may from time to time agree to exchange Shares owned by them that are not subject to resale restrictions with Shares acquired under a Private Placement that are subject to the customary resale restrictions. The existing shareholders who agree to loan shares, or agree to exchange shares which are not subject to resale restrictions, may be entitled to receive a portion of the warrants issued on the Private Placement pursuant to arrangements made by Lambert. The participation of each insider will be subject to the approval of the independent directors of the Company.

Each Private Placement will remain subject to receipt of regulatory approval from the TSXV. While the Company cannot provide any assurances that it will be successful in completing the Equity Agreement, it is the Company's intention to obtain the funding.

### Break Fee Receivable

On October 14, 2015, the Company signed a letter of intent ("LOI") with Crystal Capital Wealth Corporation ("Crystal"). The LOI proposes a transaction pursuant to which the Company would acquire all the issued and outstanding securities of Crystal by means of a Reverse Takeover and Change of Business (the "Transaction").

On March 31, 2016, the Company and Crystal terminated the indicative LOI as it has expired. Under the terms of the Agreement, Giyani is entitled to and will pursue collecting the US$250,000 break fee. Crystal loaned the Company $35,000 which will be deducted from the break fee owing. Given the uncertainty of collectiability, no amounts have been setup as receivable in these consolidated financial statements.

### Loan Receivable

The Company continues to work towards recovering the funds (approximately $650,000) owed to it by Corridor Mining Resources ("CMR"), its joint venture partner on the Giyani Gold Project. Given the uncertainty of collectiability, no amounts have been setup as receivable in these consolidated financial statements.

## 21. Proposed transactions

(i) On October 27, 2016, the Company announced that entered into a non-binding Letter of Intent with Arnoldus Brand, director and owner of Matsamo Gold Corp Pty Ltd, Menzi Battery Metals Pty Ltd and Qakaza Diamond Corp Pty Ltd to acquire a 88-95% interest in various prospecting licenses in Botswana that is highly prospective of manganese development. The 13,283.1km$^2$ (1,328,310 ha) land package included an application for the Kgwakgwe Hill Manganese Mine and also surrounds Rio Tinto's recent iron ore discovery.

Under the terms of the agreements, collectively Giyani will make cash payments totalling $550,000 and issue 4.4 million common shares.

(ii) On November 17, 2016, the Company announced that the Company signed a Letter of Intent ("LOI") with Menzi Battery Metals Pty Ltd. to acquire a 70% interest in two past-producing high grade manganese mines in Zambia.

Under the terms of the LOI, Giyani agreed to make a US$200,000 cash payment and work commitment of US$1 million over five years to Menzi upon completion of due diligence, title review and completion of a definitive agreement.

## 22. Subsequent events

(i) On January 25, 2017, 100,000 stock options expiring on June 24, 2021 were exercised for 100,000 common shares of the Company with proceeds of $10,000.

(ii) On March 14, 2017, the Company announced it closed a non-brokered private placement of 3,521,572 units consisting of one common share of Giyani at a price of $0.35 per share and one half of a share purchase warrant at $0.70 for total gross proceeds of up to $1,232,550 (the "Private Placement"). A finders' fee of $6,300 was paid in connection with one investor in the Private Placement. The common shares issued pursuant to the Private Placement are subject to a four month hold period expiring on July 10, 2017.