# GIYANI METALS CORP.

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(Expressed in Canadian Dollars)**

# Independent Auditor's Report

To the Shareholders of Giyani Metals Corp.:

**Opinion**

We have audited the consolidated financial statements of Giyani Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $2,053,020 during the year ended December 31, 2018 and, as of that date, the Company's current liabilities exceeded its current assets by $372,243. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Murad Bhimani.

MNP LLP

Toronto, Ontario
April 29, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

# GIYANI METALS CORP.

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

| As at | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 21,107 | $ 97,682 |
| Funds held in trust | - | 139,497 |
| Amounts receivable | 49,439 | 100,706 |
| Amounts due from related party (note 12) | 95,847 | 96,814 |
| Prepaids | 55,631 | 19,168 |
| Total current assets | 222,024 | 453,867 |
| Equipment (note 4) | 17,217 | 22,729 |
| Investment in associate (note 6) | 390,310 | 632,128 |
| Exploration and evaluation assets (note 5) | 1,973,221 | 1,088,729 |
| **Total Assets** | $ 2,602,772 | $ 2,197,453 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 401,869 | $ 312,159 |
| Other liabilities (note 7) | 106,943 | 106,943 |
| Amounts due to related parties (note 12) | 85,455 | 91,212 |
| **Total Liabilities** | 594,267 | 510,314 |
| **Equity** | | |
| Share capital (note 8(b)) | 22,795,562 | 21,316,713 |
| Contributed surplus | 6,481,999 | 5,894,488 |
| Warrants (note 10) | 4,727,212 | 4,283,879 |
| Shares to be issued | - | 189,922 |
| Cumulative translation adjustment | (110,394) | (165,009) |
| Deficit | (31,885,874) | (29,832,854) |
| | 2,008,505 | 1,687,139 |
| **Total Liabilities and Equity** | $ 2,602,772 | $ 2,197,453 |

Nature of operations and going concern (note 1)
Commitments (note 17)
Subsequent event (note 18)

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

Approved by the Board of Directors:

Director: Eugene Lee

Director: Jonathan Henry

# GIYANI METALS CORP.

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

| | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|
| **Expenses** | | |
| Corporate, general and administration (note 13) | $ 2,155,564 | $ 1,474,303 |
| Depreciation (note 4) | 5,512 | 8,211 |
| **Net loss before interest and other items** | 2,161,076 | 1,482,514 |
| Foreign exchange loss (gain) | 8,220 | 1,040 |
| Gain on debt settlement | (8,094) | (323,044) |
| Loss from associate (note 6) | 135,015 | 163,499 |
| Gain on disposal of shares of associate (note 6) | (243,197) | - |
| **Net loss for the year** | $ 2,053,020 | $ 1,324,009 |
| **Other comprehensive loss** | | |
| Items that may be subsequently reclassified to profit and loss: | | |
| Currency translation adjustment | (54,615) | 6,148 |
| **Comprehensive loss for the year** | $ 1,998,405 | $ 1,330,157 |
| **Basic diluted loss per share** | $ 0.03 | $ 0.02 |
| **Weighted average number of shares outstanding** | 81,029,218 | 71,936,942 |

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

# GIYANI METALS CORP.

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

| | Share Capital Number | Share Capital Amount | Contributed Surplus | Warrants | Shares to be issued | Cumulative Translation Adjustment | Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2016 | 67,470,980 | $ 19,066,321 | $ 5,326,516 | $ 4,093,233 | $ - | $ (158,861) | $ (28,508,845) | $ (181,636) |
| Private placement, net of costs | 3,521,572 | 1,022,556 | | 190,646 | - | - | - | 1,213,202 |
| Exercise of stock options | 550,000 | 92,500 | | - | - | - | - | 92,500 |
| Fair value reclassed upon exercise of stock options | - | 75,996 | (75,996) | - | - | - | - | - |
| Shares issued for debt settlement | 1,029,186 | 329,340 | | - | - | - | - | 329,340 |
| Shares issued for exploration and evaluation assets | 2,000,000 | 730,000 | - | - | - | - | - | 730,000 |
| Stock-based compensation | - | - | 643,968 | - | - | - | - | 643,968 |
| Stock-based compensation | - | - | - | - | 189,922 | - | - | 189,922 |
| Currency translation adjustment | - | - | - | - | - | (6,148) | - | (6,148) |
| Net loss for the year | - | - | | - | - | - | (1,324,009) | (1,324,009) |
| Balance, December 31, 2017 | 74,571,738 | $ 21,316,713 | $ 5,894,488 | $ 4,283,879 | $ 189,922 | $ (165,009) | $ (29,832,854) | $ 1,687,139 |
| Private placement, net of costs | 7,207,890 | 1,478,849 | | 443,333 | (189,922) | - | - | 1,732,260 |
| Stock-based compensation | - | - | 587,511 | - | - | - | - | 587,511 |
| Currency translation adjustment | - | - | - | - | - | 54,615 | - | 54,615 |
| Net loss for the year | - | - | - | - | - | - | (2,053,020) | (2,053,020) |
| Balance, December 31, 2018 | 81,779,628 | $ 22,795,562 | $ 6,481,999 | $ 4,727,212 | $ - | $ (110,394) | $ (31,885,874) | $ 2,008,505 |

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

# GIYANI METALS CORP.

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

| | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|
| **Operating Activities** | | |
| Net loss for the year | $ (2,053,020) | $ (1,324,009) |
| Depreciation | 5,512 | 8,211 |
| Stock-based compensation | 587,511 | 643,968 |
| Gain on disposal of shares of associate | (243,197) | - |
| Gain on debt settlement | (8,094) | (323,044) |
| Loss from associate | 135,015 | 163,499 |
| Shares for debt | 145,121 | - |
| Unrealized foreign exchange gain/loss | 83,254 | (6,148) |
| Net change in non-cash working capital: | | |
| Funds held in trust | 139,497 | (139,497) |
| Amounts receivable | 51,267 | (51,800) |
| Amounts due from related party | 967 | (14,610) |
| Prepaid expenses | (36,463) | (18,668) |
| Accounts payable and accrued liabilities | 97,804 | 175,575 |
| Amounts due to related parties | (5,757) | (246,700) |
| **Cash used in operating activities** | (1,100,583) | (1,133,223) |
| **Investing Activities** | | |
| Exploration and evaluation asset expenditures | (913,131) | (358,729) |
| Proceeds on disposal of investment in associate | 350,000 | - |
| **Cash used in investing activities** | (563,131) | (358,729) |
| **Financing Activities** | | |
| Proceeds on issuance of shares, net of issuance costs | 1,587,139 | 1,213,202 |
| Proceeds from exercise of stock options | - | 92,500 |
| Proceeds for shares to be issued | - | 189,922 |
| **Cash provided by financing activities** | 1,587,139 | 1,495,624 |
| **Change in cash during the year** | (76,575) | 3,672 |
| **Cash, beginning of the year** | 97,682 | 94,010 |
| **Cash, end of the year** | $ 21,107 | $ 97,682 |
| **Supplemental cash flow information:** | | |
| Shares issued for exploration and evaluation assets (note 8) | $ - | $ 730,000 |

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

## 1. Nature of operations and going concern

Giyani Metals Corp., formerly 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 has focused its full attention to advance its recently acquired manganese exploration stage assets within the Kanye Basin in south eastern Botswana, Africa (the "Kanye Project"). Previously the Company was seeking other business opportunities and it was engaged in the acquisition, exploration, evaluation and development of 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”. Subsequent to year-end the Company changed its trading symbol under the TSXV to "EMM".

On July 17, 2017, the Company announced a name change from Giyani Gold Corp. to Giyani Metals Corp. to accurately reflect new business developments and marketing of its products.

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.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.The Company reported a net loss of $2,053,020 for the year ended December 31, 2018 (year ended December 31, 2017 - $1,324,009) and had an accumulated deficit of $31,885,874 at December 31, 2018 (December 31, 2017 - $29,832,854). The Company has negative working capital of $372,243 (2017 - $56,447). The continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainties that may cast significant doubt as to the Company’s ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

## 2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 23, 2019.

(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.

**(Expressed in Canadian Dollars)**

## 2. Basis of preparation (continued)

(b) Basis of consolidation and presentation (continued)

*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 Company's subsidiaries and associates owned by Giyani as at December 31, 2018:

| Entity name | Company ownership (%) | Place of Incorporation | Functional currency | Method |
|---|---|---|---|---|
| Canoe Mining Ventures Corp. ("Canoe") (1) | 19.7 | Canada | Canadian Dollar | Equity method |
| Coldstream Mineral Ventures Corp. | 19.7 | Canada | Canadian Dollar | Equity method |
| Sheltered Oak Resources Corp. | 19.7 | Canada | Canadian Dollar | Equity method |
| Menzi Battery Metals (Pty) Ltd. | 100 | Botswana | Botswana Pula | Consolidated |
| Qakaza Diamond Corp. (Pty) Ltd. | 100 | Botswana | Botswana Pula | Consolidated |
| Matsomo Gold Corp. (Pty) Ltd. | 100 | Botswana | Botswana Pula | Consolidated |
| 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 885 Investments (Pty) Ltd. | 100 | South Africa | South African Rand | Consolidated |
| Lexshell 154 General Trading (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) Subsequent to year-end the Company decreased its ownership percentage in Canoe. See subsequent events Note 18.

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

**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):

**2. Basis of preparation (continued)**

**Critical accounting estimates and judgments (continued)**

(i) Recoverability of exploration and evaluation properties

Management will consider the economics of its exploration and evaluation assets, including the drill and geophysical results. Where an indicator of impairment exists, management will perform an impairment test and if the recoverable amount is less than the carrying value, record an impairment charge.

(ii) 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.

(iii) 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.

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.

**(Expressed in Canadian Dollars)**

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

Effective January 1, 2018, the Company adopted IFRS 9 - Financial Instruments ("IFRS 9"). In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: recognition and measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance aligns hedge accounting more closely with an entity's risk management objectives and strategies. IFRS 9 does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it allows more hedging strategies used for risk management to qualify for hedge accounting and introduces more judgement to assess the effectiveness of a hedging relationship, primarily from a qualitative standpoint. The Company has elected to continue with IAS 39 for hedging. This does not have an effect on our reported results.

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

| Classification | IAS 39 | IFRS 9 |
|---|---|---|
| Cash | Loans and receivables | FVTPL |
| Funds held in trust | Loans and receivables | Amortized cost |
| Amounts receivable | Loans and receivables | Amortized cost |
| Amounts due from related party | Loans and receivables | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost | Amortized cost |
| Other liabilities | Amortized cost | Amortized cost |
| Amounts due to related parties | Amortized cost | Amortized cost |

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

Financial assets
Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's amounts receivable, funds held in trust, and amounts due from related party are classified as financial assets measured at amortized cost.

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

**Financial instruments (continued)**

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost
Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities, other liabilities and amounts due to related parties do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL
Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs
Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement
Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model
IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

## 3. Significant accounting policies (continued)

### 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.

### 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.

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

**Impairment of non-current assets (continued)**

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.

**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.

**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.

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.

## 3. Significant accounting policies (continued)

### Income taxes (continued)

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.

### New standards adopted

IFRS 15 - Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 - Revenue, IAS 11 - Construction Contracts, and a number of revenue related interpretations. On January 1, 2018, the Company adopted these amendments and there was no material impact on the Company's consolidated financial statements.

**(Expressed in Canadian Dollars)**

## 3. Significant accounting policies (continued)

### New standards not yet adopted

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. The Company is currently evaluating the impact of adoption of IFRS 16 and expects to report more detailed information on its consolidation financial statements as the effective date approaches.

## 4. Equipment

| **Cost** | **Furniture and Fixture** | **Mining and Exploration** | **Computer Equipment** | **Equipment** | **Total** |
|---|---|---|---|---|---|
| Balance, December 31, 2016, December 31, 2017 and December 31, 2018 | $ 31,186 | $ 21,724 | $ 21,175 | $ 32,743 | $ 106,828 |
| **Accumulated depreciation** | | | | | |
| Balance, December 31, 2016 | $ 20,300 | $ 21,006 | $ 21,175 | $ 13,406 | $ 75,887 |
| Depreciation for the year | 3,625 | 718 | - | 3,869 | 8,212 |
| Balance, December 31, 2017 | $ 23,925 | $ 21,724 | $ 21,175 | $ 17,275 | $ 84,099 |
| Depreciation for the year | 2,420 | - | - | 3,092 | 5,512 |
| Balance, December 31, 2018 | $ 26,345 | $ 21,724 | $ 21,175 | $ 20,367 | $ 89,611 |
| **Net book value** | | | | | |
| Balance, December 31, 2017 | $ 7,261 | $ - | $ - | $ 15,468 | $ 22,729 |
| Balance, December 31, 2018 | $ 4,841 | $ - | $ - | $ 12,376 | $ 17,217 |

(Expressed in Canadian Dollars)

## 5. Exploration and evaluation assets

**Botswana**

On April 11, 2017, the Company announced the acquisition of six new prospecting licenses that encompass the past producing Kgwakgwe Hill Manganese Mine ("K. Hill") located in the Kanye Basin, Southeastern Botswana. Binding agreements were signed with Everbroad Investments (Pty) ("Everbroad") Limited and Marcelle Holdings (Pty) Limited ("Marcelle") to acquire an 88% interest in PL322/2016 (Kgwakgwe Hill License) and 100% interest in PL336/2016 to PL340/2016 (adjacent to K. Hill) inclusive by making cash payments totaling US$75,000 (paid).

On July 13, 2017, the Company signed a definitive agreement (the "Agreement") with Marcelle to acquire an 88% interest in seven prospecting licences (PL294/2016 to PL300/2016 inclusive) by making cash payments totaling BWP 980,000 Botswana Pula (paid). Additionally, the Agreement included the completion of the acquisition of 100% interest in five prospecting licences from Marcelle and an 88% interest in one prospecting licence from Everbroad as mentioned above. The Agreement also included the acquisition of a 100% interest in Menzi Battery (Pty) Limited ("Menzi"), a company incorporated in accordance with the laws of Botswana, by issuing two million common shares of Giyani (issued). The acquisition of Menzi was treated as an asset acquisition as Menzi did not meet the definition of a business under IFRS.

On November 16, 2017, the Company announced the acquisition of an additional licence near the town of Lobatse ("The Lobatse Prospect"). The Lobatse Prospect is located 40 km east of the K. Hill Prospect. The Lobatse Prospect, along with the K. Hill prospect and the Otse Prospect near the town of Otse, are all located within the boundaries of the Kanye Project area.

All licences have an initial expiry date of December 31, 2019, except for the Lobatse Prospect licence which has an initial expiry December 31, 2020. The licences have minimum aggregated Botswana Pula expenditures of BWP25,450,000 (approximately $3,043,000) by December 31, 2019 and additional expenditures of BWP2,950,000 (approximately $350,000) by December 31, 2020 and can be renewed prior to the initial expiry date. The majority of the current expenditures, as shown below, are expected to qualify towards the minimum required expenditures.

The following table shows the continuity of the acquisition costs and expenditures incurred on the Kanye Project:

| | Kanye Project |
|---|---|
| Balance, December 31, 2016 | $ - |
| Acquisition costs | 965,241 |
| Current expenditures | 123,488 |
| Balance, December 31, 2017 | $ 1,088,729 |
| Current expenditures | 913,131 |
| Foreign exchange | (28,639) |
| Balance, December 31, 2018 | $ 1,973,221 |

**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, 2018, the Company had advanced $1,748,823 to Rock Island for exploration work.

**(Expressed in Canadian Dollars)**

## 5. Exploration and evaluation assets (continued)

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 $735,000) owed to it by CMR, its joint venture partner on the Rock Island Gold Project. Given the uncertainty of collectability, no amounts have been setup as receivable in these consolidated financial statements.

## 6. Investment in associate

On September 23, 2016, as a result of the deconsolidation of Canoe, an equity investment in Canoe of $906,952 was recorded based on the fair value of the shares held on that date. During the year ended December 31, 2017, Canoe issued additional common shares. As a result the Company's ownership in Canoe decreased from 33.3% to 23.7%.

On January 29, 2018, the Company sold 2,800,000 common shares of Canoe for proceeds of $350,000, resulting in a gain on disposal of shares of associate of $243,197. As a result, the Company's ownership in Canoe decreased to 19.7%.

During the year ended December 31, 2018, the Company's share of the losses of Canoe of $135,015 (2017 - $163,499) has been recorded in the consolidated statements of loss and comprehensive loss.

The continuity of investment in associate is as follows:

| | Investment in associate |
|---|---|
| Balance, December 31, 2016 | $ 795,627 |
| Loss pick-up from associate during the year | (163,499) |
| Balance, December 31, 2017 | 632,128 |
| Loss pick-up from associate during the year | (135,015) |
| Disposal | (106,803) |
| Balance, December 31, 2018 | $ 390,310 |

The fair value of the Company's investment in Canoe as at December 31, 2018 was approximately $1,916,600 (December 31, 2017 - $3,298,000).

The table below discloses selected financial information of Canoe on a 100% basis. The Company's ownership in Canoe is 19.7%.

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Loss and comprehensive loss for the year ended | $ 683,130 | $ 533,684 |
| Total assets | $ 710,578 | $ 1,348,955 |
| Total liabilities | $ 623,973 | $ 586,265 |

**(Expressed in Canadian Dollars)**

## 7. Other liabilities

During the year ended December 31, 2017, the Company transferred $106,943 of accounts payable (the "Statute-barred Claims") to other liabilities on the basis that any claims in respect of the Statute-barred Claims were statute-barred under the Limitations Act (Ontario). The Statute-barred Claims related to expenses billed by and third party liabilities incurred by prior management of the Company prior to December 2015. However, for accounting purposes under IFRS, a debt can only be removed from the Company's Statement of Financial Position when it is extinguished meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation but it does not formally extinguish the debt for accounting purposes. It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's Statement of Financial Position as a result of the current interpretation of IFRS, but they are classified as long-term liabilities since the Company has no intention or obligation to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims. While inclusion of these items is intended solely to comply with the requirements of IFRS, the Company in no way acknowledges any of the Statute-barred Claims.

## 8. 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, 2016** | **67,470,980** | **$ 19,066,321** |
| Private placement (i) | 3,521,572 | 1,232,550 |
| Valuation of warrants issued in private placement (i) | - | (190,646) |
| Share issuance costs (i) | - | (19,348) |
| Shares issued for exploration and evaluation assets (iii) | 2,000,000 | 730,000 |
| Shares issued for settlement of debt (ii) | 1,029,186 | 329,340 |
| Exercise of stock options (Note 9) | 550,000 | 92,500 |
| Fair value reclassed upon exercise of stock option | - | 75,996 |
| **Balance, December 31, 2017** | **74,571,738** | **$ 21,316,713** |
| Private placement (iv) | 7,207,890 | 1,837,049 |
| Shares issued for debt (iv) | - | 145,121 |
| Share issuance costs (iv) | - | (59,988) |
| Valuation of warrants issued in private placement (iv) | - | (443,333) |
| **Balance, December 31, 2018** | **81,779,628** | **$ 22,795,562** |

(i) On March 14, 2017, the Company closed a non-brokered private placement of 3,521,572 units for total gross proceeds of $1,232,550. Each unit consisted of one common share of Giyani at a price of $0.35 per share and one half of a share purchase warrant exercisable at $0.70 for a period of 18 months from the date of issuance. Total transaction costs of $19,348 were incurred including a finders' fee of $6,300. The 1,760,786 warrants were assigned a fair value of $190,646, net of the allocated transaction costs, which was determined using the Black-Scholes option pricing model using the following assumptions: share price - $0.37, dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 119%; risk-free interest rate - 0.82%; and an expected life - 1.5 years.

(Expressed in Canadian Dollars)

**8. Share capital (continued)**

An officer and director of the Company subscribed for 205,714 units in the private placement for gross proceeds of $72,000.

(ii) On July 11, 2017, the Company issued 1,029,186 common shares in settlement of a total of $329,340 owing at a market price of $0.32 per share. 966,686 of these shares were issued to officers and directors of the Company in settlement of $309,340 owed.

(iii) On July 13, 2017, the Company issued 2,000,000 common shares for the acquisition of 100% interest in Menzi, a company incorporated in accordance with the laws of Botswana in relation to the acquisition of prospecting licences from Marcelle (note 5).

(iv) On February 8, 2018, the Company closed a non-brokered private placement of 7,207,890 units for total gross proceeds of $1,837,049. Each unit consisted of one common share of Giyani at a price of $0.275 per share and one half of a share purchase warrant exercisable at $0.40 for a period of 18 months from the date of issuance. Total transaction costs of $59,988 were incurred including finders' fees of $43,374.

The 3,603,945 warrants and 157,723 finders' warrants were assigned a fair value of $415,878 and $27,455, respectively, which was determined using the Black-Scholes option pricing model using the following weighted average assumptions: share price - $0.31 - 0.33, dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 128%; risk-free interest rate - 1.83 - 1.85%; and an expected life - 1.5 years.

Officers and directors of the Company subscribed for 1,187,291 units in the private placement for gross proceeds of $256,750. Related parties settled $69,755 of debt in conjunction with the private placement.

**9. 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.

Stock option transactions are summarized as follows:

| | Number of stock options outstanding | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2016 | 3,275,000 | $ 0.33 |
| Expired | (425,000) | 1.30 |
| Granted (i), (ii), (iii) | 2,600,000 | 0.33 |
| Exercised | (550,000) | 0.17 |
| Balance, December 31, 2017 | 4,900,000 | $ 0.27 |
| Cancelled (ii) | (300,000) | 0.32 |
| Expired | (350,000) | 0.32 |
| Granted (iv), (v), (vi) | 3,200,000 | 0.28 |
| Balance, December 31, 2018 | 7,450,000 | $ 0.27 |

(i) On May 1, 2017, the Company granted 1,550,000 stock options to certain directors, officers and consultants with each option exercisable into one common share of the Company at an exercise price of $0.34 per share until May 1, 2022. A fair value of $423,406 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.33, dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 122%; risk-free interest rate - 0.92%; and an expected life - 5 years. The options vested immediately. In the prior year, $423,406 has been recognized as stock-based compensation expense.

**9. Stock options (continued)**

(ii) On October 31, 2017, the Company granted 300,000 stock options to a consultant with each option exercisable into one common share of the Company at an exercise price of $0.35 per share until October 31, 2022. A fair value of $71,494 was determined using the Black-Scholes option pricing model. The following assumptions were used: share price - $0.29, dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 123%; risk-free interest rate - 1.55%; and an expected life - 5 years. The options vest over a 12-month period in stages of 25% after each 3-month period. In the current year, 225,000 stock options did not vest. The Company reversed $6,982 worth of previously expensed stock-based compensation during the year ended 2018. In the year ended 2017 $24,855 has been recognized as an expense.

(iii) On November 28, 2017, the Company granted 750,000 stock options to the Chief Executive Officer and director with each option exercisable into one common share of the Company at an exercise price of $0.30 per share until November 28, 2022. A fair value of $195,707 was determined using the Black-Scholes option pricing model. The following assumptions were used: share price - $0.31, dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 124%; risk-free interest rate - 1.54%; and an expected life - 5 years. The options vested immediately and as such in the prior year, $195,707 has been recognized as stock-based compensation expense.

(iv) On April 25, 2018, the Company granted 350,000 stock options to a director with each option exercisable into one common share of the Company at an exercise price of $0.23 per share until April 25, 2023. A fair value of $68,845 was determined using the Black-Scholes option pricing model. The following assumptions were used: share price - $0.23, dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 128%; risk-free interest rate - 2.18%; and an expected life - 5 years. The options vested immediately and as such, $68,845 has been recognized as stock-based compensation expense.

(v) On May 29, 2018, the Company granted 200,000 stock options to a consultant with each option exercisable into one common share of the Company at an exercise price of $0.35 per share until May 29, 2023. A fair value of $39,620 was determined using the Black-Scholes option pricing model. The following assumptions were used: share price - $0.24, dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 128%; risk-free interest rate - 2.03%; and an expected life - 5 years. The options vest over a 12-month period in stages of 25% after each 3-month period. In the current year, $33,452 has been recognized as stock-based compensation expense.

(vi) On September 28, 2018, the Company granted 2,650,000 stock options to certain directors, officers and consultants with each option exercisable into one common share of the Company at an exercise price of $0.28 per share until September 28, 2023. A fair value of $639,445 was determined using the Black-Scholes option pricing model. The following assumptions were used: share price - $0.28, dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 130%; risk-free interest rate - 2.33%; and an expected life - 5 years. 1,950,000 of the options vested immediately, 350,000 vest on the announcement of a Board of Directors approved reserve in Botswana and 350,000 vest on a Board of Directors decision to proceed to a mine plan in Botswana. In the current year, $492,196 (2017 - $nil) has been recognized as an expense.

(Expressed in Canadian Dollars)

**9. Stock options (continued)**

Stock options outstanding as at December 31, 2018:

| Expiry date | Exercise price ($) | Remaining contractual life (years) | Total options | Options exercisable |
|---|---|---|---|---|
| March 4, 2019 | 0.25 | 0.17 | 400,000 | 400,000 |
| June 24, 2021 | 0.10 | 2.48 | 1,050,000 | 1,050,000 |
| August 3, 2021 | 0.31 | 2.59 | 650,000 | 650,000 |
| May 1, 2022 | 0.34 | 3.33 | 1,400,000 | 1,400,000 |
| November 28, 2022 | 0.30 | 3.91 | 750,000 | 750,000 |
| April 25, 2023 | 0.23 | 4.32 | 350,000 | 350,000 |
| May 29, 2023 | 0.35 | 4.41 | 200,000 | 100,000 |
| September 28, 2023 | 0.28 | 4.75 | 2,650,000 | 1,950,000 |
| | | | 7,450,000 | 6,650,000 |

**10. Warrants**

Warrant transactions are summarized as follows:

| | Number of warrants outstanding | Weighted average exercise price ($) |
|---|---|---|
| Balance, December 31, 2016 | - | - |
| Issued (note 8(b)(i)) | 1,760,786 | 0.70 |
| Balance, December 31, 2017 | 1,760,786 | 0.70 |
| Issued (note 8(b)(iv)) | 3,761,668 | 0.40 |
| Expired | (1,760,786) | 0.70 |
| Balance, December 31, 2018 | 3,761,668 | 0.40 |

Warrants outstanding as at December 31, 2018:

| Expiry date | Exercise price ($) | Remaining contractual life (years) | Warrants exercisable |
|---|---|---|---|
| August 7, 2019 | 0.40 | 0.44 | 3,548,942 |
| August 8, 2019 | 0.40 | 0.85 | 55,000 |
| August 7, 2019 (broker warrants) | 0.40 | 0.85 | 150,023 |
| August 8, 2019 (broker warrants) | 0.40 | 1.80 | 7,700 |
| | | | 3,761,665 |

**(Expressed in Canadian Dollars)**

## 11. Income taxes

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

| | 2018 | 2017 |
|---|---|---|
| Income (loss) before income taxes | $ (2,053,020) | $ (1,324,009) |
| Combined statutory income tax rate | 26.5% | 26.5% |
| Income tax benefit at the combined Canadian statutory income tax rate | (544,050) | (350,862) |
| Permanent differences | - | (740,771) |
| Share-based compensation and other non-deductible expenses | 134,480 | 113,396 |
| Utilization of losses due to debt settlement | 2,140 | 88,257 |
| Difference in tax rates | 3,780 | 16,414 |
| Change in tax benefits not recognized | 403,650 | 873,566 |
| Actual income tax recovery | $ - | $ - |

## 12. Related party transactions

Management and consulting fees of $651,682 (year ended December 31, 2017 - $310,777) were paid or accrued to officers and directors of the Company or to companies controlled by officers or directors of the Company during the year ended December 31, 2018.

The Chief Financial Officer ("CFO") of the Company is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the year ended December 31, 2018, the Company paid or accrued professional fees of $41,688 (year ended December 31, 2017 - $32,226) 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, 2018, MSSI was owed $3,773 (December 31, 2017 - $5,970) with respect to services provided. The balance owed was recorded in the consolidated statement of financial position as amounts due to related parties.

As at December 31, 2018, the Company owed $81,682 (December 31, 2017 - $91,212) 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.

Refer to note 6 for sale of Canoe shares.

Refer to note 9(b) for insider's participation in private placements.

As at December 31, 2018, the Company had $95,847 (December 31, 2017 - $96,814) receivable from Canoe.

Additional remuneration of officers and directors of the Company was as follows:

| | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|
| Stock-based compensation | $ 485,039 | $ 537,165 |

**(Expressed in Canadian Dollars)**

## 13. Corporate, general and administrative

| | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|
| Professional fees | $ 583,207 | $ 412,733 |
| Salaries and benefits | 256,181 | 81,364 |
| Stock-based compensation | 587,511 | 643,968 |
| Regulatory fees | 40,429 | 60,572 |
| Shareholder information | 354,064 | 200,190 |
| Travel | 200,322 | 56,136 |
| General and administrative | 133,850 | 19,340 |
| | $ 2,155,564 | $ 1,474,303 |

## 14. 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 17 as noted below, there were no externally imposed capital requirements to which the Company is subject as at December 31, 2018. 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, 2018, 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.

## 15. 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).

Fair values

The Company's cash is comprised primarily of current deposits held with a Canadian chartered bank. Funds held in trust consists of cash held in trust by the Company's lawyer, received by the Company in fiscal year 2018. The fair value of cash and funds held in trust approximate their carrying value due to their short-term nature.

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

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

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, funds held in trust and amounts due from related party.

The Company reduces its risk on cash by maintaining its bank accounts at large Canadian 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, 2018 of $21,107 (December 31, 2017 - $97,682) and funds held in trust of $nil (December 31, 2017 - $139,497). As at December 31, 2018, the Company had accounts payable and accrued liabilities and amounts due to related parties of $487,324 (December 31, 2017 - $403,371).

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.

b) Foreign Currency Risk

The Company is exposed to foreign currency risk of the South African Rand, Botswana Pula and United States dollar. Based on the net exposure at December 31, 2018, a 10% depreciation or appreciation of the South African Rand, Botswana Pula and United States dollar against the Canadian dollar would not be significant.

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.

**(Expressed in Canadian Dollars)**

## 16. 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 Chief Executive Officer.

The Company has three operating segments: the exploration, evaluation and development of manganese and precious metal mining projects located in Botswana ("Botswana Mining") and 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, 2018 | Botswana Mining | South Africa Mining | Corporate | Total |
|---|---|---|---|---|
| Total assets | $ 2,035,502 | $ - | $ 567,270 | $ 2,602,772 |
| Total liabilities | - | 112,457 | 481,810 | 594,267 |
| Net loss | 56,786 | - | 1,996,234 | 2,053,020 |

| December 31, 2017 | Botswana Mining | South Africa Mining | Corporate | Total |
|---|---|---|---|---|
| Total assets | $ 1,088,729 | $ - | $ 1,108,724 | $ 2,197,453 |
| Total liabilities | - | 125,514 | 384,800 | 510,314 |
| Net loss | - | 7,678 | 1,316,331 | 1,324,009 |

## 17. Commitments and contingencies

### 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 collectability, no amounts have been setup as receivable in these consolidated financial statements.

### Loan Receivable

The Company continues to work towards recovering the funds (approximately $735,000) owed to it by CMR, its joint venture partner on the Rock Island Gold Project. Given the uncertainty of collectability, no amounts have been setup as receivable in these consolidated financial statements.

**(Expressed in Canadian Dollars)**

## 17. Commitments (continued)

### Commitments to Management Compensation

During the year ended December 31, 2017, the Company signed two consulting agreements with each of the President and CEO of the Company. Under the agreements, which each may be extended for one additional year, the Company is committed to the following minimum payments:

| | |
|---|---|
| 2019 | 297,250 |

As part of the agreements, in the event of a change of control, the Company shall pay the consultants a lump sum payment equal to 12 months compensation, which totals $408,000.

## 18. Subsequent event

(i) On January 28, 2019 the Company entered into a non-binding term sheet (the "Agreement") with Traxys Africa Trading (Pty) Ltd ("Traxys" or the "Lender") which sets out terms for an investment of USD $1,000,000 in the form of a secured convertible loan facility under which Traxys will have exclusive rights to market all of the direct shipping ore ("DSO") manganese material processed and produced from the Company's K.Hill and Otse reclamation projects in Botswana.

The facility bears interest at the aggregate of 10% and the 3 month USD LIBOR per annum compounded quarterly with a term of 36 months. The facility will be repaid on or before the maturity by:

- the future delivery of DSO or other ore as provided for in the Agreement. The net amount (after all applicable deductions have been made) of the proceeds derived from the sale of the DSO, will be used to reduce the outstanding amount balance until such date as the outstanding amount has been fully repaid,
- at the sole discretion of the Lender, by the Lender exercising its right to conversion shares or,
- repayment in cash by the Corporation of any then remaining outstanding amount at maturity.

The Company, as part of the Agreement, shall pay to Traxys a commission of USD $10 per ton in respect of all material subject to the Agreement. The commission shall be deducted from the proceeds of the sale of the DSO, or other ore, in addition to any repayment deductions, and shall continue to apply for the duration of the Agreement irrespective of the outstanding amount being settled.

The outstanding amount, constituting principal and accrued interest of the facility may be converted into common shares of the Company at any time. The price per conversion share will be $0.225. In addition, the Company will issue for no additional consideration 3,000,000 unlisted warrants all vesting immediately. Each warrant will be exercisable into one common share of the Company for a period of 36 months from the date of their issuance at an exercise price of $0.225.

(ii) On February 19, 2019, the Company announced that its Chief Financial Officer, Daniel Crandall has resigned and Aamer Siddiqui has been appointed as Chief Financial Officer for the Company.

(iii) On March 11, 2019 the Company received approval from the TSX Venture Exchange for the stock symbol change to "EMM" from "WDG".

(iv) Subsequent to December 31, 2018, the Company sold its ownership holdings in Canoe Mining Ventures. The Company sold an aggregate of 13,690,000 common shares for a weighted average of $0.0275. Subsequent to the sale, Giyani no longer held any position in Canoe Mining Ventures.

## 18. Subsequent event (continued)

(v) Subsequent to December 31, 2018 the Company announced the closing of a non-brokered private placement of 2,678,250 units at a price of $0.16. Each unit consists of one common share and one-half share purchase warrant exercisable at $0.275 for a period of 18 months. Directors and officers of the Company have subscribed for 640,750 units.