TSODILO RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

Financial Reporting Responsibility of Management

The annual report and consolidated financial statements have been prepared by management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts that are based on informed judgments and best estimates. The financial information presented in this annual report is consistent with the consolidated financial statements. Management acknowledges responsibility for the fairness, integrity and objectivity of all information contained in the annual report including the consolidated financial statements. Management is also responsible for the maintenance of financial and operating systems, which include effective controls to provide reasonable assurance that assets are properly protected and that relevant and reliable financial information is produced. Our independent auditors have the responsibility of auditing the consolidated financial statements and expressing an opinion on them.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors, all of whom qualify as unrelated directors and are independent of management and free from any interest or business relationship which could, or could be perceived to materially interfere with their ability to act in the best interests of the Company. This committee meets periodically with management and the external auditors to review accounting, auditing, internal control and financial reporting matters. The Audit Committee reviews the annual financial statements before they are presented to the Board of Directors for approval and considers the independence of the auditors.

The consolidated financial statements for the years ended December 31, 2016 and 2015 have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Their report follows hereafter.

"s"
James M. Bruchs
Chairman and Chief Executive Officer
February 27, 2017

"s"
Gary A. Bojes
Chief Financial Officer
February 27, 2017

Independent auditors' report

To the Shareholders of
Tsodilo Resources Limited

We have audited the accompanying consolidated financial statements of **Tsodilo Resources Limited**, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditors consider 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 in our audits 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 **Tsodilo Resources Limited** as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
February 27, 2017

Tsodilo Resources Limited

Consolidated Statements of Financial Position
(In United States dollars)

	December 31 2016	December 31 2015
ASSETS		
Current		
Cash	**$4,215,333**	$ 73,910
Accounts receivable and prepaid expenses	**100,310**	42,820
	4,315,643	116,730
Exploration and Evaluation Assets *(note 3)*	**4,036,895**	4,116,040
Property, Plant and Equipment *(note 4)*	**187,338**	206,450
Total Assets	**$8,539,876**	$ 4,439,220
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 325,650**	$ 273,207
Subscriptions *(note 5a)*	**--**	590,050
Total Liabilities	**325,650**	863,257
SHAREHOLDERS' EQUITY		
Share capital *(note 5a)*	**49,281,890**	42,893,919
Contributed surplus *(note 5c)*	**10,977,989**	10,670,028
Foreign translation reserve	**(5,480,643)**	(5,666,645)
Deficit	**(46,565,010)**	(44,321,339)
Equity attributable to Owners of the Parent	**8,214,226**	3,575,963
Non-controlling Interest *(note 3)*	**--**	--
Total Equity	**8,214,226**	3,575,963
Total Liabilities and Equity	**$8,539,876**	$ 4,439,220

Nature of operations *(note 1)*

Commitments and contingencies *(note 11)*

Subsequent events *(note 13)*

See accompanying notes to the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"s"
David J. Cushing
Chairman, of the Audit Committee

"s"
James M. Bruchs
Chairman

Tsodilo Resources Limited
Consolidated Statements of Operations and Comprehensive Loss
(In United States dollars)

	Years Ended December 31	
	2016	2015
Administrative Expenses		
Corporate remuneration	**$ 450,573**	$ 444,030
Corporate travel and subsistence	**24,636**	26,073
Investor relations	**13,957**	17,873
Legal and audit	**93,650**	65,052
Filings and regulatory fees	**35,698**	34,937
Administrative expenses	**172,973**	138,023
Amortization	**339**	1,300
Stock-based compensation *(note 5c)*	**306,975**	337,004
	1,098,801	1,064,292
Other Income (Expense)		
Interest Income	**--**	--
Impairment *(note 3)*	**(1,178,363)**	(8,874,979)
Gain on disposal of assets	**--**	25,492
Realized gain on warrants *(note 5b)*	**--**	159,023
Foreign exchange gain	**33,493**	32,305
	(1,144,870)	(8,658,159)
Loss for year	**(2,243,671)**	(9,722,451)
Other Comprehensive Gain/(Loss)		
Foreign currency translation	**186,002**	(1,122,545)
Total Other Comprehensive Gain/(Loss)	**186,002**	(1,122,545)
Total Comprehensive Loss for the year	**($ 2,057,669)**	($ 10,844,996)
Net Loss attributable to shareholders of the parent	**($ 2,243,671)**	($ 9,563,609)
Non-controlling interest	**--**	(158,842)
	($ 2,243,671)	($ 9,722,451)
Total Comprehensive Loss attributable to owners of the parent	**($ 2,057,669)**	($ 10,686,154)
Non-controlling Interest	**--**	(158,842)
	($ 2,057,669)	($10,844,996)
Basic loss per share attributable to owners of the parent *(note 7)*	**($0.06)**	($0.30)
Fully diluted loss per share attributable to the owners of the parent *(note 7)*	**($0.06)**	($0.30)
Basic comprehensive loss per share attributable to the owners of the parent *(note 7)*	**($0.06)**	($0.33)
Fully diluted comprehensive loss per share attributable to the owners of the parent *(note 7)*	**($0.06)**	($0.33)

See accompanying notes to the consolidated financial statements

Tsodilo Resources Limited

Consolidated Statements of Changes in Shareholders' Equity

(In United States dollars except for shares)

	Share Capital		Contributed Surplus		Foreign Translation Reserve	Deficit	Total equity attributable to owners of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount	Stock-based compensation & Other	Warrants					
Balance January 1, 2016	**33,542,784**	**$42,893,919**	**$10,471,523**	**$198,505**	**($5,666,645)**	**($44,321,339)**	**$3,575,963**	**$ -**	**$3,575,963**
Units Issued	**11,804,526**	**6,387,971**	--	--	--	--	**6,387,971**	--	**6,387,971**
Warrants Expiry	--	--	**104,894**	**(104,894)**	--	--	--	--	--
Additional Paid in Capital – Subsidiary Purchase, Other	--	--	--	--	--	--	--	--	--
Stock Based Compensation	--	--	**307,961**	--	--	--	**307,961**	--	**307,961**
Comprehensive loss	--	--	--	--	**186,002**	**(2,243,671)**	**(2,057,669)**	--	**(2,057,669)**
Balance December 31, 2016	**45,347,310**	**$49,281,890**	**$10,884,378**	**$ 93,611**	**($5,480,643)**	**($46,565,010)**	**$8,214,226**	**--**	**$8,214,226**

	Share Capital		Contributed Surplus		Foreign Translation Reserve	Deficit	Total equity attributable to owners of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount	Stock-based compensation & Other	Warrants					
Balance January 1, 2015	**32,389,209**	**$42,019,009**	**$10,095,487**	**$104,894**	**($4,544,100)**	**($34,757,730)**	**$12,917,560**	**$158,842**	**$13,076,402**
Units Issued	**1,116,075**	**835,296**	--	**93,611**	--	--	**928,907**	--	**928,907**
Exercised Options	**37,500**	**39,614**	**(18,039)**	--	--	--	**21,575**	--	**21,575**
Additional Paid in Capital – Subsidiary Purchase, Other	--	--	**(1,764)**	--	--	--	**(1,764)**	--	**(1,764)**
Stock Based Compensation	--	--	**395,839**	--	--	--	**395,839**	--	**395,839**
Comprehensive loss	--	--	--	--	**(1,122,545)**	**(9,563,609)**	**(10,686,154)**	**(158,842)**	**(10,844,996)**
Balance December 31, 2015	**33,542,784**	**$42,893,919**	**$10,471,523**	**$198,505**	**($5,666,645)**	**($44,321,339)**	**$3,575,963**	**$ --**	**$3,575,963**

See accompanying notes to the consolidated financial statements.

Tsodilo Resources Limited

Consolidated Statements of Cash Flows

(In United States dollars)

	Years Ended December 31	
	2016	2015
Cash provided by (used in):		
Operating Activities		
Net Loss for the year	**($ 2,243,671)**	($ 9,722,451)
Adjustments for non-cash items:		
Impairment	**1,178,363**	8,874,979
Realized gain on warrants	--	(159,023)
Amortization	**339**	1,300
Amortization on disposal of property, plant and equipment	--	(25,492)
Foreign exchange gain (loss)	**(33,493)**	(32,305)
Stock-based compensation	**306,975**	337,004
	(791,487)	725,988
Net change in non-cash working capital balances *(note 12)*	**(5,047)**	38,529
	(796,534)	(687,459)
Investing Activities		
Additions to exploration properties	**(832,185)**	(967,709)
Additions to property, plant and equipment	**(4,653)**	(116,357)
Proceeds from sale of property, plant and equipment	--	44,324
	(836,838)	(1,039,742)
Financing Activities		
Shares and warrants issued for cash	**6,433,564**	950,482
Share issuance cost	**(45,594)**	(5,930)
Subscriptions received	**(590,050)**	590,050
	5,797,920	1,534,602
Impact of exchange on cash	**(23,125)**	33,924
Change in cash - for the year	**4,141,423**	(158,675)
Cash - beginning of year	**73,910**	232,585
Cash - end of year	**$ 4,215,333**	$ 73,910

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Tsodilo Resources Limited ("Tsodilo" or "the Company") is an exploration stage company which is engaged principally in the acquisition, exploration and development of mineral properties in the Republic of Botswana.

The Company is considered to be in the exploration and development stage given that none of its properties are in production and, to date, have not earned any revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the renewal or extension of exploration licenses, obtaining the necessary permits to operate a mine, obtaining the financing to complete exploration and development, and future profitable production. The Company is incorporated under laws of the Yukon Territory, Canada, under the Business Corporations Act of Yukon and the address of the Company's registered office is 161 Bay Street, P.O. Box 508 Toronto, Ontario, Canada, M5J 2S1. The Company currently exists under the Business Corporations Act of Yukon and its common shares are listed on the Toronto Venture Stock Exchange ("TSXV") under the symbol TSD.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a loss of $2,243,671 and comprehensive loss of $2,057,669 during the year ended December 31, 2016 and as of that date, the Company had an accumulated deficit of $46,565,010 and working capital of $3,989,993. Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is sufficient to finance exploration and resource evaluation at projected levels, and to finance continued operations for the 12 month period subsequent to December 31, 2016. The continuity of the Company's operations over the 12 month period from December 31, 2016 is not dependent on raising future financing for working capital, the continued exploration and development of its properties and for acquisition and development costs of new projects. Beyond the 12 month time horizon, management believes that it will be able to secure additional financing through a combination of the issue of new equity or debt instruments, the entering into of joint venture arrangements or the exercise of warrants and options for the purchase of common shares. However there is no assurance the Company will be successful in these actions. Should it be determined that the Company is no longer a going concern, adjustments, which could be significant, would be required to the carrying value of assets and liabilities. These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the consolidated statement of operations and comprehensive loss, and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

2. Significant Accounting Policies

(a) ***Statement of Compliance with International Financial Reporting Standards***

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been authorized for release by the Company's Board of Directors on February 27, 2017.

(b) ***Basis of Preparation***

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss which are stated at their fair value. These consolidated financial statements are presented in United Stated dollars and include the accounts of the Company and the following direct and indirect subsidiaries:

ENTITY	**2016**	2015
Tsodilo Resources Bermuda Limited ("TRBL") [Bermuda]	**100%**	100%
Bosoto (Proprietary) Limited ("Bosoto") [Botswana]	**100%**	75%
Gcwihaba Resources (Proprietary) Limited ("Gcwihaba") [Botswana]	**100%**	100%
Newdico (Proprietary) Limited ("Newdico") [Botswana]	**100%**	100%
Idada Trading 361 (Pty) Ltd. ("Idada") [South Africa]	**70%**	70%
All intercompany transactions have been eliminated on consolidation		

The accounting policies set out below have been applied consistently to all periods and years presented.

(c) ***Significant Accounting Judgments, Estimates and Assumptions***

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of polices and reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Accounts that require estimates as the basis for determining the stated amounts include warrant liability, contributed surplus, stock-based compensation expense, and amortization expense. The amounts estimated for the warrant liability and stock based compensation is calculated using the Black-Scholes Merton valuation model, which requires significant estimates with respect to the expected life and volatility of such instruments. The estimated depreciation is influenced primarily by the estimated useful life of the Company's Property, Plant and Equipment.

Significant judgments are required with respect to the carrying value of the Company's Exploration and Evaluation Assets, the determination of the functional currency of the Company and its subsidiaries, the recoverability of the Company's deferred tax assets, and potential tax exposures given the company operates in multiple jurisdictions. In particular, the carrying value of the Company's Exploration and

Evaluation Assets is dependent upon the Company's determination with respect to the future prospects of its Exploration and Evaluation Assets and the ability of the Company to successfully complete the renewal or extension process for its exploration properties as required. The Company has defined the cash generating units to be Precious Stones, Metals and Radio Active Minerals. The quantification of potential tax exposures is dependent on the relevant tax authorities' acceptance of the Company's positions.

(d) ***Earnings (Loss) per Common Share***

Earnings (loss) per share calculations are based on the net income attributable to common shareholders for the year divided by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings per share calculations are based on the net income attributable to common shareholders for the year divided by the weighted average number of common shares outstanding during the year plus the effects of dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year. The incremental number of common shares that would be issued is included in the calculation of diluted earnings per share.

(e) ***Exploration and Evaluation Assets***

Exploration and Evaluation Assets include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. The amounts shown for Exploration and Evaluation Assets represents all direct and indirect costs relating to the acquisition, exploration and development of exploration properties, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the Exploration and Evaluation Assets are abandoned or sold. The Company has classified Exploration and Evaluation Assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimates of proven and probable reserves.

Ownership of Exploration and Evaluation Assets involves certain inherent risks, including geological, commodity prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for Exploration and Evaluation Assets is dependent upon the delineation of economically recoverable ore reserves, the renewal or extension of exploration licenses, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate the mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its Botswana and South Africa Exploration and Evaluation Assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of Exploration and Evaluation Assets carrying values. See footnote 3 for additional disclosures related to license commitments and strategic partners commitments and earn-in agreement.

Exploration and Evaluation Assets (Farm-Out)

The Company entered into a farm-out arrangement in 2013, in which the Company is the farmor. Farm-out arrangements will be recorded at cost during the exploration and evaluation phase of the projects. The farmor will not record any exploration costs of the farmee. There are no accruals for future commitments in farm-out agreements in the exploration and evaluation phase, and no profit or loss is recognized by the farmor. In the development phase, a farm-out agreement will be treated as a transaction recorded at fair value as represented by the costs borne by the farmee. The farm-out arrangement ceased in the 1st Q 2016.

(f) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost, less accumulated depreciation.

Depreciation is calculated on a straight line basis over the following terms:

Vehicles and drilling equipment	5 Years
Furniture and equipment	3 Years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(g) **Cash**

Cash consists of cash held in banks and petty cash.

(h) ***Foreign Currency Translation***

(i) Functional and presentation currency

The Company's functional and presentation currency is the United States dollar ("U.S. Dollar"). The functional currencies of the Company's subsidiaries are as follows:

Tsodilo Resources Bermuda Limited	("TRBL")	U.S. Dollar
Gcwihaba Resources (Pty) Limited	("Gcwihaba")	Botswana Pula
Newdico (Pty) Limited	("Newdico")	Botswana Pula
Bosoto (Pty) Limited	("Bosoto"')	Botswana Pula
Idada Trading 361 (Pty) Ltd.	("'Idada")	South African Rand

Each subsidiary and the Company's parent entity determine their own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date.

(iii) Translation of foreign operations

As at the reporting date the assets and liabilities of Gcwihaba, Newdico, Bosoto, and Idada are translated into the presentation currency of the Company at the rate of exchange prevailing at the reporting date and their revenue and expenses are translated at the average exchange for the year. On consolidation, the exchange differences arising on the translation are recognized in Other Comprehensive Loss and accumulated in the Foreign Translation Reserve.

If TRBL, Gcwihaba, Newdico, Bosoto, and Idada were sold, the amount recognized in the foreign currency reserve would be realized and reflected in the Statement of Operations and Comprehensive Loss as part of the gain or loss on disposal.

(i) ***Income Taxes***

Current taxes are the expected tax payable or receivable on the local taxable income or loss for the year, using the local tax rate enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet method whereby deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) ***Share-based Compensation***

The Company follows the fair value method of accounting for stock option awards granted to employees, directors and consultants. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the Company's common shares and an expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock. Share-based compensation is amortized over the vesting period of the related option to earnings and in 2015 portions were capitalized for indirect exploration costs (2016: NIL).

The Company uses graded or accelerated amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

(k) ***Severance Benefits***

Under Botswana law, the Company is required to pay severance benefits upon the completion of 5 years of continued service if the employee so elects or upon the termination of employment. Severance is earned at the rate of one day per month for an employee with less than five years of service and two days per month for employees with greater than five years of service. The specifics and benefits of the severance program mandated in Botswana are extended to full-time employees residing and working outside of Botswana. The cost of these severance benefits is accrued over the year of service until the benefit becomes payable. Portions of the severance expenses are capitalized to exploration and evaluation assets.

(l) ***Financial Assets***

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held for maturity, available for sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses, recognized through earnings. The Company does not have any financial assets classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's cash and accounts receivable are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At December 31, 2016 and 2015, the Company has not classified any financial assets as available for sale. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(m) ***Financial Liabilities***

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, to, where appropriate, a shorter year. The Company's accounts payable and accrued liabilities and subscriptions are classified as other financial liabilities. Financial liabilities classified as FVTPL include warrants with exercise prices denominated in a currency other than the Company's functional currency. Derivatives, including separated embedded derivatives are also classified as FVTPL and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. Transaction costs associated with FVTPL liabilities are expensed as incurred.

(n) ***Impairment of Assets***

At the end of each reporting year, the Company assesses each cash-generating unit to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less cost to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk of a specific asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. See note 3 for impairment adjustments in 2015 and in 2016.

(o) ***Related Party Transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities and includes, but is not limited to, key management personnel, directors, affiliated companies, and project partners. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

(p) ***New Standards, Amendments and Interpretations Adopted***

There are no other standards which the Company would have been required to adopt in the year.

(q) ***New Standards, Amendments and Interpretations, Not Yet Adopted***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 ***Leases***

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 9, *Financial Instruments*
IFRS 9 covers the classification and measurement, impairment and hedge accounting of financial assets and financial liabilities and the effective date was for annual years on or after January 1, 2018, with an earlier application permitted. The Company is still assessing the impact of adopting IFRS 9. Amendments to IFRS 9 also provide relief from the requirement to restate comparative financial statement for the effect of applying IFRS 9. Instead, additional transition disclosure will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual years

beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments were applied prospectively and are effective for annual years beginning on or after 1 January 2016.

These amendments were applied retrospectively and are effective for annual years beginning on or after January 1, 2016. These amendments did not have any impact on the Company. There were no new standards adopted that had a material impact on the Company.

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3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are summarized as follows:

	Newdico Botswana Precious Stones	Bosoto Botswana Precious Stones	Idada So. Africa Precious Stones	Gcwihaba Botswana Precious Stones	Gcwihaba Botswana Metals	Gcwihaba Botswana Radio-Active Minerals	Gcwihaba Botswana Subtotal	Total
Balance at December 31, 2014	**$6,520,429**	**$4,911**	**$ --**	**$2,437,770**	**$2,983,065**	**$943,652**	**$ 6,364,487**	**$12,889,827**
Additions	325,937	552,165	3,498	66,716	137,145	114,944	318,805	1,200,405
Net Exchange Differences	(191,750)	(166,303)	(427)	(284,123)	(340,942)	(115,668)	(740,733)	(1,099,213)
Impairment	**(6,654,616)**	**--**	**--**	**(2,220,363)**	**--**	**--**	**(2,220,363)**	**(8,874,979)**
Balance at December 31, 2015	**$ --**	**$390,773**	**$3,071**	**$ --**	**$2,779,268**	**$942,928**	**$3,722,196**	**$4,116,040**
Additions	--	427,272	5,731	--	223,513	182,569	406,082	839,085
Net Exchange Differences	--	51,370	206	--	155,691	52,867	208,557	260,133
Impairment	--	--	--	--	--	(1,178,363)	(1,178,363)	(1,178,363)
Balance at December 31, 2016	**$ --**	**$869,415**	**$9,008**	**$ --**	**$3,158,472**	**$ --**	**$3,158,472**	**$4,036,895**

Exploration and evaluation additions for the year ended December 31, 2016 are summarized as follows:

	Newdico Botswana Precious Stones	Bosoto Botswana Precious Stones	Idada So. Africa Precious Stones	Gcwihaba Botswana Precious Stones	Gcwihaba Botswana Metals	Gcwihaba Botswana Radio-Active Minerals	Gcwihaba Botswana Subtotal	Total TOTAL
Drilling Expenditures	--	$ 47,964	$ --	--	$ 37,318	$ 29,051	$ 66,369	$ 114,333
Amortization Drill Rigs, Vehicles & Trucks	--	48,410	--	--	20,904	20,904	41,808	90,218
GIS & Geophysics	--	--	--	--	373	373	746	746
Lab Analyses & Assays	--	570	--	--	90	90	180	750
License Fees	--	--	--	--	2,044	401	2,445	2,445
Office, Maintenance, & Consumables	--	31,905	5,731	--	26,671	25,098	51,769	89,405
Salaries, Wages & Services		298,423	--	--	136,113	106,652	242,765	541,188
Balance at December 31, 2016	**--**	**$427,272**	**$5,731**	**--**	**$223,513**	**$182,569**	**$406,082**	**$839,085**

The Company's significant Exploration and Evaluation Assets are summarized as follows:

General

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of permits and the potential for problems arising from government conveyance accuracy, prior unregistered agreements or transfers, native land claims, confirmation of physical boundaries, and title may be affected by undetected defects. The Company does not carry title insurance. The Company has evaluated title to all of its mineral properties and believes, to the best of its knowledge, that evidence of title is adequate and acceptable given the current stage of exploration.

Newdico (Proprietary) Limited ("Newdico") – Botswana

In the fourth quarter of 2015, Tsodilo Resources Bermuda Limited ("TRBL") purchased the two remaining Newdico shares and any associated claims held by Trans Hex Diamonds for $1,000 per share. As a result of the purchase transaction, TRBL owns 100% of Newdico.

Newdico holds no prospecting licenses as of July 1, 2015 and provides exploration, drilling and geophysical services to associated companies on an as needed basis.

Gcwihaba Resources (Proprietary) Ltd ("Gcwihaba") – Botswana

Gcwihaba, a wholly owned subsidiary of the Company, currently holds twenty-one (21) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West district of which seven (7) are currently in renewal. Eight (8) radioactive mineral licenses located in the North-West district were relinquished effective December 31, 2016.

Metal Licenses

Gcwihaba holds twenty-one (21) metal (base, precious, platinum group, and rare earth) prospecting licenses inclusive of seven (7) licenses currently in renewal in the North-West District of Botswana. The current licenses, excluding those in renewal cover 8,694.60 square kilometers and collectively have a proposed minimum spending commitment of BWP 17,715,453 ($1,673,219) if held to the furthest out full term to June 30, 2019. The Company initially acquired the various licenses in 2005, 2008, 2009 and 2012. In October 2010, PL's 118 and 119/2005 were relinquished in part and in December 2010, PL's 051 and 052/2008 were relinquished in part. In 2012, PL118 was relinquished in its entirety and PL588 / 2009 was relinquished in the 2nd Q 2016. The relinquishment of the aforementioned licenses or portions thereof did not cause a reduction or change in the continuing overall exploration program nor impact the chances of the overall success of the program.

Strategic Exploration and Evaluation Partner

On November 20, 2013, Tsodilo announced that, further to its April 17, 2013 Memorandum Of Understanding ("MOU") with First Quantum Minerals Ltd. (TSX:FM)(LSE:FQM) ("First Quantum"), the Company, its wholly-owned subsidiary Gcwihaba Resources (Pty) Ltd. ("Gcwihaba"), First Quantum and First Quantum's wholly-owned subsidiary Faloxia (Proprietary) Limited ("FQM Subco") have entered into a definitive Earn-In Option Agreement (the "Option Agreement") pursuant to which First Quantum (which term for the purposes of this section includes FQM Subco) has acquired the right to earn up to a 70% interest in metals prospecting licenses in Botswana granted to Gcwihaba insofar as they cover base, precious and platinum group metals and rare earth minerals by meeting certain funding and other obligations as set forth below. The interests that may be earned by First Quantum specifically exclude any rights to iron held by Gcwihaba.

Under the terms of the Option Agreement, First Quantum could earn either a 51% participating interest or a 70% participating interest in designated projects within the overall license area covered by the Option Agreement (the "Project Area") by satisfying the following requirements:

- ◊ funding exploration expenditures within the Project Area in the aggregate amount of $6 million by November 20, 2015 (the "Tranche 1 Funding Commitment");
- ◊ funding an additional S$9 million in exploration expenditures within the Project Area by November 20, 2017; and
- ◊ completing a technical report ("Technical Report") on a designated area within the Project Area prepared in compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators and that meets certain requirements with respect to resources as described below.

The Tranche 1 Funding Commitment was a firm commitment by First Quantum and was to be satisfied irrespective of whether First Quantum elects to pursue the other requirements to earn an interest in Gcwihaba's licenses. Tranche 1 funding obligations have been met. As of December 31, 2015, First Quantum has reported that the total expenditures spent on Prospecting Licenses covered by the MOU amounted to $14,732,922.

On January 6, 2016, First Quantum notified the Company that they did not intend to continue with the Tranche 2 Expenditure terminating the Earn-in-Option Agreement. The Company has continued the exploration program by developing and refining drill targets.

Radioactive Minerals

As at December 31, 2016, Gcwihaba held prospecting permits for eight (8) radioactive mineral licenses in the North-West District of Botswana. In general, these licenses overlap or are contiguous to the Company's metal licenses. All eight (8) licenses were renewed for a two year period effective April 1, 2015 and collectively have a have a proposed minimum expenditure inclusive of license fees of 1,159,150 BWP ($86,435 converted as at December 31, 2016) if held to the furthest out full term of March 31, 2017. Based on results to date and other license commitments, the Company decided to relinquish all radioactive licenses effective December 31, 2016.

Bosoto (Pty) Limited ("Bosoto") – Botswana

Tsodilo was granted a prospecting license (PL369/2014) over the BK16 kimberlite pipe through its 100% owned Botswana subsidiary, Bosoto Pty (Ltd) effective October 1, 2014. The diamondiferous BK16 kimberlite pipe is located within the Orapa Kimberlite Field ("OKF") in Botswana and covered by 25 meters of Kalahari Group sediments. BK16 is located 37 km east-southeast of the Orapa Diamond Mine AK01, 25 km southeast of the Damshtaa Diamond Mine, and 13 km north-northeast of the Letlhakane Diamond Mine, all operated by Debswana and 28 km east-northeast from Lucara Diamond Corporation's Karowe mine (F/K/A AK6). Tsodilo has a 100% interest in Bosoto

The Company estimates that it would take approximately $22.6M (BWP 237,885,000) in expenditures, goods and services over a three year period to sufficiently evaluate the BK16 kimberlite's economic potential and if warranted the preparation of a compliant NI 43-101 Bankable Feasibility Study (BFS). This estimate is based on the agreed work plan with the MMEWR. At any point the work plan may be amended and a new work plan agreed to with the MMEWR.

Idada Trading 361 (Pty) Limited ("Idada") – South Africa

The Company holds a 70% interest in its South African subsidiary, Idada. Idada made application for an exploration license (Ref: MP30/5/1/1/2/1047PR) in the Barberton area in February 2012. This application was accepted in February 2013 and consultation was conducted with interested and affected parties in April and June 2013. An Environmental Management Plan (EMP) was submitted in April 2013 and a site visit was made by various governmental departments (DMR, EWT, REMDEC) in September 2013. During the second quarter 2015, notice was received from the Department of Mineral Resources, South Africa which granted the Company the prospecting rights for gold and silver in the applied for area subject to certain subsequent conditions being met. The Company has fulfilled those requirements and the Prospecting Right, together with the EMP, was executed and became effective on April 7, 2016. The Prospecting Right has been granted for a term of five years effective as of May 2015.

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4. PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment

Cost	Vehicles	Furniture and Equipment	Total
As at December 31, 2014	$1,396,777	$222,479	$1,619,256
Additions	--	116,357	116,357
Disposals	(40,209)	--	(40,209)
Net Exchange Difference	(203,288)	(25,594)	(228,882)
As at December 31, 2015	$ 1,153,280	$ 313,242	$ 1,466,522

	Vehicles	Furniture and Equipment	Total
As at December 31, 2015	$1,153,280	$ 313,242	$ 1,466,522
Additions	55,322	4,653	59,975
Disposals	--	--	--
Net Exchange Difference	64,565	14,883	79,448
As at December 31, 2016	$ 1,273,167	$ 332,778	$ 1,605,945

Accumulated Depreciation

	Vehicles	Furniture and Equipment	Total
As at December 31, 2014	$1,110,825	$203,559	$1,314,384
Depreciation	142,626	12,154	154,780
Disposals	(23,672)	--	(23,672)
Net Exchange Difference	(161,670)	(23,750)	(185,420)
As at December 31, 2015	$ 1,068,109	$ 191,963	$ 1,260,072

	Vehicles	Furniture and Equipment	Total
As at December 31, 2015	$ 1,068,109	$ 191,963	$ 1,260,072
Depreciation	82,297	7,581	89,878
Disposals	--	--	
Net Exchange Difference	59,797	8,860	68,657
As at December 31, 2016	$ 1,210,203	$ 208,404	$ 1,418,607

Net book value

As at December 31, 2015	$ 85,171	$ 121,279	$ 206,450
As at December 31, 2016	**$ 62,964**	**$ 124,374**	**$ 187,338**

For the year ended December 31, 2016, an amount of $90,218 (2015: $173,861) of amortization has been capitalized under exploration properties.

5. SHARE CAPITAL

(a) Common Shares

Authorized, Issued and outstanding

The authorized capital stock of the Company comprises an unlimited number of common shares with no par value.

Issued and outstanding: 45,347,310 Common Shares as at December 31, 2016 (December 31, 2015: 33,542,784)

1) **During the year-ended December 31, 2016:**

   i. On April 29, 2016, 1,008,948 Units were issued at a price of C$0.60 for proceeds to the Company of $466,534 (C$605,370). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a year until the close of business on April 29, 2018 at USD $0.60. $3,396 (C$4,268) of issuance costs were netted against the proceeds.

   ii. On December 12, 2016, 10,795,578 Units were issued at a price of C$0.75 for proceeds to the Company of $5,921,437 (C$8,096,683). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a year until the close of business on December 12, 2018 at USD $0.75. $42,198 (C$55,974) of issuance costs were netted against the proceeds.

2) **During the year ending December 31, 2015:**

   i. On April 2, 2015, 37,500 options were exercised at a price of C$0.75 for proceeds to the Company of $21,575 (C$28,215). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $18,039.

   ii. On August 10, 2015, 1,116,075 Units were issued at a price of C$1.10 for proceeds to the Company of $934,837 (C$1,227,682). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a period until the close of business on August 10, 2017 at $1.10. $5,930 (C$7,784) of issuance costs were netted against the proceeds.

   iii. As at December 31, 2015 the Company raised $590,050.

(b) Warrants

As at December 31, 2016, the following warrants were outstanding:

Number of Warrants - Units

Expiry	Exercise Price (USD)	December 31, 2015	Issued	Exercised	Expired	December 31, 2016
May 29, 2016	$1.40	306,183	--	--	306,183	--
July 29, 2016	$1.40	634,116	--	--	634,116	--
December 30, 2016	$1.21	560,922	--	--	560,922	--
August 10, 2017	$1.10	1,116,075	--	--	--	1,116,075
April 29, 2018	$0.60	--	1,008,948	--	--	1,008,948
December 12, 2016	$0.75	--	10,795,578	--	--	10,795,578
		2,617,296	11,804,526	--	1,501,221	12,920,601

On May 29, 2014, the Company issued 306,183 warrants with an exercise price of USD$1.40, expiring on May 29, 2016. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is less than value of the Common Shares, and no amount was allocated to the warrants. This warrant has expired.

On July 29, 2014, the Company issued 634,116 warrants with an exercise price of $1.40, expiring on July 29, 2016. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is less than value of the Common Shares, and no amount was allocated to the warrants.

On December 30, 2014, the Company issued 560,922 warrants with an exercise price of $1.21, expiring on December 30, 2016. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is greater than value of the Common Shares at the issuance date. The amount allocated to Common Shares is $0.79 (C$0.89) or total $444,552 and allocated to Additional Paid in Capital for Warrants is $0.19 (C$0.21) or total $104,894.

On August 10, 2015, the Company issued 1,116,075 warrants with an exercise price of $1.10, expiring on August 10, 2017. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is greater than the value of the Common Shares at the issuance date. The amount allocated to Common Shares is $0.75 (C$0.99) or total $835,296 and allocated to Additional Paid in Capital for warrants is $0.08 (C$0.11) or total $93,611.

On April 29, 2016, the Company issued 1,008,948 warrants with an exercise price of $0.60, expiring on April 29, 2018. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is equal to the value of the Common Shares at the issuance date.

On December 12, 2016, the Company issued 10,795,578 warrants with an exercise price of $0.75, expiring on December 12, 2018. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is equal to the value of the Common Shares at the issuance date.

Unexercised warrants of 306,183 expired on May 29, 2016; 634,116 expired on July 29, 2016; and 560,922 expired on December 30, 2016.

c) Stock Option Plan

The Company has a stock option plan ("SOP") providing for the issuance of options that cannot exceed 5,629,830 shares of common stock. The Company may grant options to directors, officers, employees, and contractors, and other personnel of the Company or its subsidiaries. The exercise price of each option cannot be lower than the market price of the shares being the closing price of the Company's common shares on the Toronto Stock Exchange the day before the grant date. Options generally vest ratably over an eighteen-month period, beginning with the date of issuance and every 6 months thereafter, and expire in five years from the date of grant as determined by the Board of Directors.

The following Table summarizes the Company's stock option activity for the year ended December 31, 2016 and the year ended December 31, 2015

	Number of Options	**Weighted average exercise price (C$)**
Outstanding as at December 31, 2014	3,128,890	C$1.25
Granted	760,000	C$0.89
Exercised	(37,500)	C$0.75
Expired	(630,000)	C$1.98
Outstanding as at December 31, 2015	3,221,390	C$1.03
Granted	710,000	C$0.76
Exercised	--	--
Expired	(585,000)	C$1.14
Outstanding as at December 31, 2016	3,346,390	C$0.96

2016

On January 3 2016, 285,000 stock options issued at C$1.25 expired.

On January 4, 2016, the Company issued 260,000 options at C$0.72 under its SOP to persons who are officers and employees of the Company.

On April 8, 2016, the Company issued 450,000 options at C$0.79 under its SOP to persons who are officers and employees of the Company.

On April 17, 2016, 300,000 stock options issued at C$1.03 expired.

2015

On January 2, 2015, the Company issued 260,000 options at C$1.05 under its SOP to persons who are officers and employees of the Company.

On January 11, 2015, 130,000 options at C$1.00 expired.

On March 27, 2015, the Company issued 400,000 options at C$0.83 under its SOP to persons who are directors and an employee of the Company.

On April 2, 2015, 37,500 options were exercised at a price of C$0.75.

On May 4, 2015, 500,000 options at C$2.23 expired.

On September 1, 2015, the Company issued 100,000 options at C$0.70 under its SOP to a person who is a director of the Company.

The following table summarizes the stock based compensation expense and capitalized stock based compensation for the years ended December 31, 2016 and 2015.

	2016	2015
Stock-based compensation expense	$307,961	$337,004
Capitalized Stock-based compensation expense	--	58,385
	$307,961	$395,839

The following assumptions were used in the Black Scholes option pricing model to fair value the stock options granted during the years ended December 31, 2016 and 2015:

	2016	2015
Expected lives	**3.9 years**	3.9 years
Expected volatilities (based on Company's historical prices)	**105.6%-106.2%**	99.3%-103.0%
Expected dividend yield	**0%**	0%
Risk free rates	**1.00-1.51%**	1.15-1.31%
Weighted average fair value of option	**$0.55**	$0.52

The following table summarizes stock options outstanding as at December 31, 2016:

Options Outstanding				**Options Exercisable**		
Exercise Price (C$)	Number of Outstanding Options	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life (Years)	Number of Exercisable Options	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life (Years)
C$0.90	210,000	C$0.90	0.01	210,000	C$0.90	0.01
C$1.00	328,890	C$1.00	0.25	328,890	C$1.00	0.25
C$1.20	235,000	C$1.20	1.01	235,000	C$1.20	1.01
C$1.04	400,000	C$1.04	1.22	400,000	C$1.04	1.22
C$0.75	222,500	C$0.75	2.00	222,500	C$0.75	2.00
C$1.25	480,000	C$1.25	2.22	480,000	C$1.25	2.22
C$1.05	260,000	C$1.05	3.00	260,000	C$1.05	3.00
C$0.83	400,000	C$0.83	3.24	400,000	C$0.83	3.24
C$0.70	100,000	C$0.70	3.67	75,000	C$0.70	3.67
C$0.72	260,000	C$0.72	4.01	130,000	C$0.72	4.01
C$0.79	450,000	C$0.79	4.27	225,000	C$0.79	4.27
	3,346,390	C$0.96	2.31	2,966,390	C$0.98	2.07

6. INCOME TAXES

The recovery of income taxes varies from the amounts that would be computed by applying the Canadian federal and provincial statutory rate for 2016 of approximately 26.5% (2015: 26.5%) to loss before income taxes as follows:

	December 31, 2016	December 31, 2015
Loss for the year	(2,243,671)	(9,722,451)
Income tax rate	26.50%	26.50%
Income tax recovery	(594,573)	(2,576,450)
Foreign operation taxed at lower rates	47,195	405,485
Permanent differences	79,102	67,186
Benefits not recognized	610,335	1,795,228
Expiry of tax losses carried forward		72,868
Changes in estimate and foreign exchange	(142,060)	235,683
Provision for income taxes	$ --	$ --

As of December 31, 2016 the following Deferred tax assets and liabilities have been recognized:

	December 31, 2016	December 31, 2015
Property, Plant and Equipment	$ 2,000	$ --
Exploration & Evaluation Assets	(701,000)	(995,000)
Deferred tax liabilities	(699,000)	(995,000)
Tax losses carried forward	699,000	995,000
Net future income tax asset recorded	$ --	$ --

As at December 31, 2016 the Company has unrecognized deductible temporary differences aggregating to $16,188,000 (2015: $12,359,000), that are available to offset future taxable income. However these temporary differences relate to companies with a history of losses, and they may not be utilized to offset taxable income.

	December 31, 2016	December 31, 2015
Losses carried forward - Botswana	10,666,000	7,540,000
Losses carried forward - Canada	4,811,000	4,138,000
Intangible Assets	128,000	137,000
Other	583,000	544,000
	16,188,000	12,359,000

The Canadian tax losses carried forward expire from 2026 thru to 2036. The Botswana losses can be carried forward indefinitely.

	December 31, 2016	December 31, 2015
Total assessable losses relating to the activity in Botswana	**$13,839,359**	$12,065,873

7. LOSS PER SHARE

Net loss per share was calculated based on the following:

Year ended December 31	**2016**	2015
Net loss for the year	**($2,243,671)**	($ 9,722,451)
Effect of Dilutive Securities		
Stock options and warrants	**--**	--
Diluted net earnings (loss) for the year	**($2,243,671)**	($ 9,722,451)

The diluted loss per share is the same as the basic loss per share for the year ended December 31, 2016 because the stock options and warrants were anti-dilutive and had no impact on the EPS calculation. In addition, the number of stock options and warrants outstanding as at the year ended December 31, 2016, was 16,266,991 (2015: 5,838,686), of which 16,263,812 (2015: 5,553,294) were anti-dilutive.

8. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2016	2015
Short term employee remuneration and benefits	**$430,002**	$430,002
Stock based compensation	**284,447**	340,194
Post employment benefits*	**205,047**	142,938
Total compensation attributed to key management personnel	**$919,496**	$913,134

*Post employment benefits include $86,207 of accrued leave benefits through December 31, 2016.

During the year an individual related to the CEO provided administrative and management services to the Company in 2016 and was remunerated in 2016 in the amount of $36,000 (2015: $33,000).

During the year, two individuals related to key personnel of the company, received $13,717 in stock based compensation during the year (2015 $21,071).

A subscription liability balance as of December 31, 2015 of $590,050 was from a Director of the Company and was executed and settled during the two private placements in April 2016 and December 2016 for $300,000 (648,312 Units) and $290,050 (161,976 units) respectively. Oversubscriptions received during 2016 were returned to a Director of the Company in the amount of $340,000 and no subscription liability exists at December 31, 2016.

There are no other related party transactions.

9. SEGMENTED INFORMATION

The Company is operating in one industry. As at December 31, 2016 the Company's Property, Plant, and Equipment in the United States was $3,354 (2015: $726) and in Botswana was $183,984 (2015: $205,724). No revenues were realized for Exploration and Evaluation Properties that are detailed in note 3 above. Segment long term Exploration and Evaluations properties in Botswana were $4,027,887 (2015: $4,112,969) and South Africa were $9,008 (2015: 3,071).

10. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, subscriptions and accrued warrants liabilities. The carrying value of cash, accounts receivable, accounts payable and accrued liabilities as presented in the consolidated financial statements are reasonable estimates of fair values due to the relatively short period to maturity and the terms of these instruments.

The Company's financial instruments have been classified as follows:

Financial Instrument	**Classification**	**Fair Value Hierarchy**
Cash	Loans and receivables	n/a
Accounts receivable	Loans and receivables	n/a
Accounts payable and accrued liabilities	Other financial liabilities	n/a
Subscriptions	Other financial liabilities	n/a

See the Company's consolidated statement of financial position for financial instrument balances.

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other that quoted 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): and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobserved inputs).

Risk Exposure and Management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign exchange risk, and interest rate risk. Where material these risks are reviewed and monitored by the Board of Directors.

(a) Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash on hand. In 2016 and 2015 the Company raised cash capital as shown in note 5(a) in the amount of $6,387,971 and $950,482 respectively.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company anticipates continuing to access equity markets to fund continued exploration of its mineral properties and the future growth of the business. However, there is no guarantee that such financing will be available when required.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

(c) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet it contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. There are no allowances for doubtful accounts required.

The majority of the Company's cash is held with a major Canadian based financial institution.

(d) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. Because the cash is held on deposit at financial institutions and may be withdrawn at any time, the Company's exposure to interest rate risk is not significant.

(e) Foreign Exchange Risk

The Company is exposed to currency risks on its Canadian dollar denominated working capital balances due to changes in the USD/CAD exchange rate and the functional currency of the parent company. As at December 31, 2016, a ten percentage change in the exchange rate would result in a $43,318 impact to the Company's net income (loss).

The Company issues equity in Canadian dollars and the majority of its expenditures are in U.S. dollars. The Company purchases U.S. dollars based on its near term forecast expenditures and does not hedge its exposure to currency fluctuations.

Based on the net Pula denominated asset and liability exposures as at December 31, 2016, a ten percentage change in the exchange rate would result in a $34,691 impact to the Company's net comprehensive income (loss).

11. COMMITMENTS AND CONTINGENCIES

The Company holds prospecting licenses which require the Company to spend a specified minimum amount on prospecting over the period of the licenses as outlined in note 3.

12. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31 2016	December 31 2015
Net change in non-cash working capital balances		
(Increase) decrease in accounts receivable and prepaid expenses	**($57,490)**	($177)
Increase (decrease) in accounts payable and accrued liabilities	**52,443**	38,706
Total	**($5,047)**	$38,529

13. SUBSEQUENT EVENTS

On January 3, 2017, 210,000 options at C$0.90 expired.

On January 2, 2017, the Company issued 260,000 options at C$0.69 under its SOP to persons who are officers and employees of the Company.