



TSODILO RESOURCES LIMITED

Management's Discussion and Analysis

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018**

**The Management's Discussion and Analysis has been authorized for
release by the Company's Board of Directors on November 27, 2018**

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements of the Company and the notes thereto for the periods ended September 30, 2018 and 2017. The Company's condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Company's functional and reporting currency is United States dollars and all amounts stated are in United States dollar unless otherwise noted. In addition, the Company has three Botswana operating subsidiaries, Newdico, Gcwihaba and Bosoto which have a functional currency of the Botswana Pula and one South African subsidiary which has a functional current of the South African Rand. This management's discussion and analysis has been prepared as at November 27, 2018.

OVERVIEW

Tsodilo Resources Limited ("Tsodilo" or the "Company") was organized under the laws of the Province of Ontario in 1996 and continued under the laws of the Yukon in 2002. It 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 (TSX-V) under the symbol TSD.

Tsodilo is an exploration stage company which is engaged principally in the acquisition, exploration and development of mineral properties in the Republics of Botswana and South Africa. The Company is considered to be in the exploration and development stage given that none of its properties are in production and, to date, has not earned any significant revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the renewal 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 also actively reviewing additional diamond and base and precious metal opportunities within southern Africa.

Outstanding Share Data

As of November 27, 2018, 45,347,310 common shares of the Company were outstanding. Of the options to purchase common shares issued to eligible persons under the stock option plan of the Company, 3,892,500 options are outstanding of which 3,312,500 are exercisable at exercise prices ranging from CAD \$0.55 - \$1.25.

Outstanding Options

Expiry Date	No. of Option Shares	Exercisable	Exercise Price (CAD)
January 2, 2019	222,500	222,500	\$0.75
March 21, 2019	480,000	480,000	\$1.25
January 2, 2020	260,000	260,000	\$1.05
March 27, 2020	400,000	400,000	\$0.83
September 1, 2020	100,000	100,000	\$0.70
January 4, 2021	260,000	260,000	\$0.72
April 8, 2021	450,000	450,000	\$0.79
January 2, 2022	260,000	260,000	\$0.69
April 3, 2022	600,000	450,000	\$0.85
January 2, 2023	260,000	130,000	\$0.65
March 26, 2023	600,000	300,000	\$0.55
Total	3,892,500	3,312,500	

As of November 27, 2018, 10,795,578 warrants are outstanding. The warrants were issued by way of private placements utilized by the Company for financing purposes. Each warrant entitles the holder thereof to purchase one common share of the Company and the specifics with expiry date, number, exercise price and currency are as follows:

Outstanding Warrants

Expiry Date	No. of Warrant Shares	Exercise Price & Currency
December 12, 2018	10,795,578	\$0.75 USD
Total	10,795,578	

If all warrants were converted, 10,795,578 common shares of the Company would be issued.

Principal Shareholders of the Company

The principal shareholders (greater than 5%) of the Company as of November 27, 2018, are as follows:

Name	Description	Shares Owns, Controls or Directs	% of the Issued and Outstanding Shares
Azur LLC	Private Investment Vehicle	4,996,065	11.01%
International Finance Corporation	Member of the World Bank Group	4,520,883	9.96%
Lucara Diamond Corporation	Diamond Mining Company	4,476,773	9.87%
David J. Cushing	Investor	4,327,579	9.54%
JP Morgan Asset Management	Global Investment Advisors and Managers	3,581,413	7.89%
James M. Bruchs	Chairman and CEO	2,285,619	5.04%
First Quantum Minerals	Global Mining Company	2,272,727	5.01%

Exploration Activities 2018

Subsidiaries

The Company holds a 100% interest in its Botswana subsidiary, Gcwihaba (Pty) Ltd ("Gcwihaba") which to date holds seven (7) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West District.

The Company holds a 100% interest in its Botswana subsidiary, Bosoto (Pty) Limited ("Bosoto"), which holds two precious stone prospecting licenses, PL 369/2014 for the area which contains the BK16 kimberlite and precious stone prospecting license PL217/2016.

The Company holds a 100% interest in Newdico (Pty) Ltd ("Newdico") which provides administrative, operational, exploration, geophysical and drilling services to the company's other subsidiaries.

The Company holds a 70% interest in its South African subsidiary, Idada Trading 361(Pty) Limited ("Idada"), which holds a gold and silver exploration license (Ref: MP30/5/1/1/2/1047PR) in the Barberton area.

The Company holds a 100% interest in Tsodilo Resources Bermuda Limited to which the shares of its operating subsidiaries are registered.

1. DIAMOND PROJECTS

The Company holds two prospecting licences for precious stones, registered to Bosoto. These licenses are summarized in Table 1.

Table 1
Precious Stone Prospecting Licenses as at September 30, 2018

PL number	Km ²	Grant Date	Expiry date	Current Stage	Expenditure [#]		Total Expenditure From Grant Date and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 9/30/2018
PL 369/2014	1.02	10/01/17	9/30/19	1 st Renewal	1,000	10,000,000 30,000,000	42,002,000	4,019,590
PL 217/2016	580	1/01/17	12/31/19	Initial Grant	2,900	800,000 1,250,000 4,000,000	6,058,700	579,818

Amounts include services provided by Tsodilo and its subsidiaries and all expenditure amounts are incremental in nature and qualified by positive results in the evaluation process throughout the license term.

PL369/2014 (BK 16)

Tsodilo was granted a prospecting license (PL369/2014) over the BK16 kimberlite pipe through its Botswana subsidiary, Bosoto Pty (Ltd) effective October 1, 2014. The prospecting license was renewed for an additional two-year period commencing October 1, 2017. The diamondiferous BK16 kimberlite pipe is located within the Orapa Kimberlite Field ("OKF") in Botswana and covered by 25 meters (m) of Kalahari Group sediments. BK16 is located 37 kilometers (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).

The OKF contains at least 83 kimberlite bodies, varying in size from insignificant dykes to the 110 hectares (ha) AK01 kimberlite pipe. Ages of emplacement are Cretaceous and range from 111 Ma for Letlhakane-DK01 (Letlhakane Mine) to 85 Ma for Orapa-AK01, representing a protracted period of kimberlite magmatism lasting approximately 20 million years. Of the 83 known kimberlite bodies, nine (11), AK01, AK02, AK07 (Orapa, Debswana); AK06 (Karowe, Lucara Diamond Corporation); BK01, BK09, BK12 and BK15 (Damshtaa, Debswana); DK01 and DK02 (Letlhakane, Debswana); BK11 (Firestone Diamonds), are currently being or have been mined. Many others have proved to be diamond bearing.

The BK16 kimberlite was initially discovered by De Beers in the 1970's using soil sampling techniques, airborne magnetics, and ground magnetic surveys. This initial work was followed up by some initial drilling and the sinking of a shallow shaft to 36 meters in the central part of the pipe. Initial indications were that the kimberlite was diamondiferous albeit low grade and no further work was done by De Beers.

Over the period 1994 to 2010, several companies held the prospecting rights over the area containing the BK16 kimberlite and various forms of surveying and sampling were employed all in an attempt to ascertain whether BK16 was economically viable. However, none of those efforts systematically evaluated the kimberlite to answer the question as to BK16's merits. Tsodilo believes that much of the above described sampling was done in the upper part of the kimberlite which is characterized by a basalt breccia. Like several of the other Orapa kimberlites, this upper zone of basalt diluted kimberlite is of low grade but the underlying 'cleaner' kimberlite as is the case at BK16 is known to be of higher grade.

In July 2016, Tsodilo Resources Bermuda Limited completed a share repurchase and royalty fee agreement with its Bosoto (Pty) Ltd minority shareholders. The minority shareholders' 25% equity interest has been purchased for 2% gross proceeds royalty derived from the sale of diamonds mined from Bosoto's BK16 kimberlite project. The result of this transaction is that Tsodilo now has a 100% interest in Bosoto and its BK16 exploration project.

Summary of Work Performed as at September 30, 2018

2014

During the year an application was submitted and was awarded for BK16 (PL369/2014). A desktop study was done on historical data and the kimberlite was covered by detailed ground geophysics.

2015

A geological model was developed based on a 3,662 m core drilling program, 3-D modelling of the geophysics and petrography, The Company also managed to take possession of previously recovered diamonds, which were acid cleaned and color classified, and Z-Star Mineral Resource Consultants were retained to assist in the planning and positioning of the Large Diameter Drill holes. A 10 ton per hour mobile Dense Media Separation plant (DMS) was purchased for treatment of the LDD and historical tailing samples.

2016

Dilution logging, density measurements and rock-quality designation (RQD) work was done on the cores to produce a geotechnical weathering profile of the kimberlite which distinguished between the various weathering phases in the pipe. Historical tailings heaps on the pipe (some 1,534 tonnes) were collected and moved to the plant for treatment. A borehole on the pipe and used by the local farmer was relocated.

2017

- ◇ In February the Company started to drill pilot holes for each planned Large Diameter (24 inch) Drill hole. In total 3,669 meters was drilled and 3,353 meters of core was recovered, The core was being subjected to dilution studies, magnetic susceptibility measurements and moisture tests (580 samples completed to date). Further density work will be done at the exploration facilities in Maun.
- ◇ Samples were taken for geotechnical Unconfined Compressive Strength ("UCS") tests at Botswana International University of Science and Technology ("BIUST")
- ◇ A relief water borehole was sighted and drill for the local cattle syndicate in order to move their existing hole off the kimberlite and outside the perimeter of the prospecting license. Drilling of the 14 LDD holes was completed to a cumulative depth of 3,120 meters producing approximately 2,000 tonnes of kimberlite samples, and all holes have been calipered, using an Auslog 3 Arm Caliper for down-the-hole volume measurements, although two of the holes were not completed due to untimely collapse. Further more the collar elevation of all the PDH and LDD holes were surveyed using a differential Global Positioning System for accurate x, y and z coordinates.
- ◇ Moisture 'dry weight' were taken from the last Pilot drill holes as part of the geotechnical studies of the pipe.
- ◇ The 10tph DMS treatment plant, located some 15 km from the pipe in Letlhakane, was refurbished and commissioned.
- ◇ A start was made with the treatment of the 243 LDD drill samples commenced from the 14 LDD holes and the remaining tailing samples will be treated
- ◇ The Bourestnik, Inc Polus-M X-ray sorter was delivered at the Company's facilities in Maun.

2018

1st Q

Treatment of the 214 LDD drill samples, totaling 1,108 tons, was completed through the DMS circuit at the Letlhakane mobile plant. The remainder of the 243 LDD samples is scheduled to be completed early in the second quarter.

- ◇ The Bourestnik Polus-M X-ray sorter (BV) was commissioned in the Company's Hangar in Maun.
- ◇ The concentrates of the first 56 LDD samples, some 925 kg, were processed through the Bourestnik Polus-M X-ray sorter.
- ◇ Recovery of diamonds by an experienced independent diamond picker of some of the first BV concentrates produced 101 stones weighing 18.571 carats.
- ◇ A second phase of picking will be done in Q2 after which the diamonds from the two picking sessions will be acid cleaned and valued in Gaborone.
- ◇ An investigation of the breakage feature will also then be undertaken.
- ◇ During the second quarter a preliminary evaluation assessment will be undertaken to make an informed decision whether to extract additional bulk samples in order to recover more diamonds to improve on the level of confidence of the diamond value for feasibility purposes.

2nd Q

- During the quarter the DMS plant treated 33 LDD samples (164 tonnes head feed); 212 tailings retreat samples (790 tonnes head feed); and, historical tailings (638 tonnes head feed). Total head feed to the plant for the quarter was therefore 1,592 tonnes. This produced 5,774 kg of concentrate (wet weight) to be processed through the Bourestnik Polus M X-ray sorter (BV).
- The DMS processing of the LDD samples has been completed and the plant has been mothballed until further requirement.
- The BV sorter processed 3,008 kg (dry weight) comprising of 141 LDD samples and 44 tailings retreat samples. This produced 287.6 kg of concentrate which includes 258.8 kg of plus 8 mm material which has not gone through the X-ray part of the recovery unit. The latter will be hand sorted.
- An additional circuit of crushing has been introduced which will crush the 3 – 8 sorted concentrate and the 8 – 12 mm sorted material of each sample down to 3 mm. This will be re-introduced to the BV for an additional sort.
- A second phase of diamond sorting started during the quarter produced 123 stones weighing 15.78 carats.
- Diamonds, 224 diamonds cumulatively weighing 34.35 carats, from the two sorts (Q1 and Q2) were acid boiled in Gaborone and prepared for further assessment.
- Independent consultant Ray Ferraris was able to assess these diamonds for breakage and initial valuation. and the conclusion was that there has been no significant breakage experienced through both the drilling and processing of the material and the value of these stones was set at 198US\$/ct.

3rd Q

- ◇ During the quarter the BV processed 3,595 kg (dry weight) of DMS concentrate from 75 LDD main and 101 LDD tailings retreat, and 57 re-crushed BV concentrates of the 1-3 and 3-8 mm fraction which were combined with the plus 8 mm fraction that had previously been picked for diamonds. This produced 13,16 kg of concentrate (12,73 kg 1-3 mm and 0,427 kg of 3-8 mm material), and also prepared 463,44 kg of plus 8 mm material for sorting.
- ◇ The large amount of concentrate was mainly due to the high level of rejections caused predominantly by zircon. Hence, 119 diamonds and 110 zircons were run individually through the BV machine in order to optimize the recognition of these minerals by the X-ray unit and hence reduce the number of rejections and concentrate respectively.
- ◇ The crushing unit processed 529 samples which were comprised of 240 BV Main Concentrates that had been picked; 260 BV Tailings; 15 Retreat Tailings; and, 14 Retreat Concentrates that had been picked for diamonds. The purpose of this exercise is to recover diamonds that might be locked up in the coarse fractions.

- ◇ Diamond picking was done by two independent sorters, who have also trained a local employee for further diamond sorting. In total 386 fraction were sorted and 279 diamonds (43.95ct) recovered.
- ◇ These diamonds were sent to Gaborone for acid boiling. The diamonds are to be valued and studied from a diamond breakage point of view. The post-acid boil number of diamonds from all the LDD samples is 509 diamonds with a cumulative weight of 79.31 carats.
- ◇ These will be used in the valuation, breakage study and size frequency distribution analysis, and grade and value modelling, to be conducted in the next quarter.

PL217/2016

PL 217/2016 also occurs within the Orapa Kimberlite Field and is situated some 10 km south of the Orapa Mining area and with the same distance to the west of the Letlhakane Mining lease. It surrounds the Karowe Mining lease, while the BK11 prospect is directly to the east of the licence. Other kimberlites occur along its northern and eastern borders. The licence is highly prospective for kimberlites but also has the potential to contain secondary diamond deposits associated with the palaeo-drainage network in the area. The present drainage is to the north and erosion of the kimberlites would have resulted in the residue, including diamonds, to have been transported in the same direction. The focus of the exploration work would therefore be not only on finding kimberlites but also to assess the geomorphology in the search for palaeo-channels.

Summary of Work Performed as at September 30, 2018

2017

- ◇ Remote sensing and geophysics (Aster LT1; Aster GED Emissivity; Landsat ETM 7+; Landsat LC08, Landsat 8 False Color, DEM, Total Magnetic Intensity (AM) were used to enhance the drainage pattern and potential kimberlite targets.
- ◇ The AM data generated 28 kimberlite targets. Airborne magnetic anomalies PL217/02, -03, -04, -05, and -06, were checked in the field and four ground magnetic surveys over kimberlite targets were completed.
- ◇ Palaeochannels appear to be related to high concentration of clay minerals, low ferrous minerals and low iron oxide ratios. Ground gravity surveys were also completed along lines perpendicular to the palaeochannel direction and several gravity lows (possible palaeochannels) were identified. The gravity lines were placed directly downstream from the Karowe and BK11 kimberlites.

2018

1st Q

- ◇ Remote sensing (SRTM, Ferric 2/1 and Alteration 4/5 images) has been used most effectively to characterize possible paleo channels.
- ◇ The modelling of the gravity lows suggests that there is overlap between the geophysics and the interpretation of remote sensing.
- ◇ Several channels have been located and these will be drilled in the next quarter in order of priority.
- ◇ The remaining ground magnetic surveys over the kimberlite targets, and prioritising these in terms of interest rating, will be completed in the second quarter.
- ◇ Drilling of the highest priority kimberlite targets in order to identify the causative bodies is scheduled once the ground geophysical surveys have been completed and interpreted.

2nd Q

- ◇ Remote sensing work continued in the general area and it showed that kimberlites AK17, AK 23 and AK 24 are aligned on a WNW-ESE lineament traceable onto the permit.

- ◇ Ferric Iron +2 Aster and SRTM have shown to be a good combination also after the digitised geology is added. This combination has been applied to the enhancement of the palaeo-channels.
- ◇ 11 ground magnetic surveys (1 x 1 km) were completed over 11 magnetic kimberlite targets (total 246 survey line km), that had been identified from the detailed airborne magnetic data covering the licence. Drill positions were identified and these have been prioritised and are drill ready.

3rd Q

- ◇ Further work on the geomorphology of the area was carried out in order to advance the alluvial targets.
- ◇ The age of BK16, using 238U/206Pb from perovskites, has been established at 101.96 ± 0.60 Ma.
- ◇ This age provided further evidence of a prolonged period of eruption of this kimberlite province from over 101 Ma to at least 88 Ma indicating that the erosion levels of the various kimberlites will be different.
- ◇ These differences have geomorphological implications which are being considered for the alluvial potential not only in PL 217/2016 but also for other local areas.

2. METALS (BASE AND PRECIOUS, PLATINUM GROUP METALS, AND RARE EARTH ELEMENTS) PROJECTS

The Company's current seven Prospecting Licences have evolved with time into a package which covers some 4,920.50 km² (Table 2).

Table 2
Gcwihaba Metal Licenses as at October 1, 2018

PL numbers	Km ²	Grant Date	Expiry or Renewal date	Current Stage	Expenditure [#]		Total Expenditure from Grant date and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 10/01/2018
PL 020/2018	570.00	10/01/2018	9/30/2021	Initial Grant	2,850	240,000 ⁺	248,550	-
PL 021/2018	964.90	10/01/2018	9/30/2021	Initial Grant	4,825	240,000 ⁺	254,475	-
PL 022/2018	317.10	10/01/2018	9/30/2021	Initial Grant	1,586	240,000 ⁺	244,758	-
PL 023/2018	978.60	10/01/2018	9/30/2021	Initial Grant	4,893	240,000 ⁺	254,679	-
PL 024/2018	807.30	10/01/2018	9/30/2021	Initial Grant	4,037	240,000 ⁺	252,111	-
PL 025/2018	454.50	10/01/2018	9/30/2021	Initial Grant	2,273	240,000 ⁺	246,819	-
PL 026/2018	828.10	10/01/2018	9/30/2021	Initial Grant	4,141	240,000 ⁺	252,423	-
	4,920.50				24,605		1,753,815	167,840

minimum annual charge

+ 1st year 70,000 BWP; 2nd year 80,000 BWP; and 3rd year 90,000 BWP

The Company's exploration work had initially indicated that the sulphide-rich Matchless Amphibolite Belt ('MAB') traverse the Company's southern licences in northwest Botswana in an area where the Damara Belt connects with the Lufilian Arc. Petrology, geochemistry and geochronology work was conducted by AEON's (Africa Earth Observatory Network) research group located at the NMMU (Nelson Mandela Metropolitan University) in Port Elizabeth, South Africa. This work has identified Archaean granite-gneisses between 2.548 and 2.641 Ma in age in Ngamiland, whilst paleoproterozoic granites (ca. 2,000 Ma) seem to have been tectonically interlayered with Copper Belt (Lufilian Arc)-equivalent metasediments (including graphitic schist, carbonates and diamictites), and metabasites and gabbros (535 Ma), all of which were intersected during the initial drilling program by the Company.

During the initial drilling campaign by the Company, three separate mineralization domains were identified in the various licences. These are, (1) sulphide mineralization associated with Neoproterozoic metasediments, (2) base and precious metals and REE showings associated with skarns linked to the 535 Ma age basic intrusions, and (3) a large magnetite deposit (Xaudum Iron deposit) which the Company is presently evaluating (Table 3).

Table 3

Main mineralogical domains identified during the Phase 1 drill program		
Sedimentary Cu/Co (Katanga type sediments) in the central shale belt	Central African Copper Belt-style sedimentary rock - hosted copper showings at multiple stratigraphic levels, spatially associated with faults	Copper Cobalt
Sepopa Cu/Au Skarn deposit (IOCG?)	Iron-copper skarns associated with ~535 Ma basic intrusions	Copper Gold Iron
Xaudum Magnetite Banded Iron Formation (XIF)	Layered and massive BIF Rapitan type Fe Formation closely associated with the Grand Conglomerate	Iron

2.2 XAUDUM MAGNETITE BANDED IRON FORMATION (XIF)

This Xaudum XIF is intimately associated with glacial diamictites and is the cause of the large Xaudum Magnetic Anomaly that extends over 35 km in a north-south direction with several magnetite bands that occur over a width of several kilometres. The deposit, which has an exploration target of between 5 and 7 billion tonnes of iron ore at grades ranging between 15 - 40%, was subdivided into several exploration blocks. Drilling on Block 1, at the northern part of the Xaudum XIF deposit, was completed and in 2014 SRK Consulting (U.K.) presented Gcwihaba's maiden National Instrument 43-101 Resource report of this Block with an Inferred Mineral Resource of 441 Mt grading 29.4% Fe, 41.0% SiO₂, 6.1% Al₂O₃ and 0.3% P.

Tsodilo initiated drilling on the next exploration area, referred to as Block 2, but delayed the completion thereof due to current iron-ore market conditions. However, once completed, the resource definition of Block 2 will increase the resource to at least a +1Bt resource.

The Company continues its investigating how to progress this deposit with aspects of local beneficiation. New technology is available to transform the magnetite iron concentrate on site to produce Iron Pellets (heat and fuse), briquettes or supra-scrap (IMBS non-conventional DRI process) or even pig iron (ESS Prodilux furnace). For this the thermal coal in eastern Botswana is considered most appropriate but issues surrounding the infra-structure need to be resolved.

Discussions on the direct sale of the magnetite have also been undertaken with a South African commodity house which markets super high spec magnetite of over 69.5% Fe. This is used for manufacturing of dense media separation products such as magnetite and ferrosilicon, as well as other magnetite-based uses in the petrochemical market. The very high standard specifications of the magnetite attract a very high premium on normal iron ore sales. The feasibility of creating a small-scale magnetite mine to process the ore for this high-end market is being explored.

Summary of Work Performed as at September 30, 2018

2014

- ◇ Drilling on Block 1 of the Xaudum Iron Formation (XIF) was completed. Some 33 holes, totaling 5,854 m were drilled and 4,478 m of core were recovered. A start was made on Block 2 where nine holes drilled to a cumulative depth of 1,490 m extracting some 1,223 m of core. 2,867 samples were consigned for analyses and 4,574 assay results were received
- ◇ All the cores were orientated with a Reflex Gyro instrument and all cores are subjected to magnetic susceptibility (every 20 cm) measurements.
- ◇ The deposit was subdivided into four geodomains: MBA – Magnetite Banded Iron Formation, MBW – Partially oxidized (weathered) BIF, DIM – Magnetite schist or magnetite diamictite and MDS – Magnetic amphibole Schist.
- ◇ SRK Consulting (UK) Ltd completed a National Instrument 43-101 resource report for Block 1, which is only a small part of the XIF deposit, and derived at an inferred resource of 441 Mt grading 29.4% Fe, 41.0% SiO₂, 6.1% Al₂O₃ and 0.3% P.
- ◇ The ground magnetic survey over the entire XIF has been completed and 1,780 km² was covered representing 22,749 line km on both 20 and 50 m line spacing.

2015

- ◇ The Company started an investigation of how to progress with the project looking at potential mining and beneficiation aspects especially on a local scale. New technology is available to transform the magnetite iron concentrate on site to produce iron pellets (heat and fuse) briquettes or supa-scrap (IMBS non-conventional DRI process) or even pig iron (ESS Prodilux furnace). For these processes the thermal coal in eastern and southwest Botswana are considered most appropriate but issues around the infra-structure need to be resolved.

2016

- ◇ The feasibility of possible local beneficiation continued but with iron prices still low the outlook remains long term.

2017

- ◇ Quotations for cost and also availability were obtained from seven (7) engineering consultancy companies to conduct a Preliminary Economic Assessment (PEA) study for the development of the XIF Project under a non-disclosure agreement. The PEA is designed to investigate the various options and the focus will be on size of operation, level of local beneficiation, a Botswana based steel industry versus export of raw ore, infrastructure, transport, etc.

2018

1st Q

- ◇ The metal licenses PL386-395/2008, which contain the Xaudum Iron project and the prospective copper targets, have been renewed in their entirety.
- ◇ Iron ore prices have recovered to some extent and a decision will be made as to which of the six consultancy engineering firms would be most suitable for such a PEA study. It will be important to take timing in consideration and what if any government requirements will be.

2nd Q

- ◇ Fluor South Africa presented an updated proposal for the Xaudum Iron project (XIF) which was discussed with the USA Ambassador in Gaborone and his Economic/Commercial Officer and the Ambassador will endorse the project for funding at the USTDA. A full and detailed USTDA proposal will now be drafted for submission.

3rd Q

- ◇ The proposal to conduct a Preliminary Economic Assessment (PEA) study of the Xaudum Iron Formation (XIF) was completed with Fluor Corporation and will be submitted to the United States Trade and Development Agency (USTDA) in the 4th Q financial support in preparing the PEA. USTDA works with strong partners in developing and middle-income countries around the world to advance important development objectives. The success of the USTDA program is due in large part to the dedication of the overseas project sponsors in host countries with whom the agency works to making effective use of USTDA assistance.
- ◇ The agency awards grant funds to overseas project sponsors for a variety of activities, including technical assistance, training programs, or early investment analysis/feasibility studies. Our program responds to priorities that overseas project sponsors establish for themselves. If necessary, USTDA can provide assistance to help project sponsors to define their priorities.
- ◇ USTDA's targeted brand of foreign assistance provides overseas project sponsors with access to U.S. private sector expertise in the pursuit of key development objectives. Grant recipients are required to select U.S. firms to perform USTDA-funded activities, however, there is no further obligation to procure U.S. goods or services once a USTDA activity is complete.
- ◇ During the quarter, discrepancies were located in the license documents issued in the first quarter. The Company brought this matter to the attention of the Department of Mines which after their review concurred and corrected the errors. The 7 licenses were given initial grant dates of October 1, 2018.

2.3 KATANGAN-LIKE META-SEDIMENTS

General geology

Southeast and east of the XIF Iron project are north-north-west to north-north-east trending mineralized metasediments in what is referred to as the Central Shale Basin. The latter meta-sedimentary sequence is very similar to the parts of the stratiform Cu-Co (Copper-Cobalt) province of the Central African Copper Belt and is identical to the host rocks of the Kalumbila Cu-Ni-Co deposit in western Zambia. The black shales, meta-pelites, meta-arenites, dolomites, with evidence of evaporate minerals, in particular bear strong resemblance to the Mwashya rocks in Zambia. Most lithologies are mineralized with pyrite, pyrrhotite, and chalcopyrite.

The majority of Katangan metasediments intersected in drilling are interpreted to belong to the Mwashya Group (shale, carbonate), or the Grand Conglomerate (diamictite) units, occurring on each side of the 'basement high'. Most of the FQM and Tsodilo Resources drilling have taken place within these two stratigraphic Groups. Much of the drilling has shown diamictite alternating with carbonate-shale packages and this is attributed to repetition by bedding-parallel thrust faults. The distribution of magnetite-facies BIF is restricted to the diamictite on the western side of the basement-high, and this probably reflects differences in seawater chemistry across the 'basement high' during the Sturtian Glaciation.

The understanding of the upper Katangan stratigraphy in the Shakawe area is poor. The diamictite of the Grand Conglomerate typically transitions abruptly into a clean dolomite referred to as the Kakontwe. This change reflects an abrupt global warming event at the end of the Sturtian glaciation and it is a feature observed in some drill cores from the Shakawe area. However, at the western end of FQM's Stratigraphic Section Line the diamictite is conformably overlain by calcareous sandstone.

The rocks at the extreme western end of the east-west sections contain zircon populations of ≈ 1.1 Ga and ≈ 2.0 Ga, but contain no 2.5 Ga zircons. The rocks are interpreted to be of the Ghanzi-Chobe Supergroup. The Kgwebe Volcanics are

the most likely source of these ≈ 1.1 Ga zircons, implying significant differences in the provenance of the Katangan Supergroup and the Ghanzi-Chobe Supergroup meta-sediments.

Summary of Work Performed as at September 30, 2018

2013

- ◇ First Quantum Minerals Ltd (FQM) signed a Memorandum of Understanding with Tsodilo Resources Ltd (Tsodilo) in April and an 'Earn-in Option Agreement' in November, for FQM to earn up to 70% interest in Gcwihaba's metals prospecting licenses excluding any rights to iron. FQM's program included:
 - Re-logging of 157 Tsodilo drill holes, which represents some 34,750 m of core.
 - Collection of 584 soil samples for geochemistry sieved to 180 microns and analyzed mainly for Cu, Co, Pb, Zn and Au and it was concluded that soil sampling was not an effective tool in this environment.
 - FQM started diamond drilling to assess the stratigraphy and drilled 5 holes (3,987 m).
 - As part of the Kalahari Geochemistry Program (KGP), FQM drilled (RC, Sonic and diamond drilling) 54 holes (2,552 m) to sample the Kalahari/Bedrock interface and samples were collected every 2 m and screened to 80 mesh for ICP-MS (As, Au, Bi, Co, Pb) and ICP-OES (Al, Ca, Cu, Mg, Ni, Zn) analyses.
 - Water samples (500 ml) were also collected and analyzed from the KGP holes for hydro-geochemistry.
 - Rock samples were collected for U/Pb geochronology (26 samples) and petrology (30 samples).
 - An airborne electro-magnetic survey (Spectrem) was flown (16,934 line km) collecting, EM, magnetic and radiometric data.
 - An airborne gravity survey was flown but due to technical problems reduced to 10,392 line kms at a 500 m flight line interval.
- ◇ Three airborne magnetic targets associated with Ni and Zn/Cr soil anomalies from the 1999 Government soil sampling program in the northwestern corner of Botswana.

2014

- ◇ The KGP drilling program was completed with a total 13,689 meters drilled.
- ◇ Samples from the KGP program were also sent for Ultra-Low Detection Au analyses.
- ◇ The FQM stratigraphic drilling program was also completed and in the end 8 holes (BWADD 0001 to 0008) were drilled to a cumulative depth of 5,695 m. This provided the basis for the development of a robust geological model and facilitating a stratigraphic comparison to the Central African Copper Belt.
- ◇ A down-the-hole Electromagnetic probe was tested in boreholes to characterize the different lithologies, with measurements taken for density, conductivity, resistivity and Full Wave Sonic. It showed that it was possible to characterize the different lithologies and to distinguish between them.
- ◇ CSIRO in Australia was retained to assist in overburden regolith research primarily to assist in the sampling of areas of Kalahari cover. Some 230 samples were collected from areas of (weak) bedrock mineralization and areas of barren bedrock for comparison, and other regolith types.
- ◇ Targets TOD17, -29, -30 were drilled during the year (330 m drilled and 208 m core recovered). The siltstones and shales from TOD17 contained traces of chalcopyrite while TOD30 intersected basement, and TOD29 was abandoned in Kalahari sediment.

2015

- ◇ Further work by FQM included:
 - The diamond drilling on structural targets and stratigraphy was completed with a total of 11,266 m.

- Interpretation of the KGP data identified four targets – Middle East, School, Banana and Northern Swell. Two holes were drilled on Middle East. School target was test drill and intersected mineralized (mainly pyrite) phyllite/shale. Both targets remain unresolved and warrant further work.
- Interpretation of the hydrogeochemistry indicates that targets identified within the KGP grid remained of interest. Anomalous samples are also associated with the 'School' target. Additional targets were identified of which the Nxamasere West remains of interest.
- Hitzman updated the pre-Kalahari geological map and contributed to a new model on a link between iron formation and copper mineralization.
- The CSIRO (Dr Ravi Anand) research suggests that mineralization in the bedrock is transmitted to the Kalahari surface and can be detected using surface sampling.

2016

- ◇ In January FQM notified Tsodilo that it was to terminate the Earn-in Agreement on the back of a major drop of the global copper price.
- ◇ Tsodilo initiated a review of all data collected over the area (historic, published, FQM and Tsodilo) to highlight targets that have either been superficially examined or not investigated at all.
- ◇ These data were plotted separately into four different result types: Recce 1 (metasediments including basement), Recce 2 (metasediments excluding the Kalahari cover and basement lithologies), Recce 3 (Kalahari cover only – KGP results) and Recce 4 (assay results from the hydro-geochemistry). The assay data were gridded and presented for major element (Cu, Ni, Co, Zn, Mo, and Mn) and with Sc-ratios.
- ◇ Combining this with geology (favorable lithologies, faults, thrusts etc.), geophysics (particular magnetics and electromagnetics), alteration and mineralization, eight targets priority-1, six priority-2, and nine priority-3 targets were generated.

2017

- ◇ Interpretation of the Tsodilo and First Quantum data continued and it was concluded that the data from the Kalahari Geochemistry Program (KGP) (the drill program through the Kalahari cover into the weathered bedrock to sample this Kalahari/bedrock interface), was the most representative of the underlying geology. The KGP holes were drilled on a 2 x 2 km grid covering a large area. Based on the interpretation of the combined Tsodilo and First Quantum datasets a final tally of 9 target areas have been identified.
- ◇ Actual drill positions were finalized using geophysics, on each of these nine metal targets in consultation with an independent metals exploration expert.
- ◇ The assay data from the KGP (Kalahari Geochemistry Program) and Deep drilling program were analyzed for gold exploration purposes. Twenty gold targets were defined on a combination of the Au and As anomalies. The gold targets were also compared in details with the copper targets for overlaps.
- ◇ A decision was made to relinquish all the metals licenses in exchange for an initial grant of the seven (7) that form the core holdings of the metals licenses and which contain the iron deposit and copper targets. This transaction was initiated on December 29, 2017 and completed with the issuance of 7 initial grant licenses effective January 1, 2018.

2018

1st Q

- ◇ The metal licenses PL386-395/2008, which contain prospective copper targets have been renewed in its entirety as from 1st January 2018
- ◇ The 9 drill targets for the sedimentary copper targeting exercise have been prioritized in terms of interest.

- ◇ The 6 best targets will be covered by a TerraLeach (TL) sampling program which is highly effective in sandy cover soils but is only at its best when the samples are taken in the dry season.
- ◇ These targets will also be covered by details ground geophysics, mainly magnetics, gravity and/or electro-magnetics, and in conjunctions with the TL results will be used to define drill positions over these targets.
- ◇ Additional TL sampling and ground geophysics is also planned over the mineralized 'skarn' anomalies associated with younger basic intrusions, as well as some of the gold targets.

2nd Q

- ◇ The assay data of the Kalahari Geochemical Project (KGP), which was the drill sampling program of the sub-Kalahari regolith, was used to examine the distribution of the Cobalt results and targets were defined taking the Co ppm and the overburden thickness into account.
- ◇ Initially 29 targets were identified and these were combined with Scandium (Sc). The Scandium data showed prominent positive trends, and given the trends observed in the geophysics and this element's lower mobility it is speculated that these trends may be associated with faults or other pathways associated with fluid migration.
- ◇ The Co anomalies associated with these structural elements, both from geophysics and the Sc trends, have been re-prioritized resulting in 15 priority 1, 2 and 3 targets.
- ◇ A geochemical sampling program to cover the top priority Co and Cu targets has been designed and will commence in Q3. Samples (80 gram of minus 180 micron) are to be collected at 50 m interval on east-west orientated lines 500 m apart.
- ◇ Samples will be analyzed using the TerraLeach assay technique by Intertek Laboratories in Australia. TerraLeach™ technology is designed to remove the "mobile ion" component from soil with a view to detecting metal dispersion from a buried ore-body.
- ◇ A number of gold anomalies were identified also using the KGP regolith data and several of these are associated with Cu targets.

3rd Q

- ◇ Some 14 priority targets for Cu and Co were identified from analyses of the regolith of the Kalahari Geochemical Program (KGP). Three additional targets were highlighted from the Government regional geochemical sampling program conducted in the Ngamiland District between 1997 and 1999.
- ◇ In total 5071 samples were collected over these 17 targets with 80 grams of minus 180 mesh material collected from the sub-deflation zone. Importantly these samples were all collected during the Botswana dry season.
- ◇ The samples from the first target TA9 (357 samples) were consigned to the Intertek Laboratories in Australia and subjected to the TerraLeach partial digestion technique, specially developed for sampling in covered terrains.
- ◇ The following 19 elements were selected for assaying: Ag, As, Au, Bi, Cd, Co, Cu, La, Mo, Ni, Pb, Pd, Pt, Sb, Sn, Th, U, W, Zn.
- ◇ Preliminary results were received and highlighted a number of Cu and Co anomalies on this target. However, these can only be assessed once the verified results have been completed.
- ◇ A review of the gold results is undertaken which has highlighted the need to re-log some of those holes which have recorded positive gold returns in the past. These holes were selected in target areas that were identified during the review process with the emphasis on the deeper core holes in the region.

3. 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, and 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 May 2015.

Notices have been sent to all surface owners of the five farms informing the owners of our intent to access the property to commence exploration activities. Three land owners, holding most of the target ground, have denied access. This issue has been submitted to the Department of Mineral Resources (DMR) for resolution.

A start was made on the Barberton data collation and mapping process. Various open source satellite imagery data sources were examined to obtain the best cloud-cover free open source Landsat and Aster data. This is on-going work and further downloads may be required (hyperspectral data) for the spectral analysis exploration work. Sample gold and other base metal deposit locations (from de Wit's Africa Mineral Database) were plotted up on the imagery and will enable spectral signature mapping for identifying similar areas in the Barberton PL. Currently the focus is on obtaining as much detailed geological data for the PL as possible before starting the imagery analysis and mapping.

Summary of Work Performed as at September 30, 2018

2012

- ◇ The Company made an application for a Prospecting Right (PR) over a prospective area for gold and silver near Barberton in South Africa (Ref: MP30/5/1/1/2/1047PR).

2013

- ◇ The application was accepted by the Department of Mineral Resources (DMR). Consultation was conducted with interested and affected parties and an Environmental Management Plan (EMP) was submitted followed by a site visit by various governmental departments (DMR, EWT, and REMDEC).

2014

- ◇ The application continued to be reviewed by DMR

2015

- ◇ The DMR issued the PR subject to certain subsequent conditions being met.

2016

- ◇ The Company fulfilled all those requirements and the PR together with the EMP became effective as at May 2015 for a period of five years.
- ◇ Notices were sent to the surface owners of all the subdivisions of the five farms that are covered by the PR of the intention of the Company to start work. Three owners, holding most of this target ground, subsequently denied access. This issue has been submitted to the DMR for resolution.
- ◇ A detailed study of all available remote sensing data (satellite, spectral and other available images) was initiated to study the geomorphology, and to map the major structural and geological features. All the known gold and base metal occurrences in the immediate area were georeferenced and added to the database.

- ◇ The detailed airborne magnetic data provided information such as the dip of the target structure. The depth to fresh rock was estimated to be between 185 to 329 m.

2017

- ◇ The issue regarding the three owners refusing access to the target area has been brought to the attention of the BEE partner, Identity Resources (Pty) Ltd, in South Africa. The Department of Mineral Resources (DMR) has been advised and has committed to meet with these owners in order to inform them of our legal rights.
- ◇ The East Northeast – West Southwest orientated mineralized trust zones were incorporated and the areas of intersection with the North South target structure was located on the properties.
- ◇ The Shuttle Radar Topography Mission (SRTM) data was acquired for the properties and the topography highlights the structural grain of the geology.

2018

1st Q

- ◇ A meeting was held with the Department of Mineral Resources in Witbank, South Africa to formulate a strategy to go forward.
- ◇ The DMR was going to forward the largest surface owners of our license with letters outlining our intent.
- ◇ Once the issues with the surface owners have been resolved the Company will commence a mapping exercise based on the remote sensing information verifying various geological features and soil types. Some soil and/or stream samples are planned which is to be followed by a ground magnetic survey to cover the major shear zone which will provide drill targets to intersect this structural feature.
- ◇ A request has been made to access to raw data of the airborne magnetic data, that was flown over the area, in order to model the depths and orientation of the North - South directed shear zone.
- ◇ A visit will be made to the Department of Mineral Resources (DMR) to reiterate the importance that the Company accesses to ground for it to conduct its exploration program.

2nd Q

- ◇ The DMR still has not issued the letters to the surface owners of our intent and until this has been done no legal action can be taken.
- ◇ The Company has been advised to take the matter up with the regional Director to inform him of the lack of action on behalf of the DMR. The Director has been informed and the company is awaiting a response and suggested further action.
- ◇ The analog data for the detailed airborne magnetic data covering the prospecting permits was received and the Company is now awaiting the receipt of the raw data which was agreed to for it to acquire.

3rd Q

- ◇ Letters were sent to the regional Director of the Department of Mineral Resources in South Africa to resolve the issue of access to the land over which the Company has prospecting rights. So far the surface owners have refused access.
- ◇ A new geological map of the Barberton Greenstone belt was received from Prof Maarten de Wit from the Nelson Mandela University and will be used as the new base map for the project.

Exploration and evaluation additions for the year ended September 30, 2018 are summarized as follows:

	Bosoto Botswana		Total Precious Stones	Idada So. Africa	Gcwihaba Botswana	TOTAL
	Project BK 16	Project PL 217		Precious Metals	Metals	
Plant Operations	\$ 236,175	\$--	\$ 236,175	\$--	\$--	\$ 236,175
Drilling Expenditures	--	8,642	8,642	--	10,418	19,060
Amortization Drill Rigs, Vehicles & Trucks	36,307	24,804	61,111	--	18,085	79,196
GIS & Geophysics	9,918	8,262	18,180	--	15,966	34,146
Lab Analyses & Assays	2,334	--	2,334	--	2,322	4,656
License Fees	--	--	--	--	1,677	1,677
Office, Maintenance, & Consumables	46,979	42,515	89,494	--	42,422	131,916
Salaries, Wages & Services	356,430	77,752	434,182	--	58,090	492,272
Balance at September 30, 2018	\$688,143	\$161,975	\$850,118	\$--	\$148,980	\$999,098

Exploration and evaluation additions for the period ended December 31, 2017 are summarized as follows:

	Bosoto Botswana	Idada So. Africa	Gcwihaba Botswana		Subtotal	Total TOTAL
	Precious Stones	Precious Metals	Metals	Radio-Active Minerals		
Drilling Expenditures	\$1,993,249	\$ 224	\$ 27,089	\$ --	\$ 27,089	\$ 2,020,562
Amortization Drill Rigs, Vehicles & Trucks	33,184	--	13,494	--	13,494	46,677
GIS & Geophysics	83,168	--	19,515	--	19,515	102,683
Lab Analyses & Assays	12,184	--	5,882	--	5,882	18,066
License Fees	448	--	2,147	--	2,147	2,595
Office, Maintenance, & Consumables	264,980	1,615	80,823	--	80,823	347,418
Salaries, Wages & Services	489,434	--	84,696	--	84,696	574,130
Balance at December 31, 2017	\$2,876,647	\$1,839	\$233,646	\$--	\$233,646	\$3,112,131

Exploration and evaluation additions for Bosoto Projects for the period ended December 31, 2017 as follows:

	Bosoto Botswana - Precious Stone		TOTAL
	BK16	PL217/2016	
Drilling Expenditures	\$1,962,059	\$31,190	\$1,993,249
Amortization Drill Rigs, Vehicles & Trucks	28,714	4,470	33,184
GIS & Geophysics	43,612	39,556	83,168
Lab Analyses & Assays	9,641	2,543	12,184
License Fees	448	--	448
Office, Maintenance, & Consumables	97,148	167,832	264,980
Salaries, Wages & Services	389,067	100,367	489,434
Balance at December 31, 2017	\$2,530,689	\$345,958	\$2,876,647

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018, the Company had a negative working capital of (\$256,074) [2017: \$2,767,522], which included cash of \$20,048 (2017: \$2,461,158). These funds are managed in-house in accordance with specific investment criteria approved by the board of directors, the primary objective being the preservation of capital to assure funding for exploration activities. The Company received net proceeds of \$466,534 and \$5,921,437, from the sale of common shares and warrant units as a result of the private placement which closed on April 29, 2016, and December 12, 2016, respectively. On September 28 2017, the Company sold royalty interest for \$1,500,000 (see Financing Activities below).

Financial Instruments

The carrying amounts reflected in the consolidated Statement of Financial Position for cash, accounts receivable, accounts payable, and accrued liabilities approximate their fair values due to the short maturities of these instruments. Certain of the Company's warrants are classified as derivative liabilities and are recorded at their estimated fair value. The liability recognized at September 30, 2018 for those warrants is NIL (2017: NIL). The Company is not required to pay cash to the holders of the warrants to settle this liability. Due to the nature of the Company's operations, there is no significant credit or interest rate risk.

Operating Activities

Cash outflow used in operating activities before working capital adjustment decreased from (\$672,050) the period ended September 30, 2017 to (\$466,771) for the year ended September 30, 2018. Most operating expenses were decreased for the year ended September 30, 2018 in total by \$257,516 compared to 2017. The large operating expense reductions for 2018 were in corporate remuneration (\$46,198), investor relations (\$76,743), administrative expenses (\$39,603) and stock-based compensation (\$52,192) compared to 2017. The largest impact on Comprehensive income (loss) for the period was the foreign currency translation gain which was a \$90,983 gain in 2017 and (\$527,862) loss in 2018.

Annual Information
(in US Dollars)**Fiscal Period**
September 30, 2018**Fiscal Year**
December 31, 2017

Net loss for the year	(\$733,204)	(\$1,301,378)
Basic loss per share	(\$0.02)	(\$0.03)
Basic diluted loss per share	(\$0.02)	(\$0.03)
Total other comprehensive income (loss)	(527,862)	373,806
Total comprehensive income (loss) for the year	(1,261,066)	(927,572)
Basic comprehensive loss per share	(\$0.03)	(\$0.02)
Diluted comprehensive loss per share	(\$0.03)	(\$0.02)
Total assets	\$6,982,227	\$7,845,863
Total long term liabilities	--	--
Cash dividend	--	--

Quarterly Information
(in US Dollar)**Quarter 1** **Quarter 2** **Quarter 3** **Quarter 4****Fiscal Period ended December 31, 2017**

Net income (loss) for the period	(\$311,018)	(\$416,914)	(\$307,291)	(\$266,155)
Basic income (loss) per share	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)
Diluted basic income (loss) per share	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)
Comprehensive income (loss) for the period	(225,849)	(\$293,941)	(\$424,450)	16,668
Basic comprehensive income (loss) for the period	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)
Diluted comprehensive income (loss) per share	(\$0.00)	(\$0.01)	(\$0.01)	\$0.00
Total assets	\$8,285,854	\$8,168,529	\$7,744,583	\$7,845,863
Total long term liabilities	--	--	--	--

Quarterly Information
(in US Dollars)**Quarter 1** **Quarter 2** **Quarter 3** **Quarter 4****Fiscal Period ended September 30, 2018**

Net income (loss) for the period	(\$285,524)	(\$239,001)	(\$208,679)	
Basic income (loss) per share	(\$0.01)	(\$0.00)	(\$0.01)	
Diluted basic income (loss) per share	(\$0.01)	(\$0.00)	(\$0.01)	
Comprehensive income (loss) for the period	151,822	(1,061,034)	(351,854)	
Basic comprehensive income (loss) for the period	(\$0.00)	(\$0.02)	(\$0.01)	
Diluted comprehensive income (loss) per share	(\$0.00)	(\$0.02)	(\$0.01)	
Total assets	\$8,074,849	\$7,157,478	\$6,982,227	
Total long term liabilities	--	--	--	

Investing Activities

Cash flow applied in investing activities increased to (\$914,510) for the period ended September 30, 2018 [2017: (\$529,158)].

Total expenditures of \$914,510 on exploration properties for the period ended September 30, 2018 were attributable to the Newdico, Gcwihaba and Bosoto projects in northwest Botswana and the Idada project in Barberton, South Africa. There no longer are expenses and funding for the exploration of the Newdico project.

Financing Activities

The Company finances its corporate and exploration activities through the issuance of equity units by way of non-brokered private placements. Each unit has consisted of one common share of the Company and one or one-half a warrant with each full such warrant entitling the holder to purchase one common share of the Company for a purchase price equal to the unit price for a period of two to five years from the date of issuance.

Private Placement Date	No. of Units	Price per Unit CAD	Net Proceeds USD
None for 2017 & 2018	--	--	--
Warrant Exercise Date	No. of Shares	Price per Share	Proceeds USD
None	--	--	--
Options Exercised Date	No. of Shares	Price per Share	Proceeds USD
None	--	--	--

Private placements took place on April 29, 2016 and December 12, 2016, from which the Company received net proceeds of \$466,534 and \$5,921,437 respectively from the sale of common shares and warrant units.

The Company sold royalties on September 28, 2017 receiving net proceeds of \$1,500,000 (2016: NIL).

In the third quarter of 2017 the Company reached an agreement with Sandstorm Gold Ltd. ("Sandstorm") (NYSE MKT: SAND, TSX: SSL) to grant royalties on three projects in consideration of the payment of \$1,500,000.

The package of assets in the Royalty Sale includes:

1. the grant of a 1% NSR on the Company's wholly owned Botswana subsidiary Gcwihaba Resources (Pty) Ltd. prospecting metal licenses in northwest Botswana;
2. the grant of a 1% GPR on the Company's Botswana wholly owned subsidiary Bosoto (Pty) Ltd. precious stone prospecting license (PL217/2016) located in the Orapa Kimberlite Field; and,
3. the grant of a 1% NSR on the Company's 70% owned South African subsidiary Idada 361 (Pty) Ltd. gold and silver prospecting license located in the Barberton Greenstone Belt in the Mpumalanga province of South Africa.

Sandstorm shall have a right of first refusal with respect to any third-party *bona fide* offers to purchase a metal or precious stone royalty on the properties.

Tsodilo expects to raise the amounts required to fund the Gcwihaba, Bosoto and Idada projects and corporate general and administration expenses, by way of non-brokered private placements and joint ventures.

RESULTS OF OPERATIONS

On a consolidated basis, the Company recorded a comprehensive net loss of \$1,261,066 for the period ended September 30, 2018 [\$0.03 per common share] compared to a comprehensive net loss of (\$944,241) for the period ended September 30, 2017 (\$0.02 per common share). The change in the loss in 2018 was lower across most expense categories in 2018 compared to 2017.

Total capitalized exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to net \$6,455,169 as at September 30, 2018 compared to \$4,620,575 as at September 30, 2017. Total capitalized exploration expenditures incurred on Gcwihaba's projects as at September 30, 2018 were \$2,705,896 compared to \$2,913,097 as at September 30, 2017. A net exchange translation difference accounted for a \$256,228 decrease and a royalty sale accounted for a \$778,578 decrease. Total capitalized exploration expenditures incurred on Bosoto's projects as at September 30, 2018 were \$4,356,310 compared to \$2,196,390 as at September 30, 2017. A net exchange translation difference accounted for a \$338,478 decrease and a royalty sale accounted for a \$615,087 decrease. Total capitalized exploration expenditures incurred on Idada's projects as at September 30, 2018 were \$8,050 compared to (\$488,911) as at September 30, 2017. A net exchange translation

difference accounted for a \$1,539 decrease and a royalty sale accounted for a \$2,531 decrease. The principal components of the Newdico, Gcwihaba, Bosoto and Idada exploration program were: (a) additional soil sampling and the completion of the processing and analysis of the soil samples; (b) commissioning of further ground magnetic surveys of selected aeromagnetic anomalies; (c) analyzing detailed proprietary aeromagnetic maps covering the target areas; and (d) commencement of a diamond core drilling program on selected targets. A table is presented in the Exploration and Evaluation Additions section above with specific details.

PERSONNEL

At September 30, 2018, the Company and its subsidiaries employed twenty-two (22) compared to twenty-six (26) at September 30, 2017, including senior officers, administrative and operations personnel including those on a short-term service basis.

PERIOD ENDED SEPTEMBER 30, 2018

The period ended September 30, 2018 was a normal operating year. Operating expenses were at normal levels for the year except for those expenditures on the Bosoto BK16 project as those expenditures were at an increased level given the costs associated with the evaluation process. See discussion under operating activities above.

RISKS AND UNCERTAINTIES

Operations of the Company are speculative due to the high risk nature of its business which includes acquisition, financing, exploration and development of diamond and metal properties (collectively "mineral"). Material risk factors and uncertainties, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set below. Any one or more of these risks and others could have a material adverse effect on the Company.

Additional Funding Requirements

Further development and exploration of the various mineral projects in which the Company holds an interest depends upon the Company's ability to obtain financing through equity or debt financing, joint ventures or other means. While the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be successful in obtaining additional financing in the amount and at the time required and, if available, that it can be obtained on terms satisfactory to the Company.

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 \$733,204 and comprehensive loss of \$1,261,066 during the period ended September 30, 2018, and as of that date the Company had an accumulated deficit of \$48,599,592 and negative net working capital of (\$256,074). Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is not sufficient to finance exploration and resource evaluation at the projected levels, and to finance continued operations for the 12 month period subsequent to September 30, 2018. The continuity of the Company's operations is 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.

Management believes that it will be able to secure the necessary 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. There

can be no assurance that adequate financing will be available, or available under terms favorable to the Company. The Company received net proceeds of \$466,534 and \$5,921,437 from the issuance of common shares and warrant units as a result of the private placement which closed on April 29, 2016 and December 12, 2016 respectively. The Company received \$1,500,000 from the sale of royalties on September 28, 2017.

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 operation and comprehensive income (loss), and consolidated statement of financial position classifications that would be necessary were the going concern assumption not appropriate.

Failure to obtain equity or debt financing on a timely basis may cause the Company to postpone its exploration and development plans or forfeit rights in some of its projects.

Uncertainties Related to Mineral Resource Estimates

There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on mineral prices. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there is no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a mineral project is complicated and involves a number of variables.

Commodity Prices and Marketability

The mining industry, in general, is intensely competitive and there is no assurance that, even if commercial quantities of minerals are discovered, a profitable market will exist for the sale of minerals produced. Factors beyond the control of the Company may affect the marketability of any minerals produced and which cannot be accurately predicted, such as market fluctuations, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, any combination of which factors may result in the Company not receiving an adequate return on investment capital. Prices received for minerals produced and sold are also affected by numerous factors beyond the Company's control such as international economic and political trends, global or regional consumption and demand and supply patterns. There is no assurance that the sale price of minerals produced from any deposit will be such that they can be mined at a profit.

Currency Risk

The Company's business is mainly transacted in Botswana Pula and U.S. dollar currencies. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating results of the Company in either a positive or negative direction.

Foreign Operations Risk

The Company's current significant projects are located in Botswana. This exposes the Company to risks that may not otherwise be experienced if its operations were domestic. The risks include, but are not limited to, environmental protection, land use, water use, health safety, labor, restrictions on production, price controls, currency remittance, and maintenance of mineral tenure and expropriation of property. There is no assurance that future changes in taxes or

such regulation in the various jurisdictions in which the Company operates will not adversely affect the Company's operations. Although the operating environments in Botswana are considered favorable compared to those in other developing countries, there are still political risks. These risks include, but are not limited to terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business.

Mineral Exploration and Development

The business of exploring for minerals and mining is highly, speculative in nature and involves significant financial and other risks which even careful evaluation, experience and knowledge may not eliminate. There is no certainty that expenditures made or to be made by the Company in exploring and developing mineral properties in which it has an interest will result in the discovery of commercially mineable deposits. Most exploration projects do not result in the discovery of commercially mineable deposit. While discovery of a mineral deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There can be no guarantee that exploration programs carried out by the Company will result in the development of profitable mining operations.

Title Matters

Any changes in the laws of Botswana and South Africa relating to mining could have a material adverse effect to the rights and title to the interests held in those countries by the Company. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

Infrastructure

Exploration, development, mining and processing activities depend on the availability of adequate infrastructure. Reliable roads, bridges, sewer and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance of provision of such infrastructure could adversely affect activities and profitability of the Company.

Uninsured Risks

The mining business is subject to a number of risks and hazards including, but not limited to, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to mineral properties or facilities, personal injury or death, environmental damage, delays in exploration, development or mining, monetary losses and possible legal liability. The Company maintains insurance against certain risks that are associated with its business in amounts that it believes to be reasonable at the current stage of operations. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim.

Key Personnel

The Company is dependent upon on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company currently does not have key personal insurance on these individuals.

ADOPTION OF NEW ACCOUNTING STANDARDS

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 Company assessed the potential effect of IFRS 16 on its consolidated financial statements, and determined that there would be no material impact.

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. No material impact is expected from IFRS 9.

RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2018	2017
Short term employee remuneration and benefits	\$322,502	\$322,502
Stock based compensation	76,574	88,428
Post employment benefits*	83,852	49,614
Total compensation attributed to key management personnel	<u>\$482,928</u>	<u>\$460,544</u>

*Post employment benefits include \$21,522 of accrued leave benefits through September 30, 2018.

During the quarter an individual related to the CEO provided administrative and management services to the Company in 2018 and was remunerated in 2018 in the amount of \$27,000 (2017: \$27,000).

During the period, two individuals related to key personnel of the company, received \$10,685 in stock based compensation during the quarter (2017 \$88,428).

OUTLOOK

Precious stones and metals exploration remain a high-risk undertaking requiring patience and persistence. Despite difficult capital markets in the junior resource sector and the general decrease in commodity prices, the Company remains committed to international commodity exploration through carefully managed programs.

The company does not invest in financial instruments, nor does it do any hedging transactions.

ADDITIONAL INFORMATION

Additional information relating to Tsodilo Resources Limited is available on its website at, www.TsodiloResources.com or through SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The Annual Report, including this MD&A, contains certain forward-looking statements related to, among other things, expected future events and the financial and operating results of the Company. Forward-looking statements are subject to inherent risks and uncertainties including, but not limited to, market and general economic conditions, changes in regulatory environments affecting the Company's business and the availability and terms of financing. Other risks are outlined in the Uncertainties and Risk Factors section of this MD&A. Consequently, actual results and events may differ materially from those included in, contemplated or implied by such forward looking statements for a variety of reasons. Readers are therefore cautioned not to place undue reliance on any forward-looking statement. The Company disclaims any intention and assumes no obligation to update any forward-looking statement even if such information becomes available as a result of future events or for any other reason.

/s/

James M. Bruchs
Chairman and Chief Executive Officer

/s/

Gary A. Bojes
Chief Financial Officer