



# **TSODILO RESOURCES LIMITED**

## **Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2019 and 2018**

**(expressed in United States dollars)  
Unaudited – Prepared by Management**

**These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent 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 condensed interim consolidated financial statements have been authorized for release by the Company’s Board of Directors on November 25, 2019.**

### ***CONTENTS:***

Condensed Interim:  
Statement of Financial Position  
Statement of Operations  
Statements of Shareholders’ Equity  
Statement of Cash Flows

# Financial Reporting Responsibility of Management

## Management's Responsibility for Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Tsodilo Resources Limited, ("Tsodilo" or the "Company") of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34- Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

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

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

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed unaudited interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

DATED this 25<sup>th</sup> day of November, 2019.

TSODILO RESOURCES LIMITED

"s"

James M. Bruchs  
Chairman and Chief Executive Officer  
November 25, 2019

"s"

Gary A. Bojes  
Chief Financial Officer  
November 25, 2019

**Tsodilo Resources Limited****Condensed Interim Consolidated Statements of Financial Position**

(In United States dollars)

	<b>September 30 2019</b>	September 30 2018	December 31 2018
<b>ASSETS</b>			
<b>Current</b>			
Cash	<b>\$ 50,547</b>	\$ 20,048	\$ 7,481
Restricted cash	--	--	--
Accounts receivable and prepaid expenses	<b>89,362</b>	73,566	47,937
<b>Total Current Assets</b>	<b>139,909</b>	93,614	55,418
Exploration and Evaluation Assets (note 3)	<b>6,906,032</b>	6,455,169	6,699,462
Property, Plant and Equipment (note 4)	<b>324,495</b>	433,424	403,343
<b>Total Assets</b>	<b>\$ 7,370,436</b>	\$ 6,982,207	\$ 7,158,223
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (note 9)	<b>\$ 510,337</b>	\$ 349,708	\$ 481,820
Current notes payable (notes 6 and 9)	<b>206,112</b>	--	--
<b>Total Current Liabilities</b>	<b>716,449</b>	349,708	481,820
<b>Non-current notes payable (notes 5 and 9)</b>	<b>613,337</b>	--	464,343
<b>Total Liabilities</b>	<b>1,329,786</b>	349,708	946,163
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (note 7a)	<b>49,281,890</b>	49,281,890	49,281,890
Contributed surplus (note 7c)	<b>11,671,405</b>	11,584,900	11,579,495
Foreign currency translation reserve	<b>(5,966,671)</b>	(5,634,699)	(5,767,500)
Deficit	<b>(48,945,974)</b>	(48,599,592)	(48,881,825)
<b>Total Equity</b>	<b>6,040,650</b>	6,632,499	6,212,060
<b>Total Liabilities and Equity</b>	<b>\$ 7,370,436</b>	\$ 6,982,207	\$ 7,158,223

**Nature of operations** (note 1)**Commitments and contingencies** (note 12)**Subsequent events** (note 14)*See accompanying notes to the condensed interim consolidated financial statements***APPROVED ON BEHALF OF THE BOARD OF DIRECTORS**

"s"

Jonathan R. Kelafant  
Chairman, of the Audit Committee

"s"

James M. Bruchs  
Chairman and CEO

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30 2019</b>	September 30 2018	<b>September 30 2019</b>	September 30 2018
<b>Administrative Expenses</b>				
Corporate remuneration	\$ 108,055	\$ 105,907	\$ 320,244	\$ 320,102
Corporate travel and subsistence	2	257	1,044	1,509
Investor relations	4,978	(1,453)	5,939	3,507
Legal and audit	1,308	754	6,114	10,998
Filings and regulatory fees	13,191	4,623	15,088	17,074
Administrative expenses	29,697	38,324	80,375	113,590
Amortization	742	311	742	934
Stock-based compensation (note 7c)	26,696	58,982	91,909	258,187
	<b>184,669</b>	207,705	<b>521,455</b>	725,901
<b>Other Income (Expense)</b>				
Rental Income, net of cost	249,744	--	458,193	--
Interest Income	1	6	4	9
Impairment (note 3)	966	--		
Foreign exchange gain (loss)	1	(980)	(890)	(7,312)
	<b>250,712</b>	(974)	<b>457,306</b>	(7,303)
<b>Loss for period</b>	<b>66,043</b>	(208,679)	<b>(64,149)</b>	(733,204)
<b>Other Comprehensive Gain/(Loss)</b>				
Foreign currency translation	(312,842)	(143,175)	(199,171)	(527,862)
<b>Total Other Comprehensive Gain/(Loss)</b>	<b>(312,842)</b>	(143,175)	<b>(199,171)</b>	(527,862)
<b>Total Comprehensive Income (Loss) for the period</b>	<b>(\$ 246,799)</b>	(\$ 351,854)	<b>(\$ 263,320)</b>	(\$ 1,261,066)
Basic loss per share (note 8)	<b>(\$0.01)</b>	(\$0.01)	<b>(\$0.01)</b>	(\$0.02)
Basic comprehensive (note 8)	<b>(\$0.01)</b>	(\$0.01)	<b>(\$0.01)</b>	(\$0.03)

See accompanying notes to the condensed interim consolidated financial statements

**Tsodilo Resources Limited**

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(In United States dollars except for shares)

	Share Capital		Contributed Surplus	Foreign Translation Reserve	Deficit	Total Equity
	Shares Issued	Amount	Stock-based compensation & Other			
<b>Balance January 1, 2019</b>	<b>45,347,310</b>	<b>\$49,281,890</b>	<b>\$11,579,495</b>	<b>(\$5,767,500)</b>	<b>(\$48,881,825)</b>	<b>\$6,212,060</b>
Units Issued	--	--	--	--	--	--
Warrants Expiry	--	--	--	--	--	--
Stock Based Compensation	--	--	91,910	--	--	91,910
Comprehensive loss	--	--	--	(199,171)	(64,149)	(263,320)
<b>Balance September 30, 2019</b>	<b>45,347,310</b>	<b>\$49,281,890</b>	<b>\$11,671,405</b>	<b>(\$5,966,671)</b>	<b>(\$48,945,974)</b>	<b>\$6,040,650</b>

	Share Capital		Contributed Surplus	Foreign Translation Reserve	Deficit	Total Equity
	Shares Issued	Amount	Stock-based compensation & Other			
<b>Balance January 1, 2018</b>	<b>45,347,310</b>	<b>\$49,281,890</b>	<b>\$11,327,971</b>	<b>(\$5,106,837)</b>	<b>(\$47,866,388)</b>	<b>\$7,636,636</b>
Units Issued	--	--	--	--	--	--
Warrants Expiry	--	--	--	--	--	--
Additional Paid in Capital – Subsidiary Purchase, Other	--	--	--	--	--	--
Stock Based Compensation	--	--	256,929	--	--	256,929
Comprehensive loss	--	--	--	(527,862)	(733,204)	(1,261,066)
<b>Balance September 30, 2018</b>	<b>45,347,310</b>	<b>\$49,281,890</b>	<b>\$11,584,900</b>	<b>(\$5,634,699)</b>	<b>(\$48,599,592)</b>	<b>(\$6,632,499)</b>

See accompanying notes to the condensed interim consolidated financial statements.

**Tsodilo Resources Limited****Condensed Interim Consolidated Statements of Cash Flows**

(In United States dollars)

	<b>Periods Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net Loss for the period	(\$ 64,149)	(\$ 733,204)
Adjustments for non-cash items:		
Impairment		--
Amortization	742	934
Foreign exchange loss (gain)	890	7,312
Stock-based compensation	91,909	258,187
	<b>29,392</b>	<b>(466,771)</b>
Net change in non-cash working capital balances <i>(note 13)</i>	<b>193,204</b>	304,299
	<b>222,596</b>	<b>(162,472)</b>
<b>Investing Activities</b>		
Additions to exploration properties	<b>(340,604)</b>	(914,510)
Additions to property, plant and equipment	--	--
	<b>(340,604)</b>	<b>(914,510)</b>
<b>Financing Activities</b>		
Royalties Sold	--	--
Shares and warrants issued for cash	--	--
Share issuance cost	--	--
Non-current notes payable <i>(note 5)</i>	<b>148,994</b>	--
	<b>148,944</b>	--
Impact of exchange on cash	<b>12,080</b>	(19,165)
<b>Change in cash - for the period</b>	<b>43,066</b>	(1,096,147)
<b>Cash - beginning of year</b>	<b>7,481</b>	1,116,195
<b>Cash - end of period</b>	<b>\$ 50,547</b>	<b>\$ 20,048</b>

*See accompanying notes to the condensed interim consolidated financial statements*

## **Tsodilo Resources Limited**

### **Notes to the Condensed Interim Consolidated Financial Statements**

For the periods ended September 30, 2019 and 2018  
(All amounts are in U.S. dollars unless otherwise noted)

#### **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 condensed interim 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 \$64,149 and comprehensive loss of \$263,320 during the period ended September 30, 2019 and as of that date, the Company had an accumulated deficit of \$48,945,974 and negative working capital of (\$576,540). The Company has not generated significant revenues or cash flows from operations since inception and does not expect to do so for the foreseeable future. The Company's continuation as a going concern depends on its ability to successfully raise financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company; therefore giving rise to a material uncertainty which may cast significant doubt as to whether the Company's cash resources and working capital will be sufficient to enable the Company to continue as a going concern for the 12-month period after the date of these condensed interim consolidated Financial Statements.

Consequently, management is pursuing various financing alternatives to fund operations and advance its business plan. To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company may determine to reduce the level of activity and expenditures further, or divest of certain mineral property assets, to preserve working capital and alleviate any going concern risk.

The condensed interim consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future; and do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## 2. Significant Accounting Policies

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

These condensed interim 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 condensed interim consolidated financial statements have been authorized for release by the Company’s Board of Directors on November 25, 2019.

(b) **Basis of Preparation**

These condensed interim 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 condensed interim consolidated financial statements are presented in United States dollars and include the accounts of the Company and the following direct and indirect subsidiaries:

ENTITY	2018	2017
Tsodilo Resources Bermuda Limited (“TRBL”) [Bermuda]	100%	100%
Bosoto (Proprietary) Limited (“Bosoto”) [Botswana]	100%	100%
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 condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies 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 accrued liabilities, 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 radioactive 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 (loss) attributable to common shareholders for the period divided by the weighted average number of common shares issued and outstanding during the period.

Diluted earnings per share calculations are based on the net income (loss) attributable to common shareholders for the period divided by the weighted average number of common shares outstanding during the period 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 period (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 period. 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 note 3 for additional disclosures related to license commitments and strategic partners commitments and earn-in agreement.

**(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:

Hangar (over remaining life of land lease)	9 Years
Vehicles	5 Years
Furniture and equipment	3 – 4 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 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 functional 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 period. On consolidation, the exchange differences arising on the translation are recognized in other comprehensive loss and accumulated in the foreign currency 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 and directors, whereby services are rendered as consideration for equity instruments (equity-settled transactions). 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 no portions were capitalized. Upon participants' retirement from their duties, their shares are forfeited and any charges already recognized relating to unvested options are reversed. When an award is cancelled by the entity or by the counterparty, any remaining element of fair value of the award is expensed immediately through profit or loss.

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 for full-time employees 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**

Under IAS 39, all financial assets were classified as loans and receivables. Under IFRS 9, all financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, fair value through other comprehensive income ("FVOCI") or at fair value through profit or loss ("FVTPL"). All of the Company's financial assets are classified as amortized cost, being subsequently measured at amortized cost using the effective interest rate method.

**(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. The Company's accounts payable, non-current notes 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 period, 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 period. 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. No impairment adjustments were recognized in 2019 and 2018.

(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**

**New standards adopted as at January 1, 2018**

*IFRS 9, Financial Instruments ("IFRS 9")*

Effective January 1, 2018, the Company has adopted IFRS 9 on a full retrospective basis with restatement of comparative periods in accordance with the transitional provision of IFRS 9. IFRS 9 sets out requirements for recognizing financial assets and liabilities and replaces IAS 39, Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 resulted in all financial assets previously classified as loans and receivables being classified as amortized cost. There was no change in the classification of financial liabilities. The adoption of IFRS 9 didn't have any impact on the measurement of financial assets; therefore, comparative figures have not been restated.

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

(q) **New Standards, Amendments and Interpretations not yet adopted by the Company**

At the date of authorization of these condensed interim consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's condensed interim consolidated financial statements is provided below. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Company's condensed interim consolidated financial statements.

*IFRS 16, Leases ("IFRS 16")*

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are two important reliefs provided by IFRS 16 for assets of low value and short-term lease of less than 12 months.

IFRS 16 standard is effective for annual periods beginning on or after 1 January 2019.

The Company will adopt IFRS 16 on January 1, 2019 with modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognized as an adjustment at the date of initial application. Comparative information is not restated. The Company has interpreted that its leases are of low value and not requiring changes.

### 3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are summarized as follows:

	Project BK 16	Bosoto Botswana Project PL 217	Total Precious Stones	Idada So. Africa Precious Metals	Gcwihaba Botswana Metals	TOTAL
<b>Balance at December 31, 2017</b>	<b>\$2,888,008</b>	<b>\$293,853</b>	<b>\$3,181,861</b>	<b>\$9,220</b>	<b>\$2,752,737</b>	<b>\$5,943,818</b>
Additions	861,834	253,879	1,115,713	--	243,551	1,359,264
Net Exchange Differences	(312,824)	(45,694)	(358,518)	(1,318)	(243,784)	(603,620)
<b>Balance at December 31, 2018</b>	<b>\$3,437,018</b>	<b>\$502,038</b>	<b>\$3,939,056</b>	<b>\$7,902</b>	<b>\$2,752,504</b>	<b>\$6,699,462</b>
Additions	157,919	124,841	282,860	--	130,576	416,436
Net Exchange Differences	(111,583)	(19,861)	(131,044)	(371)	(75,451)	(206,866)
<b>Balance at September 30, 2019</b>	<b>\$3,483,354</b>	<b>\$607,518</b>	<b>\$4,090,872</b>	<b>\$7,531</b>	<b>\$2,807,629</b>	<b>\$6,906,032</b>

Exploration and evaluation additions for the period ended September 30, 2019 are summarized as follows:

	Project BK 16	Bosoto Botswana Project PL 217	Total Precious Stones	Idada So. Africa Precious Metals	Gcwihaba Botswana Metals	TOTAL
Plant Operations	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Drilling Expenditures	13,418	207	13,624	--	8,388	22,012
Amortization Drill Rigs, Vehicles & Trucks	32,161	25,794	57,955	--	14,877	72,832
GIS & Geophysics	--	--	--	--	--	--
Lab Analyses & Assays	8,417	--	8,417	--	--	8,417
License Fees	--	--	--	--	1,695	1,695
Office, Maintenance, & Consumables	18,660	3,084	21,745	--	11,019	32,768
Salaries, Wages & Services	85,263	95,586	181,119	--	94,597	275,717
<b>Balance at September 30, 2019</b>	<b>\$157,919</b>	<b>\$124,941</b>	<b>\$282,860</b>	<b>\$</b>	<b>\$130,576</b>	<b>\$413,436</b>

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

	Project BK 16	Bosoto Botswana Project PL 217	Total Precious Stones	Idada So. Africa Precious Metals	Gcwihaba Botswana Metals	TOTAL
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
<b>Balance at September 30, 2018</b>	<b>\$688,143</b>	<b>\$161,975</b>	<b>\$850,118</b>	<b>\$--</b>	<b>\$148,980</b>	<b>\$999,098</b>

## **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.

## **Exploration and Evaluation Assets (Royalties)**

In the 3<sup>rd</sup> Q 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 USD.

The package of assets in the Royalty Sale includes:

- ◇ the grant of a 1% NSR on the Company's wholly owned Botswana subsidiary Gcwihaba Resources (Pty) Ltd. prospecting metal licenses in northwest Botswana;
- ◇ 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,
- ◇ 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.

The Company has reclassified \$1,500,000 proceeds from the sale of royalties from financing to investing activities in the condensed interim consolidated statement of cash flows for the year ended December 31, 2017, to conform with the consolidation statement of financial position treatment as a reduction of its exploration and evaluation assets.

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

The Company's current seven metal (base, precious, platinum group, and rare earth) Prospecting Licences have evolved with time into a package which covers some 4,920.50 square kilometers and collectively have a proposed minimum spending commitment of BWP 1,753,815 (\$163,282 USD as at September 30, 2019) if held to their full three-year initial term.

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

Tsodilo was granted prospecting license (PL369/2014) over the BK16 kimberlite pipe through its 100% owned Botswana subsidiary, Bosoto Pty (Ltd) effective October 1, 2014. The license has been renewed for two consecutive 2-year terms to September 30, 2021. The diamondiferous BK16 kimberlite pipe is located within the Orapa Kimberlite Field 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 estimated that it would take BWP 40,002,000 (\$3,724,220 USD as at September 30, 2019) in expenditures, goods and services over the two-year renewal period to continue the evaluation of 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 Ministry of Mineral Resources, Green Technology and Energy Security (MMGE). At any point the work plan may be amended and a new work plan agreed to with the MMGE.

PL 217/2016 is situated within the Orapa Kimberlite Field and is located 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.

PL217/2016 has an initial grant term of three (3) years effective January 1, 2017 to be followed by 2 two-year renewal periods. The license comprises 580 square kilometers and has a proposed minimum spending commitment of BWP 2,138,700 (\$199,715 USD as at September 30, 2019) if held to the furthest out initial full-term to December 31, 2019. The license has an initial grant term of three (3) years to be followed by 2 two-year renewal periods.

#### **Newdico (Pty) Ltd – Botswana**

In 2019, Newdico evaluated various land packages within Botswana for application of initial prospecting licenses or joint venture opportunities on existing prospecting licenses held by others and will continue to do so in 2019. In the second quarter of 2019, Newdico filed an application for an initial prospecting license which is currently in review. The company also provides exploration services to associated companies on an as needed basis.

#### **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 as of May 2015.

Several of the land owners have notified the Company of their intent to deny access for exploration activities. A meeting was held with the Department of Mineral Resources (DMR) in Witbank, South Africa to formulate a strategy to go forward. DMR committed as per established procedure to issue letters reiterating the Company's right to have access to the license area. To date, the DMR has not issued the aforementioned letters and the Company has again approached the DMR to follow through on their obligation to resolve the access. Once the land access issue has been resolved the Company will commence its exploration activities.

During the quarter, the Company was informed that certain portions of our license areas were designated as a World Heritage site by UNESCO. UNESCO has informed the Company that in accordance with the Operational Guidelines for

the Implementation of the World Heritage Convention, UNESCO are investigating the situation that the Company brought to their attention. UNESCO has informed us that according to IUCN, the Advisory Body to the intergovernmental World Heritage Committee concerning nominations of natural heritage sites on the World Heritage List, the overlapping prospecting licence on the western portion of the property or of the presence of Tsodilo Resources Ltd was not brought to the attention of IUCN during the evaluation process. The documentation related to the evaluation and inscription of the site on the World Heritage List from UNESCO's website at: <http://whc.unesco.org/en/list/1575/documents>.

As the responsibility for nominating sites to the World Heritage List and the management and protection of the World Heritage properties inscribed is under the authority of the State Party of South Africa, UNESCO will contact the national authorities to seek their clarifications on this matter.

The license comprises 9,033 hectares and has a proposed minimum spending commitment of SA Rand 2,116,527 (\$140,243 USD as at September 30, 2019) if held to the furthest out initial full-term to May 2020. All expenditures have been curtailed until such time as access to the license area is provided.

#### 4. PROPERTY, PLANT, AND EQUIPMENT

##### Property, Plant, and Equipment

<b>Cost</b>	<b>Hangar</b>	<b>Vehicles</b>	<b>Furniture and Equipment</b>	<b>Total</b>
As at December 31, 2017	\$199,720	\$ 1,364,439	\$ 550,226	\$ 2,114,385
Disposals	--	(18,952)	-	(18,952)
Net Exchange Difference	(16,940)	(115,731)	(42,398)	(175,069)
As at December 31, 2018	\$182,780	\$1,229,756	\$507,828	\$1,920,364
	<b>Hangar</b>	<b>Vehicles</b>	<b>Furniture and Equipment</b>	<b>Total</b>
at December 31, 2018	\$182,780	\$1,229,756	\$507,828	\$1,920,364
Additions	--	--	--	--
Net Exchange Difference	(4,000)	(26,911)	(10,012)	(40,923)
As at September 30, 2019	\$178,780	\$1,202,845	\$497,816	\$1,879,441

##### Accumulated Depreciation

	<b>Hangar</b>	<b>Vehicles</b>	<b>Furniture and Equipment</b>	<b>Total</b>
As at December 31, 2017	\$22,701	\$ 1,315,552	\$ 227,686	\$ 1,565,939
Depreciation	20,123	12,185	66,454	98,762
Disposals	--	(18,952)	--	(18,952)
Net Exchange Difference	(2,579)	(111,583)	(14,566)	(128,728)
As at December 31, 2018	\$40,245	\$1,197,202	\$279,574	\$1,517,021
	<b>Hangar</b>	<b>Vehicles</b>	<b>Furniture and Equipment</b>	<b>Total</b>
As at December 31, 2018	\$40,245	\$1,197,202	\$279,574	\$1,517,021
Depreciation	14,762	7,961	47,319	70,042
Disposals	--	--	--	--
Net Exchange Difference	(204)	(26,201)	(5,712)	(32,117)
As at September 30, 2019	\$54,803	\$1,178,962	\$321,181	\$1,554,946

## Net book value

As at December 31, 2018	\$142,535	\$32,554	\$228,254	\$403,343
<b>As at September 30, 2019</b>	<b>\$123,977</b>	<b>\$23,883</b>	<b>\$176,635</b>	<b>\$324,495</b>

For the period ended September 30, 2019, an amount of \$72,837 (2018: \$74,999) of amortization has been capitalized under exploration properties.

## 5. NON-CURRENT NOTES PAYABLE

In 2018, and on February, 1 June 30 and September 30, 2019, long-term notes were issued for \$464,373, \$85,000, \$280,847 and \$36,462 respectively from related parties, contractors and employees as settlement of compensation, service fees and expenses payable. The notes have an annual interest rate of 8% per annum and are due September 30, 2020, December 30, 2020 and January 31, 2021. The notes carry a termination fee of 10% upon early redemption of the notes for which there is an embedded derivative arising – the fair value of this is \$NIL. There was no material gain / (loss) arising on this. In addition, at the option of the note holders, the notes can be converted to stock during future private placements at the price, that raise a minimum of CAD \$500,000. \$423,865 of the notes are from related parties (see note 9).

Date	Base Amount	Interest Rate	Termination fee	Maturity Date
1-Oct-18	\$20,000	8%	\$2,000	30-Sep-20
31-Dec-18	\$444,343	8%	\$44,344	30-Dec-20
1-Feb-19	\$85,000	8%	\$8,500	31-Jan-21
30-Jun-19	\$84,149	8%	\$ 8,415	30-Dec-20
30-Sept-19	\$36,462	8%	\$3,646	30-Dec-20

## 6. CURRENT NOTES PAYABLE

On June 30, and September 30, 2019, a short-term promissory note was issued to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.

Date	Base Amount	Interest Rate	Termination fee	Maturity Date
30-Jun-19	\$206,113	8%	NA	NA
30-Sept-19	\$72,685	8%	NA	NA

## 7. 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 September 30, 2019 and September 30, 2018:

- 1) Issued during the period-ended September 30, 2019: None
- 2) Issued during the year-ended December 31, 2018: None

### (b) Warrants

As at September 30, 2019, there were no warrants outstanding.

As at September 30, 2018, the following warrants were outstanding:

**Number of Warrants - Units**

<b>Expiry</b>	<b>Exercise Price (USD)</b>	<b>December 31 2017</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>September 30 2018</b>
April 29, 2018	\$0.60	1,008,948			1,008,948	--
December 12, 2018	\$0.75	10,795,578	--	--	--	10,795,578
		11,804,526	--	--	1,088,948	10,795,578

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 values of the units are 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 values of the units are equal to the value of the common shares at the issuance date.

On April 29, 2018, 1,008,948 warrants at \$0.60 expired.

On December 12, 2018, 10,795,578 warrants at \$0.75 expired.

**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. Stock options when exercise will result in equity contributions.

The following Table summarizes the Company's stock option activity for the year ended December 31, 2018 and 2017 and the period September 30, 2019.

	<b>Number of Options</b>	<b>Weighted average exercise price (C\$)</b>
Outstanding as at December 31, 2017	3,667,500	C\$0.92
Granted	860,000	C\$0.58
Forfeited	(640,000)	C\$0.87
Expired	(635,000)	C\$1.10
Outstanding as at December 31, 2018	3,252,500	C\$0.81
Granted	1,175,000	C\$0.19
Forfeited	(500,000)	C\$0.77
Expired	(552,500)	C\$1.05
Outstanding as at September 30, 2019	3,375,000	C\$0.56

**2019**

On January 2, 2019, 222,500 stock options issued at C\$0.75 expired.

On January 2, 2019, the Company issued 250,000 options exercisable at C\$0.28 under its SOP to persons who are officers and employees of the Company.

On February 19, 2019, 500,000 stock options were forfeited.

On March 21, 2019, 380,000 options exercisable at C\$1.25 expired.

On June 6, 2019, the Company issued 925,000 options exercisable at C\$0.17 under its SOP to persons who are officers and employees of the Company.

**2018**

On January 2, 2018, the Company issued 260,000 options exercisable at C\$0.65 under its SOP to persons who are officers and employees of the Company.

On January 3, 2018, 235,000 stock options issued at C\$1.20 expired.

On March 22, 2018, 400,000 stock options issued at C\$1.04 expired.

On March 26, 2018, the Company issued 600,000 options exercisable at C\$0.55 under its SOP to persons who are directors and employees and an advisor to the Company.

During the year ending 2018, 640,000 stock options were forfeited.

The following table summarizes the stock based compensation expense and capitalized stock based compensation for the periods ended September 30, 2019 and 2018.

	<b>2019</b>	2018
Stock-based compensation expense	<b>\$91,909</b>	\$256,929
Capitalized Stock-based compensation expense	--	--
	<b>\$91,909</b>	\$256,929

The following assumptions were used in the Black Scholes option pricing model to fair value the stock options granted during the periods ended September 30, 2019 and 2018:

	<b>2019</b>	2018
Expected lives	<b>4.05 years</b>	4.11 years
Expected volatilities (based on Company's historical prices)	<b>93.8-96.1%</b>	93.5%-95.5%
Expected dividend yield	<b>0%</b>	0%
Risk free rates	<b>1.86-2.47%</b>	2.13-2.54%
Weighted average fair value of option	<b>\$0.13</b>	\$0.40

The following table summarizes stock options outstanding as at September 30, 2019:

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\$1.05	200,000	C\$1.05	0.26	200,000	C\$1.05	0.26
C\$0.83	200,000	C\$0.83	0.49	200,000	C\$0.83	0.49
C\$0.70	100,000	C\$0.70	0.92	100,000	C\$0.70	0.92
C\$0.72	200,000	C\$0.72	1.26	200,000	C\$0.72	1.26
C\$0.79	250,000	C\$0.79	1.52	250,000	C\$0.79	1.52
C\$0.69	200,000	C\$0.69	2.26	200,000	C\$0.69	2.26
C\$0.85	400,000	C\$0.85	2.51	400,000	C\$0.85	2.51
C\$0.65	200,000	C\$0.65	3.26	200,000	C\$0.65	3.26
C\$0.55	500,000	C\$0.55	3.48	500,000	C\$0.55	3.48
C\$0.28	200,000	C\$0.28	4.26	100,000	C\$0.28	4.26
C\$0.17	925,000	C\$0.17	4.68	231,250	C\$0.17	4.68
	3,375,000	C\$0.56	2.93	2,581,250	C\$0.68	2.41

## 7. 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 2018 of approximately 26.5% (2017: 26.5%) to loss before income taxes as follows:

	December 31, 2018	December 31, 2017
Loss for the year	<b>(\$1,015,437)</b>	(\$1,301,378)
Income tax rate	<b>26.50%</b>	26.50%
Income tax recovery	<b>(269,091)</b>	(344,865)
Foreign operation taxed at lower rates	<b>(13,253)</b>	1,670
Permanent differences	<b>64,385</b>	89,942
Change in benefits not recognized	<b>197,785</b>	220,999
Changes in estimate and foreign exchange	<b>20,174</b>	32,254
Provision for income taxes	<b>\$ --</b>	\$ --

As of December 31, 2018 the following deferred tax assets and liabilities have been recognized:

	December 31, 2018	December 31, 2017
Property, Plant and Equipment	<b>(18,000)</b>	(\$ 27,000)
Exploration & Evaluation Assets	<b>(1,492,000)</b>	(1,293,000)
Deferred tax liabilities	<b>(1,510,000)</b>	(1,320,000)
Tax losses carried forward	<b>1,510,000</b>	1,320,000
Net deferred income tax asset recorded	<b>\$ --</b>	\$ --

As at December 31, 2018 the Company has unrecognized deductible temporary differences aggregating to \$16,898,000 (2017: \$17,064,000), that are available to offset future taxable income. However these temporary differences relate to companies with a history of losses, and as a result are not recognized.

	<b>December 31, 2018</b>	December 31, 2017
Losses carried forward - Botswana	<b>10,046,000</b>	\$10,832,000
Losses carried forward - Canada	<b>6,305,000</b>	5,661,000
Other	<b>547,000</b>	571,000
	<b>16,898,000</b>	\$ 17,064,000

The Canadian tax losses of \$6,305,000 (2017: \$5,661,000) expire from 2026 through to 2038. The majority of Botswana tax losses can be carried forward indefinitely with the remainder expiring within five years.

	<b>December 31, 2018</b>	December 31, 2017
Total assessable losses relating to the activity in Botswana	<b>\$16,907,000</b>	\$16,830,150

## 8. LOSS PER SHARE

Net loss per share was calculated based on the following:

Period ended September 30	<b>2019</b>	2018
Net loss for the period	<b>(\$64,149)</b>	(\$733,204)
Effect of Dilutive Securities		
Stock options and warrants	--	--
Diluted net earnings (loss) for the period	<b>(\$64,149)</b>	(\$733,204)

The diluted loss per share is the same as the basic loss per share for the period ended September 30, 2019 because the stock options and warrants were anti-dilutive and had no impact on the EPS calculation. Weighted average shares used in the per share calculation were 45,347,310 see note 6 above.

## 9. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	<b>2019</b>	2018
Short term employee remuneration and benefits	<b>\$202,502</b>	\$322,502
Stock based compensation	<b>84,490</b>	76,574
Other long-term benefits*	<b>88,188</b>	83,852
Total compensation attributed to key management personnel	<b>\$379,180</b>	\$482,928

\*Benefits include \$21,552 of accrued leave through September 30, 2019 (2018: \$21,552).

- ◇ During the period an individual related to the CEO provided administrative and management services to the Company in 2019 and was remunerated in 2019 as at September 30 in the amount of \$29,000 (2018: \$27,000).
- ◇ During the period, individuals related to key management personnel of the Company, received \$4,742 in stock based compensation during the period (2018: \$10,685).
- ◇ In 2018, board members were issued notes in the amount of \$338,865 (See note 5 above for details).
- ◇ In 2019, a former board member and officer was issued a note in the amount of \$85,000. (See note 5 above for details).
- ◇ In 2019, demand promissory notes were issued to a director and officer in the amount of \$206,113 and \$72,685 (See note 6 above for details).

There are no other related party transactions.

## 10. SEGMENTED INFORMATION

The Company is operating in one industry. As at September 30, 2019 the Company's property, plant, and equipment in the United States was \$165(2018: \$1,175) and in Botswana \$324,330 (2018: \$432,249). 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 \$6,898,501 (2018: \$6,444,588) and South Africa were \$7, 531 (2018: \$10,581).

## 11. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities and non-current notes payable. The carrying values of these items as presented in the condensed interim consolidated financial statements are reasonable estimates of fair values due to the maturity and the terms of these instruments.

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

<b>Financial Instrument</b>	<b>Classification</b>
Cash	IFRS 9: Amortized cost (2018) IAS 39: Loans and receivables (2017)
Accounts receivable	IFRS 9: Amortized cost (2018) IAS 39: Loans and receivables (2017)
Accounts payable and accrued liabilities	Other financial liabilities
Subscriptions	Other financial liabilities
Non-current notes payable	Other financial liabilities

### **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 and stock options. 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. No equity capital was raised in 2018 nor through September 30, 2019.

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 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.

**(c) Credit Risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its 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. The majority of the Company's cash is held with a major Canadian based financial institution.

There are no allowances for doubtful accounts required.

**(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, and because the non-current notes payable have fixed interest rates, the Company's exposure to interest rate risk is not significant.

**(e) Foreign Exchange Risk**

The Company is exposed to currency risks on its Pula denominated working capital balances due to changes in the USD/BWP exchange rate. Based on the net Pula denominated asset and liability exposures as at September 30, 2019, a ten percentage change in the exchange rate would result in a (\$165,923) (2018: \$91,082) impact to the Company's net comprehensive 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.

## **12. COMMITMENTS AND CONTINGENCIES**

### **Prospecting Licenses**

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

## Lease Commitments

Currently, the aggregate minimum lease payments\* are as follows:

Year	Facility	Term	BWP			USD
			Rental	Services	Total	
2019	Hangar Maun <sup>1</sup>	2/01/2016 – 12/31/2026	126,960	19,044	146,004	13,885
2019	Shakawe Plot <sup>2</sup>	1/01/2016 – 12/31/2020	72,000	-	72,000	6,847
2019	Letlhakane Plot <sup>3</sup>	TBD	-	-	-	-
	Total				218,004	20,732

\* aggregate costs converted at January 1 of the current calendar year

<sup>1</sup>The lease has an effective date of January 1, 2016 and continues for 10 years at 8% escalation annually and shall be renewed every three (3) years at market and commercial rates. The initial monthly lease payment is 8,000 BWP / month in addition to a fee of 15% of monthly rental for security and general maintenance at the airport complex.

<sup>2</sup>The lease has an effective date of January 1, 2016 and is renewable at the company's option for an additional 4 years expiring on December 31, 2020. The monthly lease payment is 6,000 BWP.

<sup>3</sup>The lease is in the process of being transferred from the current primary lessee to Newdico. The transfer papers have been submitted to the local land board for approval. The lease cost is expected to be 6,000 BWP / month.

## 13. NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	September 30 2019	September 30 2018
Net change in non-cash working capital balances:		
Increase (decrease) in accounts receivable and prepaid expenses	\$ 41,426	\$183,818
Increase (decrease) in accounts payable and accrued liabilities	(234,630)	140,481
Total	<u>(\$193,204)</u>	<u>\$304,299</u>

## 14. SUBSEQUENT EVENTS

NONE