



# **TSODILO RESOURCES LIMITED**

## **Management's Discussion and Analysis**

**FOR THE THREE AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

**The Management's Discussion and Analysis has been authorized for release by the Company's Board of Directors on November 25, 2020**

## **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, 2020 and 2019. 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 25, 2020.

Disclosure of a scientific or technical nature in the MD&A was prepared under the supervision of Dr. Alistair A. Jeffcoate ( *Msci, PhD, MAusIMM(CP), MBGA, FGS*), the Company's Project Manage and Chief Geologist and a Qualified Person, as that term is defined in National Instrument 43-101.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein. Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **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 25, 2020, 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, 3,525,000 options are outstanding of which 2,837,500 are exercisable at exercise prices ranging from CAD \$0.07 - \$0.85.

### Outstanding Options

Expiry Date	No. of Option Shares Outstanding	Exercisable	Exercise Price (CAD)
January 4, 2021	200,000	200,000	\$0.72
April 8, 2021	250,000	250,000	\$0.79
January 2, 2022	200,000	200,000	\$0.69
April 3, 2022	400,000	400,000	\$0.85
January 2, 2023	200,000	200,000	\$0.65
March 26, 2023	500,000	450,000	\$0.55
January 2, 2024	200,000	200,000	\$0.28
June 6, 2024	925,000	693,750	\$0.17
January 2, 2025	275,000	137,500	\$0.07
September 21, 2025	425,000	106,250	\$0.09
<b>Total</b>	<b>3,525,000</b>	<b>2,837,500</b>	

As of November 25, 2020, there are no warrants outstanding.

## Principal Shareholders of the Company

To the best of the Company's knowledge, the principal shareholders (greater than 5%) of the Company as of November 25, 2020, are as follows:

Name	Description	Shares Owns, Controls or Directs	% of the Issued and Outstanding Shares
Azur LLC	Private Investment Vehicle	4,996,065	11.02%
Lucara Diamond Corporation	Diamond Mining Company	4,476,773	9.87%
David J. Cushing	Investor	4,327,579	9.54%
James M. Bruchs	Chairman and CEO	2,285,619	5.04%
First Quantum Minerals	Global Mining Company	2,272,727	5.01%

## Exploration Activities as at September 30, 2020

### Subsidiaries

- ◇ The Company holds a 100% interest in its Botswana subsidiary, Gcwihaba (Pty) Limited ("Gcwihaba") which holds seven (7) metal (base, precious, platinum group, and rare earth) prospecting licenses.
- ◇ The Company holds a 100% interest in its Botswana subsidiary, Bosoto (Pty) Limited ("Bosoto"), which holds two (2) precious stone prospecting licenses; PL369/2014 for the area which contains the BK16 kimberlite and precious stone prospecting license PL217/2016.
- ◇ The Company holds a 100% interest in Newdico (Pty) Limited. ("Newdico"), holds one (1) industrial mineral prospecting license PL091/2019, effective January 1, 2020. Newdico also 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, 2020**

Prospecting License Number	Km <sup>2</sup>	Grant Date	Expiry or Renewal Date	Current Stage	Expenditure <sup>1</sup> Per Annum (BWP)		Total Expenditure from Grant Date and if held to Full License Term	
					Rental Fee	Work Program	BWP <sup>1</sup>	USD as at 9/30/2020
369/2014	1.02	10/01/19	9/30/21	2 <sup>nd</sup> Renewal	1,000	20,000,000 20,000,000	40,002,000	3,477,540
217/2016	292	7/01/20	6/30/22	1 <sup>st</sup> Renewal	1,460	50,000 50,000	1,002,920	87,188

<sup>1</sup> Amounts include services accounted for at market value 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.

### 1.1 PL369/2014 (BK 16)

Bosoto was granted prospecting license (PL369/2014) over the BK16 kimberlite pipe effective October 1, 2014. The prospecting license was renewed for an additional two-year period commencing October 1, 2017 and a second two-year renewal application was granted effective October 1, 2019.

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 Damtshaa 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 (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, eleven (11), AK01, AK02, AK07 (Orapa, Debswana); AK06 (Karowe, Lucara Diamond Corporation); BK01, BK09, BK12 and BK15 (Damtshaa, Debswana); DK01 and DK02 (Letlhakane, Debswana); BK11 (Firestone Diamonds), are currently being or have been mined.

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 was purchased for a 2% gross proceeds royalty derived from the sale of diamonds mined from Bosoto's BK16 kimberlite project. The result of this transaction resulted in Tsodilo having a 100% interest in Bosoto and its BK16 exploration project.

### **Summary of Work Performed as at September 30, 2020**

Detailed ground magnetic and gravity surveys over the license area defined the surface area of BK16 as ~5.9 ha increasing the significantly the size from the historical estimate of 3.5 ha. A 3,662-meter (m) core drilling program followed leading to a significantly updated geological model identifying the main kimberlite phases and revealing that dilution zones around the historical shaft and tunnel system were limited to the upper central part of the kimberlite rather than covering the entire kimberlite.

To assess the diamond value of the kimberlite, a Phase I mini-bulk sampling program consisting of fourteen (14) 24-inch Large Diameter Drilling (LDD) drill-holes totaling 3,121 meters was initiated. This program extracted 2,077 tonnes (calipered) of kimberlite. These LDD drill-holes were advance drilled by a 3,220 m core pilot drill-hole program which tested the geological model for accuracy ahead of the LDD program.

The Phase I LDD samples (243) were processed at the Company's dense media separation (DMS) plant ahead of X-Ray diamond separation and final hand sorting at the Company's secure recovery unit. The diamond recovery resulted in 509 diamonds weighing 78.403 carats.

Diamonds recovered in the Phase I program were studied by third-party qualified industry experts who concluded:

- ◇ sample average price for this sample was US\$176.44 per carat (see, Table 2);
- ◇ BK16 contains very high-quality diamonds dominated by highly marketable shapes and contained no boart;
- ◇ diamond breakage was very low; and,
- ◇ 3.8% of these diamonds were positively identified as Type IIa of mainly D color.

The Company retained the services of a leading industry expert in size frequency distribution (SFD) modelling to model the SFD of the BK16 kimberlite. The SFD of the diamonds recovered from the LDD samples indicated that the size distribution of BK16 could be coarser than several producers in southern Africa. There are indications that BK16 could have a broadly similarly coarse shaped size distribution to that of the Lucara's Karowe Mine (Botswana), Petra Diamonds' Premier Mine (South Africa), and Lucapa Diamond's Mothae Mine (Lesotho). This course distribution could be extrapolated to indicate that BK16 has the potential to host ~2-5% large special stone of over 10.8 carats in size (which compares favorably with Lucara Diamond Corp.'s Karowe Mine (AK6) production of specials.

The SDF modelling was further used to extrapolate the likely in-situ or "run of mine" value and grade of BK16, where the diamond value was modelled at US\$ 281 to US\$ 792 and the grade was modelled at 4 to 8 carats per hundred tonne (cpht), see the detailed breakdown in Table 3. These were achieved by forward modelling to a full kimberlite run of mine projection based on the SFD data for the Phase I LDD diamonds. The SFD study concluded that there is a clear under sampling of coarse stones thus far at BK16 which adds significant uncertainty to the grade and value modelled. This uncertainty is explained by the fact that the current 2,077 dry metric tonne LDD sample represents a distinct under sampling of the true SFD of the BK16 kimberlite (~0.01% of the total kimberlite body). This under sampling explains why the sample grade and diamond value are well below the modelled grade and value, and thus why the value and grade modeling reported are so important and should be considered a more accurate reflection of a likely BK16 run of mine production.

This SFD modeling led to a preliminary range analysis and techno-economic modeling of the deposit at the scoping level using some defined variables and options for developing the project. The variables and options considered as part of this analysis were:

- ◇ Two main alternatives were considered, a 1 Mtpa and 2 Mtpa mine. For each of these alternatives several geological, processing (mining and treatment) and economic factors were considered.
  - Low \$300 /ct vs. Mid \$500 /ct vs. High \$650 /ct using the estimated grade (average ~ 5.5 cpht)
  - Toll treatment option vs. Build Own Plant vs. Treat at a refurbished plant
  - Discount rate 6.5%, with flat USD/BWP exchange rate and flat diamond price vs. Discount rate 5%, with divergent USD/BWP exchange rate and diamond price rises by 3% vs. Discount rate 8%, with fixed USD/BWP exchange rate and flat diamond price.
- ◇ Other inputs into the model were sample results from the Phase 1 LDD bulk samples; geostatistical estimating of the grade; several potential mine designs; an economic model based on estimates for CAPEX and OPEX for each option were considered.

A combination of the alternatives considered returned a range of possible project Net Present Values (NPV) considering all options. This range analysis suggests that a positive NPV project of ~150 million USD is possible. The range analysis suggests that at diamond values around \$350/ct the target could support a well-managed toll treatment operation. As the value increase to \$500-550 it would be viable to contemplate a variety of low-capital intensity operations. At values above \$600-650/ct the strategy of a developing a stand-alone full-size operation should be pursued.

These encouraging results suggest that BK16 has the potential to become a mineable asset, and suggest that the BK16 project employ a surface bulk sample method to augment the Phase 1 LDD sampling for its next stage of evaluation.

**Table 2**  
**Phase I diamond valuation details.**

Parcel	# of Diamonds	Total Carats	US\$ / Carat
1	94	17.045	\$195.45
2	130	17.700	\$196.37
3	278	43.195	\$161.03
All	502	77.940	\$176.44

**Table 3**  
**Phase I SFD modelled grade, diamond value and kimberlite value.**

Variable	Unit of Measure	BK16 Sample	Current BK16 SFD Study			
			Min	P20	P80	Max
Grade	cpht	3.8	4	5	7	8
Diamond Value	US\$/carat	177	281	290	600	792
Kimberlite Value	US\$/tonne	6.6	11	15	38	67

## **Future Plans and Outlook for BK16**

The encouraging results from the Phase I program justifies moving onto Phase II which is to increase the number of carats recovered significantly by processing a far larger sample which will lead to an increase in the certainty of the grade and diamond value. Phase IIa will consist of the following:

Phase IIa Surface Bulk Sampling:

- ◇ Extract ~20,000 metric tonnes of kimberlite to obtain 800 to 1,600 carats of diamonds;
- ◇ Significantly improve the understanding of the grade of the deposit in carats per hundred tonnes (cpht);
- ◇ Solidify further the accuracy of the high diamond value in US\$ per carat;
- ◇ Further confirm the presence and quality of the Type IIa diamond population;
- ◇ Confirm the presence of larger stones and demonstrate that BK16 will be a significant producer of special stones above 10.8 carats and >100 carat stones;
- ◇ Define an inferred resource; and,
- ◇ Further refine the accuracy of the economic fundamentals of the project to move towards detailed feasibility studies and ultimately mining.

Since the completion of Phase I, the Company has been developing the Phase IIa program with third-parties to ensure that sufficient carats are obtained in the most cost effective and viable manner. It was determined that a surface bulk sample of a box-cut style design will be the most economic and viable option for Phase IIa. Engineering studies undertaken into this surface bulk sample comprised of a sample location study to maximize number of diamonds, and a final optimized pit design that takes into account geotechnical parameters signed off by the independent engineers. Further to this, a detailed rehabilitation plan was created that meets statutory requirements and will ensure the workings and facilities are safe and restore the environment to as close as possible to its natural state.

The envisioned Phase IIa surface bulk sampling of this type constitutes standard industry practice for diamond exploration of kimberlites like BK16 to gain enough carats for an effective economic analysis. The Phase IIa bulk sample design will be a basic small and shallow box-cut style sample. Twenty-five (25) meters of over-burden will be stripped to expose the kimberlite below resulting in a depth of the box-cut design of 30 - 35 meters.

This will be followed up by a 5,000 tonnes LDD program plus another 20,000 tonnes of surface bulk sample in phase IIb. Phase IIa and Phase IIb should provide a total of 1,800 to 3,600 carats from (for 4 cpht to 8 cpht) and provide a solid foundation for progressing the BK16 project.

### **1.2 PL217/2016**

PL 217/2016 was acquired in the second quarter of 2017. The license has an effective date of January 1, 2017 for an initial period of 3 years followed by two 2-year renewals. The first renewal was granted on the June 29, 2020 with a commencement date of 1<sup>st</sup> July 2020 for a period of two years.

The license lies within the OKF 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

paleo-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 paleo-channels and alluvial diamond deposits.

### **Summary of Work Performed as at September 30, 2020**

A novel mix of remote sensing strategies which involved studying in combination air magnetic surveys; Aster LT1; Aster GED Emissivity; Landsat ETM 7+; Landsat LC08, Landsat 8 False Color, Shuttle Radar Topography Mission (SRTM) digital elevation models (DEM); and regional digitized geology, helped identify a number of potential alluvial and kimberlite targets for further exploration.

This initial investigation led to a program of ground magnetic surveys over these targets which were conducted in two stages, and totaled 246 survey line km. This further refined the understanding of the area and identified 12 kimberlite targets of which 5 are high priority. Additional high-resolution ground gravity surveys followed and were conducted along lines perpendicular to the previously identified paleo-channels and also down stream of AK6 and BK11. Modelling of the ground magnetic and ground gravity data led to the identification of a number of paleo-channels. Where alluvial gravel paleo-channels have characteristically lower densities, and as such can be identified as having a lower gravity than the surrounding area. This modelling indicated significant overlaps between these ground geophysical surveys and the remote sensing interpretations for the locations of subsurface paleo-channel alluvial targets. Several prospective paleo-channel targets close to present-day drainages have been noted. Those channels may contain alluvial diamonds sourced from AK6 (Karowe / Lucara Diamond Corp.) and BK11 (Firestone Diamonds) and could contain large diamonds that are characteristic of AK6.

A detailed ground magnetic survey was also conducted over a small annexed portion of the license located just east of the Letlhakane Mine which up till now was not studied in detail. This was to investigate some subtle kimberlite anomalies in the regional aeromagnetic data, and also to map out any ancient paleo-channels within the area. The results for this ground magnetic survey conclude there is no potential for either a kimberlite or a diamondiferous paleo-channel within this part of the license, as the paleo-flow direction is in the wrong direction to source diamonds from the Letlhakane mine. As such no further work is warranted and hence this small annexed area has been wholly relinquished.

### **Future Work on PL217/2016**

The initial exploration results for the remaining ground within this prospecting license are encouraging and require further investigation. The next exploration program will consist of:

- ◇ further high-definition ground magnetic surveys over the license to further test for other potential diamondiferous paleo-channels;
- ◇ a soil sampling program has been planned to help delineate drilling targets by identifying kimberlite indicator areas around some of the kimberlite targets identified;
- ◇ this will lead to a prioritized drill program to test the alluvial targets and the kimberlite targets; and
- ◇ if successful and diamonds are identified in either the alluvial targets or the kimberlite targets this will lead to a bulk sampling programs of these prospects.

## 2. METALS (BASE & 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 km<sup>2</sup> (Table 5).

**Table 5: Gcwihaba Metal Licenses as at September 30, 2020**

Prospecting license Number	Km <sup>2</sup>	Grant Date	Expiry or Renewal Date	Current Stage	Expenditure* Per Annum (BWP)		Total Expenditure from Grant Date and if held to Full License Term	
					Rental Fee	Work Program	BWP	USD as at 9/30/2020
020/2018	570.00	10/01/18	9/30/21	Initial Grant	2,850	240,000 <sup>+</sup>	248,550	21,698
021/2018	964.90	10/01/18	9/30/21	Initial Grant	4,825	240,000 <sup>+</sup>	254,475	22,123
022/2018	317.10	10/01/18	9/30/21	Initial Grant	1,586	240,000 <sup>+</sup>	244,758	21,262
023/2018	978.60	10/01/18	9/30/21	Initial Grant	4,893	240,000 <sup>+</sup>	254,679	22,140
024/2018	807.30	10/01/18	9/30/21	Initial Grant	4,037	240,000 <sup>+</sup>	252,111	21,917
025/2018	454.50	10/01/18	9/30/21	Initial Grant	2,273	240,000 <sup>+</sup>	246,819	21,257
026/2018	828.10	10/01/18	9/30/21	Initial Grant	4,141	240,000 <sup>+</sup>	252,423	21,944
	4,920.50							152,341

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

The exploration work conducted on the Gcwihaba licenses has developed over time and the following targets are currently being explored within Neoproterozoic rocks within the licenses which are comprised of Copper Belt (Lufilian Arc)-equivalent meta-sediments (including graphitic phyllites, schists, marbles (carbonates), diamictites, and iron formation), metabasites and gabbros (535 Ma):

1. **Xaudum Iron Formation Deposit:** Comprised of a magnetite banded iron formation deposit and iron rich schists that are contained within the Grand Conglomerate Formation (linked to the Chuos in Namibia);
2. **Copper and Cobalt Exploration:** Sedimentary Cu/Co (Katanga type sediments) within the entire Neoproterozoic package;
3. **Xaudum Gold Exploration:** Gold mineralisation linked to the Xaudum Iron Formation; and
4. **Rare Earth Element Exploration:** Skarn REE and Cu targets. These are secondary skarn targets hosted within marbles (carbonate) rich lithologies and include significant enrichment in REE and Cu.

### Summary of Work Performed as at September 30, 2020

Exploration for these metals is driven by geophysics as there is no outcrop and there is significant Kalahari cover overburden of sands and calcrete. To this end, the Company has completed:

**Geophysics:** Over 1,800 km<sup>2</sup> (~20,000-line km) of ground magnetics which has defined the extent of the highly magnetic XIF. Airborne electro-magnetic survey (Spectrem) was flown (16,934-line km) collecting electromagnetic (EM), magnetic and radiometric data. A 10,392-line km at a 500 m flight line interval airborne gravity survey also was

flown. These surveys have contributed greatly to advancing the structural and geological modelling of the area, which have aided immensely in exploration targeting.

**Drilling:** 366 core drill samples totalling 77,174 meters of core, including 116 reflex gyro surveys, and over 51,000 samples sent for assay. Additionally to these are 220-hole drill program (13,689 meter) known as the Kalahari Geochemistry Program (KGP) was conducted to test the soil overburden for hydromorphic dispersion of copper and other metals from bedrock mineralization (8,326 samples assayed for As, Au, Bi, Co, Pb, Al, Ca, Cu, Mg, Ni, Zn, and Ag) on a 2 km grid to locate targets for further exploration and drilling. This program identified a number of high priority targets for further exploration.

**Xaudum Iron Formation:** This is an exciting prospect for future mining and has been identified as our key program. To date drilling of Block 1 the northern part of the XIF deposit resulted in a geology and mineralisation model being generated using the Gocad modelling package. This model was used by SRK Consulting (U.K.) to define Gcwihaba maiden Mineral Resource Estimate (MRE) in a National Instrument (NI) 43-101 technical report for Block 1, via standard pit optimisation techniques. This Block 1 resource is defined as 441 million tonnes (Mt) grading 29.4% Fe, 41.0% SiO<sub>2</sub>, 6.1% Al<sub>2</sub>O<sub>3</sub> and 0.3% P and represents Botswana's first and only iron resource. Davis Tube Recovery (DTR) metallurgical test work showed that all major mineralised units are capable of producing a premium grade magnetite concentrate product of ~67% Fe. This XIF iron concentrate product will be very similar to the iron ore concentrate fines and pellets feed produced from premium iron ore producers in the U.S., Canada, Brazil, Sweden etc. and attract a premium value compared to standard global iron ore products.

The reported Block 1 Mineral Resource represents only a fraction of the potential XIF mineralization delimited by the ground magnetics. An Exploration Target for the entire strike of the XIF is estimated to be 5 to 7 billion tonnes with grades ranging between 15-40% Fe. This XIF Exploration Target was generated using inversion modelling of the ground magnetic signal which was compared to local drill-hole model volumes to create inversion model volume conversion factors, these values were used to define volumes for the entire XIF which were converted to tonnes via measured density values. It is important to note that the tonnages and grade quoted in this exploration target are conceptual in nature, there has been insufficient exploration to define this fully as a mineral resource and that it is uncertain if further exploration will result in the full target being delineated as a mineral resource. A Phase II evaluation drilling program has begun within the next major XIF magnetic anomaly area, referred to as Block 2.

**Copper and Cobalt Exploration:** Tsodilo has identified within the same area exciting potential for Copper/Cobalt, Rare Earth Elements (REE), and Gold within these same Katanga meta-sediments and associated basement complex. Tsodilo has reviewed and refined its targets to fourteen (14) high priority Cu and Co targets for further exploration. This work led to a soil sampling program to help define these targets further. 5,071 soil samples were collected and sieved to 180 mesh from the sub-deflation soil zone during the dry season. The first targets soil samples were sent for a specialized partial digestion technique which has been specially developed for sampling in covered terrains called TerraLeach at Intertek laboratories Australia. This data was validated and further studied to remove geomorphological controls and highlighted a significant target of interest that has been prioritized for drilling.

**Rare Earth Element Exploration:** The Company has identified at least two significant skarn associated prospects (C26 and C27) that contain a standard suite of ordinary carbonate, silicate, and phosphate REE minerals of well-established metallurgy that can be exploited easily. The holes in the two skarn anomalies C27 and C26 that stand out as being high in TREO% are as follows:

- ◇ 1822C27\_6: C27 skarn anomaly - This hole has the highest TREO recorded at 1.49% at 2m of intervals over 1% TREO and 4 m of intervals all over 0.1% TREO.
- ◇ 1822C27\_2: C26 skarn anomaly - This hole has 1m over 1% TREO but has a massive 45m of intervals over 0.1% TREO.
- ◇ 1822C26\_1: C26 skarn anomaly - This hole has 18m of intervals over 0.1% TREO.
- ◇ 1822C26\_3: C26 skarn anomaly – This hole has 11m of intervals over 0.1% TREO.

The C27 skarn anomaly, which is the larger of the two skarn prospects, has been modeled to a conceptual Exploration Target of 76 Mt to 92 Mt of skarn with grades ranging from 0.05 % to 1 % Total Rare Earth Elements Oxide (TREO). This conceptual C27 skarn anomaly Exploration Target was generated by geologically modelling in 3 dimensions using the drill-hole intersections of the C27 skarn anomaly. This allowed volumes representing the C27 skarn to be generated. These modelled volumes were then turned into the tonnages quoted by using a likely range of densities for this skarn material of 2.5 to 3.0 g/cm<sup>3</sup>. It is important to note that the tonnages and grade quoted in this exploration target is are conceptual in nature, there has been insufficient exploration to define this fully as a mineral resource and that it is uncertain if further exploration will result in the full target being delineated as a mineral resource.

**Gold Exploration:** Several Gold anomalies have been seen within some of the Xaudum Iron Formation drill holes and associated facies as described above. This gold project has thus far identified that there is potential for gold mineralization to be associated with the XIF, where an analogy has been drawn to the Homestake gold deposit in South Dakota, US, where phyllites acted as the source for the gold deposited in the XIF material. A detailed review of all data collected to date assisted in identifying a number of potential gold anomalies for further study within the drill-hole dataset, these have been used to assess the potential for generating Gold targets for further exploration within this Xaudum Iron Formation and associated units. This led to a significant core logging and data mining program to identify current holes that can be processed for gold assay, to date 6 holes have been identified as having potential gold mineralization and are awaiting gold assay.

#### **Future Plans and Outlook - Metals Projects**

**Xaudum Iron Formation:** The company is currently exploring options for developing the XIF resource. To this end the Company is looking to initiate a Preliminary Economic Assessment (PEA) for this project. The objective of this PEA will be to conduct an early stage economic analysis of the potential viability of the mineral resources and to develop a general strategy to move the project forward, given its premium ore potential. The PEA will include detailed studies into; processing and engineering strategies; equipment and technology requirements; transport and infrastructure requirements; identification of potential environmental and social aspects; associated costs such as capital costs, operational costs, and life-cycle costs; and, anticipated revenues. The potential for a small-scale start-up mine supplying magnetite to a small scale ferrosilicon (FeSi) plant which will sell FeSi products to the mines in Botswana and the mines in the local SADC area is also being explored as a way of initiating mining at a small scale while a larger scale mine and infrastructure can be explored and developed.

**Copper and Cobalt Exploration:** A detailed review of the data is ongoing to further refine exploration priorities incorporating new detailed structural and geological mapping data alongside the recent soil sampling information. This work also includes plotting of alteration data logged and assay generated on geological cross sections, interpolation of information into a 2D map, improved structural interpretations, which will ultimately lead to updated drill target recommendations. Remaining soil samples will be sent for TerraLeach analysis to assist in refining the high priority Cu and Co targets so focused drilling of these targets can occur.

**Rare Earth Element Exploration:** The next stage for REE exploration is to develop a detailed study of the geology and facies and alterations associated with the skarns and develop a detailed geological and mineralization model of these skarn anomalies. This will lead to the development of a REE exploration target tonnage and grade range that will advance the next stage of REE drilling and exploration program to further define the grade and tonnage of these REE deposits.

**Gold Exploration:** The gold logging program will continue and holes identified sent for gold assay, which will lead to drill target generation for further exploration.

### 3. Newdico (Proprietary) Limited (“Newdico”) – Botswana

The Company holds a 100% interest in Newdico (Pty) Limited (“Newdico”) which holds one (1) industrial mineral (granite & dolerite) license. The license lies within the Central District of Botswana just to the east of the town of Nata and has an area of 266 km<sup>2</sup>. The license is prospective for granites/granitic materials and dolerites that are industrial minerals used mainly in the construction industry as aggregate. This granite when crushed into a granular aggregate material of various sizes can be suitable for use either on their own or with the addition of cement, lime or a bituminous binder in construction. Important applications include concrete, manufactured sand, mortar, road stone, asphalt, railway ballast, drainage courses and bulk fill. This license is summarized in Table 6.

**Table 6**  
**Industrial Minerals Prospecting License as at September 30, 2020**

Prospecting License Number	Km <sup>2</sup>	Grant Date	Expiry or Renewal Date	Current Stage	Expenditure <sup>1</sup> Per Annum (BWP)		Total Expenditure from Grant Date and if held to Full License Term	
					Rental Fee	Work Program	BWP	USD as at 9/30/2020
091/2019	566	01/01/20	9/30/21	Initial Grant	2,830	130,000	132,830	11,548

<sup>+</sup> 1<sup>st</sup> year 30,000 BWP; 2<sup>nd</sup> year 60,000 BWP; and 3<sup>rd</sup> year 40,000 BWP

### **Summary of Work Performed as at September 30, 2020**

A desktop study of the regional geophysical magnetic data was undertaken in the license area in order to delineate granite and/or dolerite buried beneath the Kalahari. The local geology is characterized by basement complex outcropping mainly in the northeast corner of the Dukwe area, which is to the east of the license area. There is some exposure around the Matsitama river where it was mapped as a gneiss and was described as varying in texture "from fine-grained and granulitic – or schistose – to medium or coarse-grained and granitic" falling into two broad lithological types; the feldspathic schists and amphibolitic schist. Overlaying the complex is a succession of Dukwe formations which is the lowest part of the Karoo Supergroup. It comprises of sedimentary rocks which from the lower part, including beds of sandstone. The upper member is a sequence of varved shales within a thin bed gritty pellet conglomerate. Overlying the Dukwe formation are successions of the Mosu and Ntane sandstones. Capping the Ntane sandstones are the Karoo flood basalts, and these can be inferred from the magnetic structures within the license area,

The Total Magnetic data was reduced to the pole, from which various filters were applied to obtain the first and second derivatives, Analytical Signal and Tilt derivative maps were utilized enabling an interpretation to be performed. Magnetic "granitic textures" were visible from these maps and inferred granite was outlined.

Further review of the data will take place before field work commences.

### **4. Idada Trading 361 (Pty) Limited ("Idada") – Barberton Gold Project, South Africa**

Barberton is situated in the De Kaal Valley at the southeastern edge of De Kaap Valley pluton and is fringed by the Makhonjwa Mountains (Barberton Mountain Land). The Barberton area has a long and colorful history of gold production producing an estimated 360 tonnes of Au between 1884 and 2012, worth over \$13 trillion USD at today's gold prices. However, it is noted that around 70% of this was extracted from four main mines Sheba, New Consort, Fairview and Agnes.

A detailed high-quality aerial survey over the Barberton region in 2011 identified hidden structures and faults that were unknown prior to the survey. This survey has suggested that the Saddleback-Inyoka Shear Zone and the southwesterly extension of the Barbrook and Sheba faults are possibly continuous to the northwest rather than turning south as previously inferred. These fault and shear zones are vitally important and are the main host of gold in the region. As such this new structural interpretation led to the company to apply for ground over this new northwest extension of this fault system, via its South African subsidiary Idada in the anticipation that it may host significant gold mineralization.

The Company holds a 70% interest in its South African subsidiary, Idada. Idada made application for this 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.

During the 3<sup>rd</sup> quarter 2019, 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 license 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 advised us that they would be contacting the appropriate South African office for clarification. To date, it is our understanding that neither the Department of Mineral Affairs (DMA) nor the Department of Environmental Affairs has responded to UNESCO's inquiry. In addition to UNESCO's inquiries, we also contacted the DMA for guidance and received a response but before the issue could be dealt with the South African government was shut down due to the COVID-19 virus. We will continue our efforts to engage the DMA once the government resumes its activities on a full-time basis. In the interim, we have filed a renewal application to protect our license rights.

#### **Summary of Work Performed as at September 30, 2020**

A desktop study of all published and available geological, geochemical, and geophysical data was undertaken to define the geology, and structural regime of the area, including the dip of the target fault structure. This study also incorporated various remote sensing data sets including open source Landsat satellite imagery and Aster hyperspectral data, this has enhanced our understanding of the geomorphology and the interplay this has with the geology, the important local weathering regimes and soil occurrences. All the known gold and base metal occurrences in the immediate area were georeferenced and added to the database. This led to the East Northeast – West Southwest orientated mineralized thrust fault zones being incorporated into our detailed geological interpretation, including areas that intersect the main target fault zone located on the property, and as such have been highlighted for priority exploration. This has given the company all the information it requires to move into the next “ground truthing” phase of the exploration program.

### Future Plans and Outlook for the Barberton Gold Project

Once the issues with the surface owners and UNESCO have been resolved the Company will commence a mapping exercise based on the geological information acquired by the desktop study to verify the local geology, various geological features, and soil types. Some soil and/or stream samples are planned to be taken, which will be followed by a detailed ground magnetic survey to cover the main shear/fault zone in the area to help define drill target locations so to intersect this structural feature, and identify if there is any significant gold mineralization present in the license.

Exploration and evaluation additions for the period-ended September 30, 2020 are summarized as follows:

	Bosoto Botswana			Newdico Botswana	Idada S. Africa	Gcwihaba Botswana	TOTAL
	Project BK 16 Precious Stones	Project PL 217 Precious Stones	Bosoto Total	Project PL091 Industrial Minerals	Precious Metals	Metals	
Drilling Expenditures	\$ 32,002	\$ 201	\$ 32,203	\$ --	\$ --	\$ 6,254	\$38,457
Amortization Drill Rigs, Vehicles & Trucks	2,622	2,746	5,368	58,701	--	15,547	65,616
GIS & Geophysics	--	--	--	--	--	--	--
Lab Analyses & Assays	--	--	--	--	--	--	--
License Fees	--	--	--	--	--	1,594	1,594
Office, Maintenance, & Consumables	13,559	1,020	14,579	4,184	--	6,927	25,690
Salaries, Wages & Services	67,268	17,797	85,065	56,495	--	33,734	175,294
<b>Balance at September 30, 2020</b>	<b>\$115,491</b>	<b>\$21,765</b>	<b>\$137,216</b>	<b>\$119,380</b>	<b>\$ --</b>	<b>\$50,055</b>	<b>\$306,651</b>

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

	Bosoto Botswana			Idada So. Africa	Gcwihaba Botswana	TOTAL
	Project BK 16	Project PL 217	Total Precious Stones	Precious Metals	Metals	
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>

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2020, the Company had a negative working capital of (\$1,603,854) [2019: (\$576,540)], which included cash of \$47,213 (2019: \$50,547). 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.

On July 23, 2020, the Company reached an agreement with TBM (Pty) Ltd. ("TBM") to grant royalties on its wholly owned Botswana subsidiary Gcwihaba (Pty) Ltd. ("Gcwihaba") seven (7) metal licenses (base and precious minerals, platinum group metals and rare-earth elements) projects in consideration of the payment of \$500,000 USD.

### Short Term Notes as of September 30, 2020

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%	44,434	30-Dec-20
31-Jan-19	85,000	8%	8,500	30-Dec-20
30-June -19	293,687	8%	8,646	30-Dec-20
30-Sept- 19	36,462	8%	3,646	30-Dec-20
31-Dec -19	95,146	8%	3,746	30-Dec-20
	\$974,638		\$70,972	

### Demand Promissory Notes as of September 30, 2020

Date	Base Amount	Interest Rate	Termination Fee	Maturity Date
30-Jun-19	\$207,231	8%	NA	NA
31-Dec-19	\$57,684	8%	NA	NA
	\$264,915			

On July 24, 2020, \$54,500 in notes were paid and retired to an employee and director of the Company.

Subsequent to September 30, 2020, on October 1, 2020, a promissory note was issued for \$196,053 to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.

## Financial Instruments

The carrying amounts reflected in the consolidated Statement of Financial Position for cash, accounts receivable, accounts payable, accrued liabilities and loan notes payable approximate their fair values due to the maturities of these instruments. Certain of the Company's warrants are classified as derivative liabilities and are recorded at their estimated fair value. There are no warrants outstanding in any of the reporting periods. 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 increased to a gain of \$162,568 from the period ended September 30, 2020 from a gain of \$29,392 for the period ended September 30, 2019. Most operating expenses were decreased for the period ended September 30, 2020 in total by \$80,425 compared to 2019. The large

operating expense reductions for 2020 were in administration expenses compared to 2019 of \$19,218, and stock-based compensation expenses \$57,995 compared to 2019. The largest impacts on gain for the period were the royalty income of \$489,942, NIL in 2019; and the net rental income for equipment of \$79,741 in 2020, \$458,193 in 2019. The largest impact on Comprehensive loss for the period was foreign exchange translation change loss of (\$1,008,174) in 2020, compared to a loss of (\$199,171) in 2019.

<b>Annual Information (in US Dollars)</b>	<b>Fiscal Year September 30 2020</b>	<b>Fiscal Year December 31 2019</b>	<b>Fiscal Year December 31 2018</b>
Net income (loss) for the year	\$105,990	(\$64,605)	(\$1,015,437)
Basic loss per share	(\$0.00)	(\$0.00)	(\$0.02)
Basic diluted loss per share	(\$0.00)	(\$0.00)	(\$0.02)
Total other comprehensive income (loss)	(1,008,174)	99,849	(660,663)
Total comprehensive income (loss) for the year	(\$902,184)	\$35,244	(\$1,676,100)
Basic comprehensive loss per share	(\$0.02)	(\$0.00)	(\$0.04)
Diluted comprehensive loss per share	(\$0.02)	(\$0.00)	(\$0.04)
Total assets	\$6,982,140	\$7,370,351	\$7,158,233
Total long-term liabilities	\$--	\$549,343	\$464,343
Cash dividend	--	--	--

<b>Quarterly Information (in US Dollar)</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
<b>Fiscal Period ended December 31, 2018</b>				
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	--	--	--	--

<b>Quarterly Information (in US Dollar)</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
<b>Fiscal Period ended December 31, 2019</b>				
Net income (loss) for the period	(\$64,605)	(\$65,588)	\$66,043	(\$233,461)
Basic income (loss) per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)
Diluted basic income (loss) per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)
Comprehensive income (loss) for the period	\$35,244	(\$1,766)	(246,799)	81,253
Basic comprehensive income (loss) for the period	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)
Diluted comprehensive income (loss) per share	(\$0.00)	(\$0.00)	(\$0.01)	\$0.00
Total assets	\$7,370,351	\$7,530,085	\$7,370,436	\$7,742,854
Total long-term liabilities	\$549,343	\$624,107	\$613,337	--

<b>Quarterly Information (in US Dollars)</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
<b>Fiscal Period ended December 31, 2020</b>				
Net income (loss) for the period	(\$89,776)	(\$124,636)	\$320,401	
Basic income (loss) per share	(\$0.00)	(\$0.00)	\$0.01	
Diluted basic income (loss) per share	(\$0.00)	(\$0.00)	\$0.01	
Comprehensive income (loss) for the period	(\$1,209,629)	(\$145,209)	\$452,654	
Basic comprehensive income (loss) for the period	(\$0.02)	(\$0.00)	(\$0.00)	
Diluted comprehensive income (loss) per share	(\$0.02)	(\$0.00)	(\$0.00)	
Total assets	\$6,637,478	\$6,693,750	\$6,982,140	
Total long-term liabilities	--	--	--	

## **Investing Activities**

Cash flow applied in investing activities decreased to (\$241,035) for the period-ended September 30, 2020 [2019: (\$340,604)].

Total expenditures of \$306,651 on exploration properties for the period-ended September 30, 2020 were attributable to the Gcwihaba, Newdico and Bosoto projects in northwest Botswana and the Idada project in Barberton, South Africa. There were no material expenses or funding of the exploration projects in the quarter as the Covid-19 pandemic reduced operation activities.

## **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. No private placements took place in 2019 and 2018.

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.

On July 23, 2020, the Company reached an agreement with TBM (Pty) Ltd. ("TBM") to grant royalties on its wholly owned Botswana subsidiary Gcwihaba (Pty) Ltd. ("Gcwihaba") seven (7) metal licenses (base and precious minerals, platinum group metals and rare-earth elements) projects in consideration of the payment of \$500,000 USD.

Tsodilo expects to raise the amounts required to fund the Newdico, 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 \$902,184 for the period ended September 30, 2020 – (\$0.02) per common share, compared to a comprehensive net loss of \$199,171 for the period ended September 30, 2019 (\$0.01) per common share.

Total capitalized exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to net \$6,653,738 as at September 30, 2020 compared to \$6,906,032 as at September 30, 2019. Total capitalized exploration expenditures incurred on Newdico's projects as at September 30, 2020 were \$112,839 compared to NIL as at September 30, 2019. Additions of \$3,459 in 2020 were offset by exchange translations in 2020. Total capitalized exploration expenditures incurred on Gcwihaba's projects as at September 30, 2020 were \$2,738,522 compared to \$2,807,629 as at September 30, 2019. Subtractions of (\$299,723) in 2020 were offset by exchange translations in 2020. Total capitalized exploration expenditures incurred on Bosoto's projects as at September 30, 2020 were \$3,785,661 compared to \$4,090,872 as at September 30, 2019. Subtractions of (\$747,008) in 2020 were offset by exchange translations in 2020. Total capitalized exploration expenditures incurred on Idada's projects as at September 30, 2020 were \$6,716 compared to \$7,531 as at September 30, 2019. There were no additions and the difference is exchange translations in 2020. The principal components of the Gcwihaba exploration program was the further detailing of drill targets, while the Bosoto PL369/2014 commenced different studies with respect to collecting a 20,000 ton sample via a box-cut methodology. The Bosoto PL217/2016 was centered on further clarification and review of the geophysical data over kimberlite targets. A table is presented in the Exploration and Evaluation Additions section above with specific details.

## **PERSONNEL**

At September 30, 2020, the Company and its subsidiaries employed ten (10) compared to fifteen (15) at September 30, 2019, including senior officers, administrative and operations personnel including those on a short-term service basis.

## **PERIOD-ENDED SEPTEMBER 30, 2020**

The period-ended September 30, 2020 was conservative with an operating period challenged by the COVID-19 restrictions and uncertainty. Operating expenses were at normal levels for the period. See COVID-19 discussions below.

## **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.

### **COVID-19 Global pandemic risk**

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic, with the majority of governments across the jurisdictions in which Tsodilo operates declaring a state of emergency in response to the COVID-19 pandemic.

In March 2020, the Company implemented a crisis management strategy in relation to COVID-19, to protect the health and well-being of its employees in Botswana under new measures and guidelines implemented by the Government of Botswana.

Tsodilo's planned work programs for 2020 are largely focused on the further evaluation of its Bosoto BK16 diamond project and further exploration on its Gcwihaba metals project. Given the present uncertainty related to 2020 funding, a review of these programs is being performed to focus on critical-path items through the remainder of the year.

Despite the challenges presented by the COVID-19 pandemic, as at August 25, 2020 the evaluation and exploration continue to operate, with social distancing and other critical health and safety measures designed to limit the spread of the virus being observed.

As a relatively novel risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of government and central bank interventions in the jurisdictions in which Tsodilo operates. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business, including the duration and impact that it may have on our ability to raise funds to independently finance continued exploration through joint ventures; providing commercial services to third parties; the sale or lease of equipment; or, the sale of a partial interest in a project cannot be reasonably estimated at this time. Accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

### **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 and royalty transactions, 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 gain of \$105,990 and comprehensive loss of \$902,184 during the period ended September 30, 2020 and as of that date, the Company had an accumulated deficit of \$49,073,446 and negative working capital of (\$1,603,854). 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, 2020. 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.

As at September 30, 2020, term-notes payable were issued for \$974,638 from related parties, contractors and employees as settlement of compensation, service fees and expenses payable. The notes have an annual interest rate of 8% and are due September 30, 2020 and December 30, 2020. 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, of those future private placements. \$721,803 of the notes was 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%	\$44,434	30-Dec-20
31-Jan-19	\$85,000	8%	\$8,500	30-Dec-20
30-June -19	\$293,687	8%	\$8,646	30-Dec-20
30-Sept- 19	\$36,642	8%	\$3,646	30-Dec-20
31-Dec -19	\$95,146	8%	\$3,746	30-Dec-20
	\$974,638		\$70,972	

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 June

vary, depending on mineral prices. Any material changes in the quantity of resources, grades or stripping ratio June 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 June 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 June 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 June 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 June 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 June result in substantial rewards,

few properties which are explored are ultimately developed into producing mines. Major expenses June 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.

### **New Standards, Amendments and Interpretations Adopted**

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

### **New standards adopted as at January 1, 2019**

IFRS 16, Leases ("IFRS 16")

IFRS 16 replaced 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 adopted 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 believes the impact of adopting IFRS 16 is not material.

## RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company as at September 30

	<b>2020</b>	2019
Short term employee remuneration and benefits	<b>\$187,502</b>	\$202,502
Stock based compensation	<b>31,388</b>	84,490
Other long-term benefits*	<b>99,697</b>	88,188
Total compensation attributed to key management personnel	<b>\$318,587</b>	\$379,180

\*Benefits include \$21,552 of accrued leave through September 30, 2020 (2019: \$21,552)

- ◇ During the period, an individual related to the CEO provided administrative and management services to the Company and was remunerated in the amount of \$12,000 (2019: \$12,000).
- ◇ During the period, individuals related to key management personnel of the Company, received \$1,528 in stock-based compensation during the period (2019: \$4,742).

There are no other related party transactions.

## 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**

This Quarterly Financial 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 based on the opinions, assumptions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. Such assumptions include: the Company's ability to obtain necessary financing; the Company's expectations regarding the economy generally, results of operations and the extent of future growth and performance; and assumptions that the Company's activities will not be adversely disrupted or impeded by development, operating or regulatory risk. The Company believes that expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon.

There can be no assurance that such statements will prove to be accurate, as the Company's results and future events could differ materially from those anticipated in this forward-looking information as a result of those factors discussed in or referred to under the heading "Risks and Uncertainties" in the Company's AIF, as well as changes in general business and economic conditions, changes in interest and foreign currency rates, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, costs and availability of power and diesel, acts of foreign governments and the outcome of legal proceedings, inaccurate geological and recoverability assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources) and unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalations, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job actions, adverse weather conditions, and unanticipated events relating to health safety and environmental matters).

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date the statements were made, and the Company does not assume any obligations to update or revise them to reflect new events or circumstances, except as required by law.

"s"

James M. Bruchs  
Chairman and Chief Executive Officer

"s"

Gary A. Bojes  
Chief Financial Officer