TSODILO RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

Financial Reporting Responsibility of Management

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

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

The consolidated financial statements for the year ended December 31, 2019 have been audited by Crowe MacKay LLP external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Their report follows hereafter.

"s"

James M. Bruchs
Chairman and Chief Executive Officer
June 14, 2020

"s"

Dr Gary A. Bojes
Chief Financial Officer

June 14, 2020

Crowe

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Independent Auditor's Report

To the Shareholders of Tsodilo Resources Limited

Opinion

We have audited the consolidated financial statements of Tsodilo Resources Limited ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of operations and comprehensive Income (loss), shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of Tsodilo Resources Limited for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on April 25, 2019.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be

materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
June 14, 2020

Tsodilo Resources Limited

Consolidated Statements of Financial Position
(In United States dollars)

	December 31	
	2019	2018
ASSETS		
Current		
Cash	**$ 5,599**	$ 7,481
Accounts receivable and prepaid expenses	**32,593**	47,937
	38,192	55,418
Exploration and Evaluation Assets *(note 3)*	**7,391,765**	6,699,462
Property, Plant and Equipment *(note 4)*	**312,897**	403,343
Total Assets	**$7,742,854**	$7,158,223
LIABILITIES		
Current		
Accounts payable and accrued liabilities *(note 9)*	**$ 566,311**	$ 481,820
Notes payable *(note 5)*	**1,036,322**	--
Total Current Liabilities	**1,602,633**	481,820
Non-current notes payable *(notes 5 and 9)*	**--**	464,343
Total Liabilities	**1,602,633**	946,163
SHAREHOLDERS' EQUITY		
Share capital *(note 6a)*	**49,281,890**	49,281,890
Contributed surplus *(note 6c)*	**11,689,724**	11,579,495
Foreign currency translation reserve	**(5,651,957)**	(5,767,500)
Deficit	**(49,179,436)**	(48,881,825)
Total Equity	**6,140,221**	6,212,060
Total Liabilities and Equity	**$7,742,854**	$7,158,223

Nature of operations *(note 1)*
Commitments and contingencies *(note 12)*
Subsequent events *(note 14)*

See accompanying notes to the 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 & CEO

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

	Years Ended December 31	
	2019	2018
Administrative Expenses		
Corporate remuneration	**$ 429,605**	$ 426 ,631
Corporate travel and subsistence	**1,457**	8,767
Investor relations	**7,189**	8,507
Legal and audit	**53,096**	102,062
Filings and regulatory fees	**28,022**	33,067
Administrative expenses	**170,255**	206,578
Amortization	**907**	1,203
Stock-based compensation *(note 6c)*	**110,229**	252,336
	800,760	1,039,151
Other Income (Expense)		
Rental Income, net of cost	**303,053**	19,090
Interest Income	**4**	43
Realized gain on disposal of property, plant and equipment	**201,600**	11,584
Foreign exchange gain (loss)	**(1,508)**	(7,003)
	503,149	23,714
Loss for year	**(297,611)**	(1,015,437)
Other Comprehensive Gain/(Loss)		
Foreign currency translation	**115,543**	(660,663)
Total Other Comprehensive Gain/(Loss)	**115,543**	(660,663)
Total Comprehensive Income (Loss) for the year	**$ (182,068)**	$ (1,676,100)
Basic and diluted loss per share *(note 8)*	**($0.01)**	($0.03)

See accompanying notes to the consolidated financial statements

Tsodilo Resources Limited

Consolidated Statements of Changes in Shareholders' Equity

(In United States dollars except for shares)

2019

	Share Capital		Contributed Surplus	Foreign Translation Reserve	Deficit	Total Equity
	Shares Issued	**Amount**	**Stock-based compensation & Other**			
Balance January 1, 2019	**45,347,310**	**$49,281,890**	**$11,579,495**	**($5,767,500)**	**($48,881,825)**	**$6,212,060**
Stock Based Compensation	**--**	**--**	**110,229**	**--**	**--**	**110,229**
Comprehensive loss	**--**	**--**	**--**	**115,543**	**(297,611)**	**(182,068)**
Balance December 31, 2019	**45,347,310**	**$49,281,890**	**$11,689,724**	**($5, 651,957)**	**($49,179,436)**	**$6,140,221**

2018

	Share Capital		Contributed Surplus	Foreign Translation Reserve	Deficit	Total Equity
	Shares Issued	**Amount**	**Stock-based compensation & Other**			
Balance January 1, 2018	45,347,310	$49,281,890	$11,327,971	($5,106,837)	($47,866,388)	$7,636,636
Stock Based Compensation	--	--	251,524	--	--	251,524
Comprehensive loss	--	--	--	(660,663)	(1,015,437)	(1,676,100)
Balance December 31, 2018	45,347,310	$49,281,890	$11,579,495	($5,767,500)	($48,881,825)	$6,212,060

See accompanying notes to the consolidated financial statements.

Tsodilo Resources Limited

Consolidated Statements of Cash Flows

(In United States dollars)

	Years Ended December 31	
	2019	2018
Cash provided by (used in):		
Operating Activities		
Net Loss for the year	**$(297,611)**	$(1,015,437)
Adjustments for non-cash items:		
Gain on disposal of equipment	**(201,600)**	(11,584)
Amortization	**907**	1,203
Foreign exchange loss (gain)	**1,508**	7,003
Stock-based compensation	**110,229**	252,336
	(386,567)	(766,479)
Net change in non-cash working capital balances *(note 13)*	**522,773**	737,662
	136,206	(28,817)
Investing Activities		
Additions to exploration properties	**(338,180)**	(1,251,153)
Proceeds on disposal of equipment	**201,600**	11,584
	(136,580)	(1,239,569)
Financing Activities		
(Decrease) increase in non-current notes payable *(note 5)*	**--**	188,740
	--	188,740
Impact of exchange on cash	**(1,508)**	5,918
Change in cash - for the year	**(1,882)**	(1,073,728)
Cash - beginning of year	**7,481**	1,081,209
Cash - end of year	**$ 5,599**	$ 7,481

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 the laws of the Yukon Territory, Canada, under the Business Corporations Act of Yukon and the address of the Company's registered office is 161 Bay Street, P.O. Box 508 Toronto, Ontario, Canada, M5J 2S1. The Company currently exists under the Business Corporations Act of Yukon and its common shares are listed on the Toronto Venture Stock Exchange ("TSXV") under the symbol TSD.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a loss of $297,611 and comprehensive loss of $182,068 during the year ended December 31, 2019 and as of that date, the Company had an accumulated deficit of $49,179,436 and negative working capital of ($1,564,441). The Company has not generated any 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 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 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.

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 June 14, 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.

2. Significant Accounting Policies

(a) Statement of Compliance with International Financial Reporting Standards

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

These Consolidated financial statements have been authorized for release by the Company's Board of Directors on June 14, 2019.

(b) Basis of Preparation

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

ENTITY	**2019**	2018
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 Consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of polices and reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Accounts that require estimates as the basis for determining the stated amounts include accrued liabilities and stock-based compensation expense. The amounts estimated for stock based compensation is calculated using the Black-Scholes Option Pricing model, which requires significant estimates with respect to the expected life and volatility of such instruments.

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, potential tax exposures given the company operates in multiple jurisdictions, and the going concern assumptions. 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 year divided by the weighted average number of common shares issued and outstanding during the year.

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

(e) Exploration and Evaluation Assets

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

Ownership of exploration and evaluation assets involves certain inherent risks, including geological,

commodity prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for exploration and evaluation assets is dependent upon the delineation of economically recoverable ore reserves, the renewal or extension of exploration licenses, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate the mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its Botswana and South Africa Exploration and Evaluation Assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write-downs of exploration and evaluation assets carrying values. See 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)	("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 into functional currency at the exchange rate prevailing at the reporting date.

(iii) Translation of foreign operations

As at the reporting date the assets and liabilities of Gcwihaba, Newdico, Bosoto, and Idada are translated into the presentation currency of the Company at the rate of exchange prevailing at the reporting date and their revenue and expenses are translated at the average exchange for the period. On consolidation, the exchange differences arising on the translation are recognized in other comprehensive income (loss) and accumulated in the foreign currency translation reserve.

If 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 income (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 liability 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 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, 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.

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
Balance at December 31, 2017	**$2,888,008**	**$293,853**	**$3,181,861**	**$9,220**	**$2,752,737**	**$5,943,818**
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)
Balance at December 31, 2018	**$3,437,018**	**$502,038**	**$3,939,056**	**$7,902**	**$2,752,504**	**$6,699,462**
Additions	213,848	147,753	361,601	--	180,783	542,384
Net Exchange Differences	80,473	14,323	94,796	220	54,903	149,919
Balance at December 31, 2019	**$3,731,339**	**$644,114**	**$4,395,453**	**$8,122**	**$2,988,190**	**$7,391,765**

Exploration and evaluation additions for the year ended December 31, 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
Drilling Expenditures	$ 16,122	$ 1,018	$ 17,140	$--	$ 15,941	$ 33,081
Amortization Drill Rigs, Vehicles & Trucks	41,085	33,198	74,283	--	19,131	93,414
GIS & Geophysics	--	--	--	--	--	--
Lab Analyses & Assays	8,395	--	8,395	--	--	8,395
License Fees	--	--	--	--	2,257	2,257
Office, Maintenance, & Consumables	26,973	4,631	31,604	--	15,108	46,712
Salaries, Wages & Services	121,273	108,906	230,179	--	128,346	358,525
Balance at December 31, 2019	$213,848	$147,753	$361,601	$--	$180,783	$542,384

Exploration and evaluation additions for the year ended December 31, 2018 are summarized as follows

		Bosoto Botswana		Idada So. Africa	Gcwihaba Botswana	
	Project BK 16	**Project PL 217**	**Total Precious Stones**	**Precious Metals**	**Metals**	**TOTAL**
Plant Operations	$ 171,709	$ --	$171,709	$ --	$ --	$ 171,709
Drilling Expenditures	40,401	10,056	50,457	--	19,741	70,198
Amortization Drill Rigs, Vehicles & Trucks	49,436	34,395	83,831	--	24,280	108,111
GIS & Geophysics	12,842	8,123	20,965	--	15,698	36,663
Lab Analyses & Assays	7,750	--	7,750	--	14,447	22,197
License Fees	--	--	--	--	3,539	3,539
Office, Maintenance, & Consumables	116,217	66,603	182,820	--	66,836	249,656
Salaries, Wages & Services	463,479	134,702	598,181	--	99,010	697,191
Balance at December 31, 2018	$861,834	$253,879	$1,115,713	$ --	$243,551	$1,359,264

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 3rd 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.

Gcwihaba Resources (Pty) Ltd ("Gcwihaba") - Botswana

In 2017, Gcwihaba, a wholly owned subsidiary of the Company, held twenty-one (21) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West district of which seven (7) were then in renewal. A review of the merits of each license was undertaken in the fourth quarter of 2017 in an effort to determine which licenses were the most prospective in terms of exploration, discovery and development and an economic resource. The review determined that 7 licenses were more prospective than the others. A series of meeting were held with the Department of Mines ("DOM")and it was proposed that the Company would relinquish the aforesaid twenty-one (21) licenses in exchange for an initial grant of the core seven (7) licenses. The proposal was accepted by the DOM and the 21 licenses were relinquished at year-end and the core seven licenses were given an initial grant effective January 1, 2018. These new licenses have an initial grant term of three (3) years to be followed by 2 two-year renewal periods. The relinquishment of the aforementioned licenses or portions thereof did not cause a reduction or change in the continuing overall exploration program nor impact the chances of the overall success of the program.

During the third quarter of 2018, discrepancies were discovered in the license documents issued in the first quarter. The Company brought this matter to the attention of the DOM which after their review concurred and corrected the errors. The seven licenses were then given new initial grant dates of October 1, 2018, with the same grant terms and renewal periods thereon. The licenses cover 4,920.50 square kilometers and collectively have a proposed minimum spending commitment of BWP 1,753,815 ($166,278 USD as at December 31, 2019) if held to their full initial term.

Bosoto (Pty) Ltd ("Bosoto") - Botswana

Tsodilo was granted a prospecting license (PL369/2014) over the BK16 kimberlite pipe through its 100% owned Botswana subsidiary, Bosoto, 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 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's current prospecting license

extends to September 30, 2021.

The Company estimated that it would take approximately BWP 42,002,000 ($3,815,750 USD as at December 31, 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 Feasibility Study (FS). This estimate is based on the agreed work plan with the MMEWR. At any point the work plan may be amended, and a new work plan agreed to with the MMEWR.

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 license.

The PL 217/2016 license had an initial grant term of three (3) years to be followed by 2 two-year renewal periods. A renewal application filed in the third quarter 2019 is currently pending.

Newdico (Pty) Ltd ("Newdico") - Botswana

The Company holds a 100% interest in Newdico, which holds one (1) industrial minerals prospecting license PL091/2019, effective January 1, 2020. The license comprises 580 square kilometers and has a proposed minimum spending commitment of BWP 131,330 ($12,527 USD) as at January 1, 2020. Newdico also provides administrative, operational, exploration, geophysical and drilling services to the Company's other subsidiaries.

Idada Trading 361 (Pty) Ltd ("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.

Notices were sent to all surface owners of the five farms informing the owners of our intent to access the property to commence exploration activities. Three landowners, 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 third 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 is investigating the situation that the Company brought to their attention. UNESCO has informed the Company 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 the Company that they would be contacting the appropriate South African office for clarification. To date, it is the Company's 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, the Company 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. The Company will continue our efforts to engage the DMA once the government resumes its activities on a full-time basis. In the interim, the Company has filed a renewal application to protect our license rights.

The license comprises 9,033 hectares and has a proposed minimum spending commitment of SA Rand 2,116,527 ($150,654 USD as at December 31, 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

Cost	Hangar	Vehicles	Furniture And Equipment	Total
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

	Hangar	Vehicles	Furniture And Equipment	Total
As at December 31, 2018	$182,780	$ 1,229,756	$ 507,828	$1,920,364
Disposals	--	(271,276)	(68,244)	(339,520)
Net Exchange Difference	2,900	19,512	7,258	29,670
As at December 31, 2019	$185,680	$977,992	$446,842	$1,610,514

Accumulated Depreciation

	Hangar	Vehicles	Furniture And Equipment	Total
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

	Hangar	Vehicles	Furniture And Equipment	Total
As at December 31, 2018	$40,245	$ 1,197,202	$ 279,574	$ 1,517,021
Depreciation	20,442	11,024	65,365	96,831
Disposals	--	(271,276)	(68,244)	(339,520)
Net Exchange Difference	639	18,994	3,652	23,285
As at December 31, 2019	$61,326	$955,944	$280,347	$1,297,617

Net book value

As at December 31, 2018	$142,535	$32,554	$228,254	$403,343
As at December 31, 2019	**$124,354**	**$22,048**	**$166,495**	**$312,897**

For the period ended December 31, 2019, an amount of $95,924 (2018: $97,561) of amortization has been capitalized under exploration properties.

5. NOTES PAYABLE

In December 2019, notes payable were issued for $1,036,322 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	98,146	8%	3,646	30-Dec-20
31-Dec -19	95,146	8%	3,746	30-Dec-20
	$1,036,322		$70,972	

6. SHARE CAPITAL

(a) Common Shares

Authorized, Issued and outstanding

The authorized capital stock of the Company comprises an unlimited number of common shares with no par value. Issued and outstanding: 45,347,310 Common Shares as at December 31, 2019 and December 31, 2018:

1) Issued during the year-ended December 31, 2019: None

2) Issued during the year-ended December 31, 2018: None

(b) Warrants

As at December 31, 2019, there were no warrants outstanding.

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 years ended December 31, 2018 and December 31, 2019:

	Number of Options	**Weighted average exercise price (C$)**
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 December 31, 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, 330,000 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 options exercisable 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 assumptions were used in the Black Scholes option pricing model to fair value the stock options granted during the years ended December 31, 2019 and 2018:

	2019	2018
Expected lives	**4.05 years**	4.11 years
Expected volatilities (based on Company's historical prices)	**93.8%-96.1%**	93.5%-95.5%
Expected dividend yield	**0%**	0%
Risk free rates	**1.86-2.47%**	2.13-2.54%
Weighted average fair value of option	**$0.13**	$0.42

The following table summarizes stock options outstanding as at December 31, 2019:

Options Outstanding				**Options Exercisable**		
Exercise Price (C$)	Number of Outstanding Options	Weighted Average Exercise Prices (C$)	Weighted Average Remaining Contractual Life (Years)	Number of Exercisable Options	Weighted Average Exercise Prices (C$)	Weighted Average Remaining Contractual Life (Years)
C$1.05	200,000	C$1.05	0.01	200,000	C$1.05	0.01
C$0.83	200,000	C$0.83	0.24	200,000	C$0.83	0.24
C$0.70	100,000	C$0.70	0.67	100,000	C$0.70	0.67
C$0.72	200,000	C$0.72	1.01	200,000	C$0.72	1.01
C$0.79	250,000	C$0.79	1.27	250,000	C$0.79	1.27
C$0.69	200,000	C$0.69	2.01	200,000	C$0.69	2.01
C$0.85	400,000	C$0.85	2.26	400,000	C$0.85	2.26
C$0.65	200,000	C$0.65	3.01	200,000	C$0.65	3.01
C$0.55	500,000	C$0.55	3.23	500,000	C$0.55	3.23
C$0.28	200.000	C$0.28	4.01	100,000	C$0.28	4.01
C$0.17	925,000	C$0.17	4.43	462,500	C$0.17	4.43
	3,375,500	C$0.56	2.68	2,812,500	C$0.63	2.35

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 2019 of approximately 27% (2018: 26.5%) to loss before income taxes as follows:

	December 31, 2019	December 31, 2018
Loss for the year	**($297,611)**	($1,015,437)
Income tax rate	**27.00%**	26.50%
Expected income tax recovery	**(80,355)**	$ (269,091)
Foreign operation taxed at lower rates	(26,794)	(13,253)
Change in tax rate	(33,130)	--
Permanent differences	56,427	64,385
Change in benefits not recognized	29,089	197,785
Changes in estimate and foreign exchange	54,763	20,174
Provision for income taxes	**--**	**--**

As of December 31, 2019 the following deferred tax assets and liabilities have been recognized:

	December 31, 2019	December 31, 2018
Property, Plant and Equipment	**$ (50,000)**	$ (18,000)
Exploration & Evaluation Assets	**(2,410,000)**	(1,492,000)
Deferred tax liabilities	**(2,460,000)**	(1,510,000)
Tax losses carried forward	**2,460,000**	1,510,000
Net deferred income tax asset recorded	**$--**	$--

As at December 31, 2019 the Company has unrecognized deductible temporary differences aggregating to $13,139,000 (2018: $16,898,000), 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.

	December 31, 2019	December 31, 2018
Losses carried forward - Botswana	**$ 5,873,000**	$10,046,000
Losses carried forward - Canada	**6,905,000**	6,305,000
Other	**361,000**	547,000
	$13,139,000	$ 16,898,000

The Canadian tax losses of $6,905,000 (2018: $6,305,000) expire from 2026 through to 2039. The majority of Botswana tax losses can be carried forward indefinitely with the remainder expiring within five years.

	December 31, 2019	December 31, 2018
Total assessable tax losses relating to the activity in Botswana	**$17,068,000**	$16,907,000

8. LOSS PER SHARE

Net loss per share was calculated based on the following:

Year ended December 31	**2019**	2018
Net loss for the year	**($297,611)**	($1,015,437)
Effect of Dilutive Securities		
Stock options and warrants	**--**	--
Diluted net earnings (loss) for the year	**($297,611)**	($1,015,437)

The diluted loss per share is the same as the basic loss per share for the year ended December 31, 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

	2019	2018
Short term employee remuneration and benefits	$265,002	$430,002
Stock based compensation	102,016	230,901
Other long-term benefits*	26,310	113,724
Total compensation attributed to key management personnel	$393,328	$774,627

*Benefits include $26,310 of accrued leave through December 31, 2019 (2018: $28,736).

During the year an individual related to the CEO provided administrative and management services to the Company and was remunerated in 2019 in the amount of $41,000 (2018: $36,000).

During the year, individuals related to key management personnel of the company received $5,536 in stock based compensation during the period (2018: $2,086).

During the year, board members were issued notes in the amount of $721 803 (2018: $352,465) (See note 5 above for details).

As at December 31, 2019, there was a total of $56,935 (2018: $103,082) payables to related parties included within accounts payable and accrued liabilities.

There are no other related party transactions.

10. SEGMENTED INFORMATION

The Company is operating in one industry. As at December 31, 2019 the Company's property, plant and equipment in the United States was $NIL (2018: $907) and in Botswana was $312,897 (2018: $402,436). 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 $7,383,643 (2018: $6,691,560) and South Africa were $8,122 (2018: $7,889).

11. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and notes payable. The carrying values of these items as presented in the 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:

Financial Instrument	Classification
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities
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, or through December 31, 2019. See note 3 for a description of royalty interests sold which provided $1,500,000 in cash to be

used in further exploration and evaluation.

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 it contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. 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 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 December 31, 2019, a ten percentage change in the exchange rate would result in a $90,959 (2018: $72,144) 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 & Service Commitments

Currently, the aggregate minimum payments* are as follows:

Year	Facility	Term	BWP			USD
			Rental	Services	Total	
2020	Hangar Maun[1]	2/01/2016 – 12/31/2026	130,607	19,591	150,198	14,355
2020	Shakawe Plot[2]	1/01/2016 – 12/31/2020	72,000	-	72,000	6,868
2020	Gaborone [3]	2/01/2020 – 1/31/2021	-	98,000	98,000	9,348
2020	Letlhakane Plot[4]	TBD	-	-	-	-
	Total		202,607	117,591	320,198	30,571

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

[1]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.

[2]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.

[3] The twelve month service agreement has an effective date of February 1, 2020 and is renewable at the company's option for an additional year expiring January 31, 2022. The monthly lease payment is 8,000 BWP/month.

[4]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 CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31 2019	December 31 2018
Net change in non-cash working capital balances:		
(Increase) decrease in accounts receivable and prepaid	**$ 14,298**	$189,467
Increase (decrease) in accounts payable and accrued liabilities	**78,733**	272,592
Increase in notes payable for operating activities	**429,742**	275,603
Total	**$522,773**	$737,662

14. SUBSEQUENT EVENTS

- ◊ On January 4, 2020, 200,000 stock options exercisable at C$1.05 expired.
- ◊ On January 2, 2020, the Company issued 275,000 options at C$0.07 under its stock option plan to persons who are officers and employees of the Company.
- ◊ On March 27, 2020, 200,000 stock options exercisable at C$0.83 expired.
- ◊ On December 13, 2019, Newdico (Pty) Ltd was issued PL091/2019 effective January 1, 2020. The license comprises 580 square kilometers and has a proposed minimum spending commitment of BWP 131,330 ($12,527 USD) as at January 1, 2020.