



TSODILO RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

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, 2020 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
April 12, 2021

"s"

Dr Gary A. Bojes
Chief Financial Officer
April 12, 2021

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 statements of financial position as at December 31, 2020 and December 31, 2019 and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years 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, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years 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 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
April 12, 2021**

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

(In United States dollars)

	December 31 2020	December 31 2019
ASSETS		
Current		
Cash	\$ 5,620	\$ 5,599
Accounts receivable and prepaid expenses	60,473	32,593
Total Current Assets	66,093	38,192
Exploration and Evaluation Assets (note 3)	7,063,327	7,391,765
Property, Plant and Equipment (note 4)	248,086	312,897
Total Assets	\$ 7,377,506	\$7,742,854
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 821,774	\$ 566,311
Notes payable (note 5)	1,055,735	1,036,322
Total Current Liabilities	1,877,509	1,602,633
Total Liabilities	1,877,509	1,602,633
SHAREHOLDERS' EQUITY		
Share capital (note 6a)	49,518,357	49,281,890
Contributed surplus (note 6c)	11,639,437	11,689,724
Foreign currency translation reserve	(5,823,437)	(5,651,957)
Deficit	(49,834,360)	(49,179,436)
Total Equity	5,499,997	6,140,221
Total Liabilities and Equity	\$ 7,377,506	\$7,742,854

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**Jonathan R. Kelafant
Chairman, Audit CommitteeJames M. Bruchs
Chairman & CEO

Tsodilo Resources Limited
Consolidated Statements of Operations and Comprehensive Income (Loss)

(In United States dollars)

Years Ended December 31

	2020	2019
Administrative Expenses		
Corporate remuneration	\$ 426,842	\$ 429,605
Corporate travel and subsistence	1,903	1,457
Investor relations	7,029	7,189
Legal and audit	61,074	53,096
Filings and regulatory fees	36,506	28,022
Administrative expenses	203,068	170,255
Amortization	--	907
Stock-based compensation (<i>note 6c</i>)	44,417	110,229
	780,839	800,760
Other Income (Expense)		
Other services income, net of cost	101,626	303,053
Interest income	2	4
Realized gain on disposal of property, plant and equipment	--	201,600
Gain on debt settlement	28,747	--
Foreign exchange gain (loss)	(4,460)	(1,508)
	125,915	503,149
Loss for year	(654,924)	(297,611)
Other Comprehensive Gain/(Loss)		
Foreign currency translation	(171,480)	115,543
Total Other Comprehensive Gain/(Loss)	(171,480)	115,543
Total Comprehensive Income (Loss) for the year	\$ (826,404)	\$ (182,068)
Basic and diluted loss per share (<i>note 8</i>)	(\$0.01)	(\$0.01)

See accompanying notes to the consolidated financial statements

Tsodilo Resources Limited

Consolidated Statements of Changes in Shareholders' Equity

(In United States dollars except for shares)

	Share Capital		Contributed Surplus	Foreign Translation Reserve	Deficit	Total Equity
	Shares Issued	Amount				
			Stock-based compensation & Other			
Balance January 1, 2020	45,347,310	\$49,281,890	\$11,689,724	(\$5,651,957)	(\$49,179,436)	\$6,140,221
Options exercised in 2020	818,750	236,467	(94,704)			141,763
Stock Based Compensation	--	--	44,417	--	--	44,417
Comprehensive loss	--	--	--	(171,480)	(654,924)	(826,404)
Balance December 31, 2020	46,166,060	\$49,518,357	\$11,639,437	(\$5, 823,437)	(\$49,834,360)	\$5,499,997

See accompanying notes to the consolidated financial statements

	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) income	--	--	--	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

See accompanying notes to the consolidated financial statements.

Tsodilo Resources Limited
Consolidated Statements of Cash Flows
(In United States dollars)

	Years Ended December 31	
	2020	2019
Cash provided by (used in):		
Operating Activities		
Net Loss for the year	\$(654,924)	\$(297,611)
Adjustments for non-cash items:		
Gain on disposal of equipment	--	(201,600)
Gain on debt settlement	(28,747)	--
Amortization	--	907
Foreign exchange loss (gain)	4,460	1,508
Stock-based compensation	44,417	110,229
	(634,794)	(386,567)
Net change in non-cash working capital balances <i>(note 13)</i>	410,811	522,773
	(223,983)	136,206
Investing Activities		
Additions to exploration properties	(290,852)	(338,180)
Proceeds from sale of royalty	500,000	--
Proceeds on disposal of equipment	--	201,600
	290,148	(136,580)
Financing Activities		
Payment of notes payable	(61,684)	--
	(61,684)	--
Impact of exchange on cash	(4,460)	(1,508)
Change in cash - for the year	21	(1,882)
Cash - beginning of year	5,599	7,481
Cash - end of year	\$ 5,620	\$ 5,599

Tsodilo Resources Limited

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in U.S. dollars unless otherwise noted)

1. NATURE OF OPERATIONS

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

The Company is considered to be in the exploration and development stage given that none of its properties are in production and, to date, have not earned any revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the renewal or extension of exploration licenses, obtaining the necessary permits to operate a mine, obtaining the financing to complete exploration and development, and future profitable production. The Company is incorporated under 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 \$654,924 and comprehensive loss of \$826,404 during the year ended December 31, 2020 and as of that date, the Company had an accumulated deficit of \$49,834,360 and negative working capital of (\$1,811,417). 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. The majority of governments across the jurisdictions in which Tsodilo operates declared a state of emergency in response to the COVID-19 pandemic.

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 April 12, 2021.

(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	2020	2019
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 policies and reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Accounts that require estimates as the basis for determining the stated amounts include 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.

Proceeds received from farm-out agreements or recoveries of costs are credited against the cost of related claims.

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.

Management periodically reviews the carrying values of its investments in exploration and evaluation assets and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company and the assessment of future probability of revenues from the property or from the sale of the property. A decision to abandon, reduce or expand activity on a specific property is based upon many factors including general and specific assessments of mineral resources, anticipated future mineral prices, anticipated costs of developing and operating a producing mine, the expiration date of mineral property leases and the availability of financing. The Company does not set a pre-determined holding period for properties with unproven resources. However, properties which have not demonstrated suitable prospects at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and that carrying values are appropriate.

(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
Vehicles	5 Years
Furniture and equipment	3 – 4 Years

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

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

(g) Cash

Cash consists of cash held in banks and petty cash.

(h) Foreign Currency Translation

(i) Functional and presentation currency

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

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

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

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated 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 at amortized cost. Financial liabilities classified as at amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, at amortized cost 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 and accrued liabilities, and notes payable are classified as at amortized cost. 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. Exploration and evaluation assets are excluded from the fair value impairment test.

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 2020 and 2019.

(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) Share Capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are valued using residual value method which involves comparing the selling price of the units to the Company's share price on the announcement date of the financing. The market value is then applied to the common share, and any residual amount is assigned to the warrants. Warrants that are issued as payment for agency fee or other transaction costs are accounted for as share-based payments and are recognized in equity. When warrants are forfeited or are not exercised at the expiry date, the amount previously recognized in equity is transferred from reserves to deficit. In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date the shares are issued.

(q) Provision for Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. As at December 31, 2020 and 2019, the Company has determined that it does not have any decommissioning obligations.

(r) New Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the ISAB or the IFRS Interpretive Committee that are mandatory for accounting periods beginning January 1, 2021 or later periods. These standards are not expected to have a material impact on the Company.

Classification of Liabilities as Current or Non-current (Amendment to IAS 1)

The amendment to IAS 1 provide a more general approach to the classification of liabilities based on the contractual agreements in place at the reporting date. These amendments are effective for the reporting dates beginning on or after January 1, 2023.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are summarized as follows:

	Bosoto Botswana			Newdico Botswana Project PL091 Industrial Minerals Stones	Idada S. Africa Precious Metals	Gcwihaba Botswana Metals	TOTAL
	Project BK 16 Precious Stones	Project PL 217 Precious Stones	Bosoto Total				
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
Additions	125,174	24,915	150,089	133,875	0	61,510	345,474
Net Exchange Differences	(96,594)	(17,258)	(113,852)	7,816	(330)	(67,545)	(173,911)
Subtotal	3,759,919	671,771	4,431,690	141,691	7,792	2,982,155	7,563,327
Royalty contribution/reduction in exploration cost	--	--	--	--	--	(500,000)	(500,000)
Balance at December 31, 2020	\$3,759,919	\$671,771	\$4,431,690	\$141,691	\$7,792	\$2,482,155	\$7,063,327

Exploration and evaluation additions for the year-ended December 31, 2020 are summarized as follows:

	Bosoto Botswana			Newdico Botswana Project PL091 Industrial Minerals Stones	Idada S. Africa Precious Metals	Gcwihaba Botswana Metals	TOTAL
	Project BK 16 Precious Stones	Project PL 217 Precious Stones	Bosoto Total				
Drilling Expenditures	\$ 1,558	\$ 749	\$ 2,307	\$ 5,608	\$ --	\$ 11,019	\$18,934
Amortization Drill Rigs, Vehicles & Trucks	--	--	--	56,932	--	--	56,932
GIS & Geophysics	--	--	--	--	--	--	--
Lab Analyses & Assays	31,753	--	31,753	--	--	--	31,753
License Fees	87	--	87	--	--	2,138	2,225
Office, Maintenance, & Consumables	20,015	5,046	25,061	16,817	--	12,246	54,124
Salaries, Wages & Services	71,761	19,120	90,881	54,518	--	36,107	181,506
Balance at December 31, 2020	\$125,174	\$24,915	\$150,089	\$133,875	\$ --	\$61,510	\$345,474

Exploration and evaluation additions for the year ended December 31, 2019 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	\$ 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	29,973	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

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 third Quarter 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% Net Smelter Return (NSR) on the Company's wholly owned Botswana subsidiary Gcwihaba Resources (Pty) Ltd. prospecting metal licenses in northwest Botswana;
- ◇ the grant of a 1% Gross Proceeds Royalty (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.

On July 23, 2020, the Company reached an agreement with TBM (Pty) Ltd. ("TBM") to grant royalties (Royalty income) on its Botswana subsidiary Gcwihaba (Pty) Ltd. ("Gcwihaba") seven (7) metal prospecting licenses in consideration of the payment of \$500,000 USD.

The package of assets in the Royalty Sale includes:

- ◇ the grant of a 0.5% Net Smelter Return or Net Mineral Return on Gcwihaba's seven (7) prospecting metal licenses in northwest Botswana.

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 meetings 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 October 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. The licenses cover 4,920.50 square kilometers and collectively have a proposed minimum spending commitment of BWP 1,753,815 (\$164,542 USD as at December 31, 2020) 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 (\$3,752,970 USD as at December 31, 2020) 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.

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 July 1, 2020 for a period of two years. The license currently covers an area of 292 square kilometers and has a minimum exploration expenditure requirement of 1,002,920 BWP (\$94,094 USD as at December 31, 2020).

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 (\$12,462 USD as at December 31, 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 all expenditures have been curtailed until such time as access to the license area is provided.

Covid-19 Pandemic Relief

In the first Quarter of 2020, the Company initiated efforts to get Covid-19 relief from expenditure and work requirements on our prospecting licenses due to the exceptional and debilitating global effects of the Covid-19 pandemic. In April 2020, the Ministry of Mineral Resources, Green Technology and Energy Security informed those holding prospecting licenses that they would entertain granting relief from work and expenditure requirements on

a case-by-case basis. Applications for relief were filed for the Gcwihaba and Bosoto licenses and on January 8, 2021 the Ministry in accordance with Section 22 of the Mines and Minerals Act, approved the cancellation of one (1) year of prospecting programme of Bosoto Prospecting License No. PL 369/2014 and PL 217/2016 and Gcwihaba Prospecting Licenses. Nos. PL 020 – 026/2018, with effect from April 1, 2020.

4. PROPERTY, PLANT, AND EQUIPMENT

Cost	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
	Hangar	Vehicles	Furniture and Equipmen	Total
As at December 31, 2019	\$185,680	\$ 977,992	\$ 446,842	\$1,610,51
Disposals	--	(153,161)	--	(153,161)
Net Exchange Difference	(2,540)	(22,318)	(5,874)	(30,732)
As at December 31, 2020	\$183,140	\$802,513	\$440,968	\$1,426,621
Accumulated Depreciation	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
	Hangar	Vehicles	Furniture and Equipment	Total
As at December 31, 2019	\$61,326	\$955,944	\$280,347	\$1,297,617
Depreciation	18,964	(9,375)	47,343	56,932
Disposals	--	(153,161)	--	(153,161)
Net Exchange Difference	1,053	(3,943)	(19,963)	(22,853)
As at December 31, 2020	\$81,343	\$789,465	\$307,727	\$1,178,535
Net book value				
As at December 31, 2019	\$124,354	\$22,048	\$166,495	\$312,897
As at December 31, 2020	\$101,797	\$13,048	\$133,241	\$248,086

For the period ended December 31, 2020, an amount of \$56,932 (2019: \$95,924) of amortization has been capitalized under exploration properties.

5. NOTES PAYABLE

As at December 31, 2020, term notes payable in the amount of \$1,055,735 were outstanding 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, December 31, 2020 and June 30, 2021. The notes carry a termination fee of 10% upon early redemption of the notes for which there is an embedded derivative arising – the fair value of this is NIL. There was no material gain / (loss) arising on this. In addition, at the option of the note holders, the notes can be converted to stock during future private placements at the price, that raise a minimum of CAD \$500,000, of those future private placements, \$843,576 of the notes was from related parties (see note 9).

Date	Balance January 1, 2020	Changes in 2020	Balance December 31, 2020	Interest Rate	Termination Fee	Maturity Date
01-Oct-18	\$ 20,000	(\$14,181)	\$5,819	8%	\$ 2,000	30-Sep-20
31-Dec-18	444,343	(96,764)	347,579	8%	44,434	31-Dec-20*
31-Jan-19	85,000	--	85,000	8%	8,500	31-Jan-21
30-Jun-19	293,687		293,687	8%	8,646	31-Dec-20
30-Sep-19	98,146	(61,684)	36,462	8%	3,646	31-Dec-20
31-Dec-19	95,146		95,146	8%	3,746	31-Dec-20
01-Oct-20		192,042	192,042	8%		30-June-21
	\$1,036,322	\$19,413	\$1,055,735		\$70,972	

*Subsequent to December 31, 2020, \$273,005 of notes payable had its maturity extended from December 31, 2020 to December 31, 2021.

- On October 1, 2020, promissory note was issued for \$192,042 respectively to an employee, who is a director of the Company. The notes are payable on demand and have an annual interest rate of 8%.
- On July 24, 2020, \$61,684 in promissory notes were paid and retired to an employee and director of the Company.
- On December 31, 2020, \$110,945 in promissory notes were extinguished upon exercise of options.

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: 46,166,060 Common Shares as at December 31, 2020 (December 31, 2019, 45,347,310):

1) Issued during the year-ended December 31, 2020:

- (i) On December 31, 2020, 818,750 options were exercised for proceeds of \$141,763 (C\$181,188). The fair value of \$94,704 were reclassified from contributed surplus to share capital:

- 87,500 shares at a price of C\$0.07 for proceeds to the Company of \$4,792 (C\$6,125). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was \$3,142.
- 56,250 shares at a price of C\$0.09 for proceeds to the Company of \$3,961 (C\$5,063). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was \$2,460.
- 450,000 shares at a price of C\$0.17 for proceeds to the Company of \$59,854 (C\$76,500). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was \$39,959.
- 150,000 shares at a price of C\$0.28 for proceeds to the Company of \$32,861 (C\$42,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was \$21,698.
- 25,000 shares at a price of C\$0.65 for proceeds to the Company of \$12,713 (C\$16,250). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was \$9,193.
- 25,000 shares at a price of C\$0.69 for proceeds to the Company of \$13,496 (C\$17,250). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was \$9,193.
- 25,000 shares at a price of C\$0.72 for proceeds to the Company of \$14,083 (C\$18,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was \$9,193.

The weighted average trading price on date of option exercise was C\$0.47.

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

(b) Warrants

As at December 31, 2020, 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 exercised will result in equity contributions.

The following Table summarizes the Company's stock option activity for the years ended December 31, 2019 and December 31, 2020:

	Number of Options	Weighted Average Exercise Price
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
Granted	700,000	C\$0.08
Forfeited	(50,000)	C\$0.55
Exercised	(818,750)	C\$0.22
Expired	(500,000)	C\$0.89
Outstanding as at December 31, 2020	2,706,250	C\$0.48

2020

- ◇ On January 2, 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 April 30, 2020, 50,000 stock options exercisable at C\$0.55 were forfeited.
- ◇ On September 1, 2020, 100,000 stock options exercisable at C\$0.70 expired.
- ◇ On September 21, 2020, the Company issued 425,000 options at C\$0.09 under its stock option plan to persons who are officers and employees of the Company.
- ◇ On December 31, 2020, 818,750 options were exercised [See footnote 6 (1) above].

2019

- ◇ On January 2, 2019, 222,500 stock options exercisable 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.

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, 2020 and 2019:

	2020	2019
Expected lives	4.04-4.08 years	4.05 years
Expected volatilities (based on Company's historical prices)	91.8%-95.7%	93.8%-96.1%
Expected dividend yield	0%	0%
Risk free rates	0.22-1.63%	1.86-2.47%
Weighted average fair value of option	\$0.05	\$0.13

The following table summarizes stock options outstanding as at December 31, 2020:

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\$0.72	175,000	C\$0.72	0.01	175,000	C\$0.72	0.01
C\$0.79	250,000	C\$0.79	0.27	250,000	C\$0.79	0.27
C\$0.69	175,000	C\$0.69	1.00	175,000	C\$0.69	1.00
C\$0.85	400,000	C\$0.85	1.25	400,000	C\$0.85	1.25
C\$0.65	175,000	C\$0.65	2.00	175,000	C\$0.65	2.00
C\$0.55	450,000	C\$0.55	2.23	450,000	C\$0.55	2.23
C\$0.28	50,000	C\$0.28	3.00	50,000	C\$0.28	3.00
C\$0.17	475,000	C\$0.17	3.43	475,000	C\$0.17	3.43
C\$0.07	187,500	C\$0.07	4.01	87,500	C\$0.07	4.01
C\$0.09	368,750	C\$0.09	4.73	68,750	C\$0.09	4.73
	2,706,250	C\$0.48	2.36	2,306,250	C\$0.54	1.98

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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 2020 of approximately 27% (2019: 27%) to loss before income taxes as follows:

	December 31, 2020	December 31, 2019
Loss for the year	(\$654,924)	(\$297,611)
Income tax rate	27.00%	27.00%
Expected income tax recovery	(\$176,829)	(\$80,355)
Foreign operation taxed at lower rates	(2,911)	(26,794)
Change in tax rate	--	(33,130)
Permanent differences	11,351	56,427
Change in benefits not recognized	168,389	29,089
Changes in estimate and foreign exchange	--	54,763
Provision for income taxes	\$ --	\$ --

As of December 31, 2020 the following deferred tax assets and liabilities have been recognized:

	December 31, 2020	December 31, 2019
Property, Plant and Equipment	(\$41,000)	(\$50,000)
Exploration & Evaluation Assets	(2,554,000)	(2,410,000)
Deferred tax liabilities	(2,595,000)	(2,460,000)
Tax losses carried forward	2,595,000	2,460,000
Net deferred income tax asset recorded	\$--	\$--

As at December 31, 2020 the Company has unrecognized deductible temporary differences aggregating to \$12,345,000 (2019: \$13,139,000), 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, 2020	December 31, 2019
Losses carried forward - Botswana	\$ 4,500,000	\$5,873,000
Losses carried forward - Canada	7,458,000	6,905,000
Other	387,000	361,000
	\$12,345,000	13,139,000

The Canadian tax losses of \$7,458,000 (2019: \$6,905,000) expire from 2025 through to 2040. The majority of Botswana tax losses can be carried forward indefinitely with the remainder expiring within five years.

	December 31, 2020	December 31, 2019
Total assessable tax losses relating to the activity in Botswana	\$16,667,000	\$17,068,000

8. LOSS PER SHARE

Net loss per share was calculated based on the following:

Year ended December 31	2020	2019
Net loss for the year	(\$654,924)	(\$297,611)
Effect of Dilutive Securities		
Stock options and warrants	--	--
Diluted net earnings (loss) for the year	(\$654,924)	(\$297,611)

The diluted loss per share is the same as the basic loss per share for the year ended December 31, 2020 and 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 (2019: 45,347,310) see note 6 above.

9. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2020	2019
Short term employee remuneration and benefits	\$278,106	\$291,312
Stock based compensation	38,521	102,016
Total compensation attributed to key management personnel	\$316,627	\$393,328

During the year an individual related to the CEO provided administrative and management services to the Company and was remunerated in 2020 in the amount of \$48,000 (2019: \$41,000).

During the year, individuals related to key management personnel of the company received NIL in stock based compensation during the year (2019: \$5,536).

Board members were issued notes in the amount of \$843,576 (2019: \$721,803).

As at December 31, 2020, there was a total of \$85,038 (2019: \$56,935) 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, 2020 the Company's property, plant and equipment in Botswana was \$248,086 (2019: \$312,897). 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 \$7,055,535 (2019: \$7,383,643) and South Africa were \$7,792 (2019: \$8,122).

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.

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 2019. See note 3 for a description of royalty interests sold which provided \$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.

There has been no change in the Company's approach to capital management during 2020. The Company is not subject to externally imposed capital requirements.

(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 has a working capital deficiency of \$1,811,417 at December 31, 2020.

(c) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The majority of the Company's cash is held with a major Canadian based financial institution.

There are no allowances for doubtful accounts required.

(d) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. Because the cash is held on deposit at financial institutions and may be withdrawn at any time, and because the 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, 2020, a ten percentage change in the exchange rate would result in a \$104,030 (2019: \$90,959) 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*
			Yearly Rental	Services	Total	
2021	Hangar Maun ¹	2/01/2016 – 12/31/2026	141,056	21,395	162,451	\$15,241
2021	Shakawe Plot ²	1/01/2021 – 12/31/2025	77,040	-	77,040	7,228
2021	Gaborone ³	2/01/2021 – 1/31/2022	-	98,000	98,000	9,194
2021	Letlhakane Plot ⁴	2/21/2018 – 12/31/2068	29,998	-	29,998	2,814
	Total		248,094	119,395	367,489	\$34,477

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

¹Newdico purchased the hangar facility from Commercial Holdings (Pty) Ltd. (CHPT) in February 2016. The hangar facility resides on a commercial plot located at the Maun International Airport rented by CHPT from Civil Aviation Authority of Botswana (CAAB). The purchase agreement called for a transfer of the CPHT/CAAB lease to Newdico upon purchase of the hangar facility. The parties all agree to the transfer to take place but to date, the lease transfer has not occurred. Newdico has withheld lease payments until such time that the lease is transferred. The lease has an effective date of January 1, 2016 and continues for 10 years at 8% escalation annually which may be reviewed 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.

²The lease has an effective date of January 1, 2021 and is renewable at the company's option for an additional 6 years expiring on December 31, 2025. The monthly lease payment is 6,420 BWP increasing 420 BWP annually in each successive year.

³The twelve month service agreement has an effective date of February 1, 2021 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.

⁴The lease term has an effective date of February 2018. Newdico's obligations under the lease are effective as of October 1, 2020. The lease cost is 29,998 BWP per annum which may be reviewed every five (5) years at market and commercial rates. The lease has a term of fifty (50) years cancelable by either party on six (6) months notice.

13. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2020	December 31, 2019
Net change in non-cash working capital balances:		
(Increase) decrease in accounts receivable and prepaid expenses	(\$28,598)	\$14,298
Increase (decrease) in accounts payable and accrued liabilities	242,421	78,733
Increase in notes payable for operating activities	196,988	429,742
Total	\$410,811	\$522,773
Non-cash Financing and Investing Activities		
Issuance of common shares for accounts payable and accrued liabilities	\$30,816	--
Issuance of commons shares for notes payable	110,94	--
Reclassification of accounts payable to notes payable	(192,043)	--

14. SUBSEQUENT EVENTS

- On January 1, 2021, the Company granted 275,000 options at C\$0.47 under its stock option plan to persons who are officers and employees of the Company.
- On January 4, 2021, 175,000 stock options at C\$0.72 expired.
- On January 25, 2021, the Company closed the first tranche of a private placement financing (the "Financing") for gross proceeds of C\$1,343,019. Pursuant to the Financing, the Company issued 2,686,038 units of securities of the Company (the "Units") at a subscription price of C\$0.50 per Unit. Each Unit is comprised of one common share in the capital of the Company ("Common Share") and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share for a period of 24 months from the date of issuance at an exercise price of USD\$0.55.
- On February 10, 2021, the Company closed the second and final tranche of the Financing for gross proceeds of C\$150,000. Pursuant to the Financing, the Company issued 300,000 units of securities of the Company at a subscription price of C\$0.50 per Unit. Each Unit is comprised of one common share in the capital of the Company ("Common Share") and one common share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share for a period of 24 months from the date of issuance at an exercise price of USD\$0.55.
- On March 4, 2021, the Company's stock began trading on the US OTCQB Venture Market under the symbol "TSDRF".
- On April 8, 2021, 250,000 stock options at C\$0.79 expired.