



TSODILO RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 and 2023

Financial Reporting Responsibility of Management

The 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 fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors, two of which qualify as unrelated directors and are independent of management and free from any interest or business relationship which 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, 2024, have been audited by Jones & O'Connell 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

"s"

Samuel S. McCullough
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Tsodilo Resources Limited

Opinion

We have audited the consolidated financial statements of Tsodilo Resources Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2024 and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2024 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group has incurred a loss of \$1,043,242 and comprehensive loss of \$1,200,971 for the year ended December 31, 2024, and the Group had an accumulated deficit of \$55,364,882 and negative working capital of \$3,880,921. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Emphasis of Matter - Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Evaluation of Capitalized Resource Property Costs for Potential Impairment

Description of the matter

We draw attention to Note 3 to the consolidated financial statements. At each reporting date, the Group must consider whether there is objective evidence of impairment in the resource properties as a result of events that have occurred after the initial recognition of the resource property costs (a "loss event") and whether that loss event (or events) has an impact on the estimated recoverability of the resource properties. The Group's assessment of whether there are any indicators that the carrying value of its investment in the resource properties may be impaired is a significant management judgment.

Independent Auditor's Report

To the Shareholders of Tsodilo Resources Limited (Continued)

Key Audit Matters (Continued)

Evaluation of Capitalized Resource Property Costs for Potential Impairment (Continued)

Why the matter is a key audit matter

We identified the evaluation of evidence of impairment for the resource properties as a key audit matter. This matter represented an area of higher assessed risk of material misstatement, which required significant auditor judgment in the evaluation of the results of our procedures.

How the matter was addressed in the audit

The primary procedure we performed to address this key audit matter included the following:

We evaluated the appropriateness of the Group's impairment analysis by assessing the resource properties for any indicators of impairment in accordance with IFRS 6.

Other Matter

The amounts shown for comparative purposes as at and for the year ended December 31, 2023 were reported on by another auditor, with a date of April 29, 2024.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for other information. Other information comprises the information included in Management's Discussion and Analysis for the year ended December 31, 2024, filed with the relevant Canadian Securities Commissions. Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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. 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 the auditors' 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 IFRS Accounting Standards as issued by the IASB 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.

Independent Auditor's Report

To the Shareholders of Tsodilo Resources Limited (Continued)

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 it 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 a part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 a 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 of 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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.

Independent Auditor's Report

To the Shareholders of Tsodilo Resources Limited (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wayne O'Connell.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants
St. Catharines, Ontario
April 28, 2025

Tsodilo Resources Limited
Consolidated Statements of Financial Position
(In United States dollars)

	December 31 2024	December 31 2023
ASSETS		
Current		
Cash	\$ 6,010	\$ 1,856
Accounts receivable and prepaid expenses	28,615	37,493
Total Current Assets	34,625	39,349
Exploration and evaluation assets (note 3)	5,480,551	5,475,876
Property, plant, and equipment (note 4)	54,155	80,608
Total Assets	\$5,569,331	\$5,595,833
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 1,630,042	\$ 1,341,216
Short-term lease liability (note 5)	5,318	4,952
Notes payable (notes 6 and 9)	2,280,186	1,930,806
Total Current Liabilities	3,915,546	3,276,974
Long-term lease liability (note 5)	--	5,503
Total Liabilities	3,915,546	3,282,477
SHAREHOLDERS' EQUITY		
Share capital (note 7)	51,774,264	51,403,803
Contributed surplus (note 7)	12,555,134	12,414,194
Commitment to issue shares	30,000	--
Foreign translation reserve	(7,340,730)	(7,183,001)
Deficit	(55,364,882)	(54,321,640)
Total Equity	1,653,785	2,313,356
Total Liabilities and Equity	\$ 5,569,331	\$5,595,833

Nature of operations and going concern (note 1)

Commitments and contingencies (note 12)

Subsequent events (note 15)

See accompanying notes to the consolidated financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"s"

Jonathan R. Kelafant
Chairman, Audit Committee

"s"

James M. Bruchs
Chairman, Board of Directors

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

	Year Ended December 31,	
	2024	2023
Operating Expenses		
Corporate remuneration (note 9)	\$ 462,066	\$ 468,830
Corporate travel and subsistence	1,929	16,067
Investor relations	38,198	21,746
Legal and audit	51,015	121,539
Filings and regulatory fees	23,972	31,494
Administrative expenses	324,738	294,175
Amortization expense	16,074	43,042
Stock-based compensation (note 7 and 9)	179,752	215,802
	1,097,744	1,212,695
Other Income (Expense)		
Other income, net of cost	70,051	64,882
Foreign exchange loss	(15,549)	(3,543)
	54,502	61,339
Loss for the Year	\$ (1,043,242)	\$ (1,151,356)
Other Comprehensive Loss		
Foreign currency translation	(157,729)	(243,899)
Total Other Comprehensive Loss	(157,729)	(243,899)
Total Comprehensive Loss for the Year	\$ (1,200,971)	\$ (1,395,255)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	54,364,508	52,267,581

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)

2024

	Share Capital		Contributed Surplus Stock-based compensation & Other	Commitment to Issue Shares	Foreign Translation Reserve	Retained Deficit	Total Equity
	Shares Issued	Amount					
Balance January 1, 2024	53,044,925	\$51,403,803	\$12,414,194	\$ --	\$(7,183,001)	\$(54,321,640)	\$2,313,356
Units Issued	1,566,660	293,138	--	--	--	--	293,138
Options exercised	452,500	77,323	(38,813)	--	--	--	38,510
Commitment to issue shares	--	--	--	30,000	--	--	30,000
Stock-based compensation	--	--	179,752	--	--	--	179,752
Comprehensive gain /(loss)	--	--	--	--	(157,729)	(1,043,242)	(1,200,971)
Balance December 31, 2024	55,064,085	\$51,774,264	\$12,555,133	\$30,000	\$(7,340,730)	\$(55,364,882)	\$1,653,785

See accompanying notes to the consolidated financial statements.

2023

	Share Capital		Contributed Surplus Stock-based compensation & Other	Commitment to Issue Shares	Foreign Translation Reserve	Retained Deficit	Total Equity
	Shares Issued	Amount					
Balance January 1, 2023	49,837,081	\$50,944,960	\$12,198,392	\$95,068	\$(6,939,102)	\$(53,170,284)	\$3,129,034
Units Issued	3,207,844	458,843	--	(95,068)	--	--	363,775
Options exercised	--	--	--	--	--	--	--
Stock-based compensation	--	--	215,802	--	--	--	215,802
Comprehensive gain /(loss)	--	--	--	--	(243,899)	(1,151,356)	(1,395,255)
Balance December 31, 2023	53,044,925	\$51,403,803	\$12,414,194	\$ --	\$(7,183,001)	\$(54,321,640)	\$2,313,356

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31	
	2024	2023
Cash provided by (used in):		
Operating Activities		
Net loss for the period	(\$ 1,043,242)	(\$ 1,151,356)
Adjustments for non-cash items:		
Amortization	16,074	43,042
Interest on lease liability	814	1,290
Foreign exchange loss (gain)	15,549	3,543
Stock-based compensation	179,752	215,802
	(831,053)	(887,679)
Net change in non-cash working capital balances <i>(note 14)</i>	297,704	303,891
Cash (used in) provided by operating activities	(533,349)	(583,788)
Investing Activities		
Additions to exploration properties	(186,063)	(155,072)
Cash used in investing activities	(186,063)	(155,072)
Financing Activities		
Issuance of notes payable	349,380	324,760
Issuance of common shares and warrants	298,642	376,989
Cost of issuance	(5,504)	(13,214)
Commitment to issue shares	30,000	--
Options exercised	38,510	--
Cash payments on lease	(5,716)	(5,744)
Cash provided by financing activities	705,312	682,791
Impact of exchange on cash	18,254	17,876
Change in cash – for the period	4,154	(38,193)
Cash – beginning of period	1,856	40,049
Cash – end of period	\$ 6,010	\$ 1,856

Supplemental cash flow information – note 14

See accompanying notes to the consolidated financial statements.

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 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 1 King Street West, 48th Floor, Toronto, Ontario, Canada, M5H 1A1. The Company currently exists under the Business Corporations Act of Yukon and its common shares are listed on the Canadian TSX Venture Stock Exchange ("TSXV") under the symbol TSD. The Company's stock also trades on the US OTCQB Venture Market under the symbol "TSDRF" and the Frankfurt Borse under the symbol "TZO".

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 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 \$1,043,242 (2023: \$1,151,356) and comprehensive loss of \$1,200,971 (2023: \$1,395,255) for the year ended December 31, 2024, and as of that date, the Company had an accumulated deficit of \$55,364,882 (2023: \$54,321,640), and negative working capital of \$3,880,921 (2023: \$3,237,625). 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 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.

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.

2. MATERIAL 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").

The consolidated financial statements have been authorized for release by the Company's Board of Directors on April 28, 2025.

(b) **Basis of Preparation**

The 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. In addition, the consolidated financial statements have been prepared using the accruals basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all years presented.

(c) **Basis of consolidation**

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

Entity	Jurisdiction	2024	2023
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%

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealised income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

(d) **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of policies and reporting amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

The areas which require management to make significant judgments and estimates in determining carrying values include, but are not limited to:

(i) Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the period have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of operating facilities, operating management expertise and existing permits. 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.

(ii) Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

(iii) Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(e) **Foreign Currency Translation**

The consolidated financial statements are presented in United States dollars (USD) which is the functional currency of Tsodilo Resources Limited and Tsodilo Resources Bermuda Limited. The functional currency of the Botswana subsidiaries is the Botswana Pula (BWP).

Assets and liabilities of the Botswana subsidiaries are translated at the rate of exchange at the reporting year end date. Expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign exchange currency translation adjustments are recognized in other comprehensive loss included in the consolidated statements of loss and comprehensive loss.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in profit or loss.

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

In the event a foreign subsidiary is sold, the amount previously recognized in the foreign translation reserve would be reallocated to profit or loss as part of the gain or loss on disposal of the subsidiary company.

(f) **Loss per Common Share**

Loss per share calculations are based on the net loss attributable to common shareholders for the year divided by the weighted average number of common shares issued and outstanding during the period.

Diluted loss per share calculations are based on the net 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 period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period. The incremental number of common shares that would be issued is included in the calculation of diluted earnings per share.

(g) **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 represent 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.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full, from successful development or by sale.

When events or changes in circumstances indicate that its' carrying amount may not be recoverable, the Company will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of revenues from the property or from the sale of the property.

(h) **Property, Plant and Equipment**

Property, plant, and equipment are 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

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

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 comprise major components with different useful lives, the components are accounted for as separate items of property, 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.

(i) **Cash**

Cash consists of cash held in banks and petty cash.

(j) **Income Taxes**

Current taxes are the expected tax payable or receivable on taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred taxes are recorded using the statement of financial position 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.

(k) **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 stock option. When options are forfeited, 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. When an award expires unexercised the fair value originally allocated to the awardee remains in contributed surplus.

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.

(l) **Severance Benefits**

Under Botswana law, a 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

(m) **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

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

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.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

The Company derecognizes financial assets only when the contractual rights to cash flow from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on de-recognition are recognized in profit or loss.

(n) **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, amortized costs 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 period. 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, lease liability, and notes payable are classified as at amortized cost. Financial liabilities classified as FVTPL. 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 the statement of loss. Transaction costs associated with FVTPL liabilities are expensed as incurred.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value.

(o) **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 assessed for impairment indicators under IFRS 6.

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 periods. A reversal of an impairment loss is recognized immediately in profit or loss.

(p) **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.

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

(q) **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 the 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 fees or other transaction costs are accounted for as share issue costs and are recognized in equity. 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.

(r) **Provisions**

Rehabilitation provisions:

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. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of the estimated future cash flows associated with the retirement as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. At the end of each period, the liability would be increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

As at December 31, 2024, and 2023, the Company has determined that it does not have any decommissioning or rehabilitation obligations.

Other provisions:

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(s) **Lease Liability Accounting Policy**

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

(t) **Adoption of new Accounting Standards**

During the year ended December 31, 2024, and 2023, the Company adopted a number of amendments and improvements of existing standards. These included amendments to IAS 1 - Presentation of Financial Statements

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

(encompassing IFRS Practice Statement 2 Making Materiality Judgments) and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. These changes did not have any material impact on the Company's financial statements.

(u) **Accounting Standards, Amendments and Interpretations Not Yet Effective**

IFRS 18 Presentation and Disclosure in Financial Statements – IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions, being:

- Three defined categories for income and expense – operating, investing or financing – to improve the structure of the income statements, and require all companies to provide new defined subtotals, including operating profit/(loss);
- Requirement for companies to disclose explanations of management-defined performance measures that are related to the income statement; and
- Enhances guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This standard is effective for reporting periods beginning on or after January 1, 2027.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are summarized as follows:

	Bosoto BK 16	Gcwihaba Metals	TOTAL
Balance at December 31, 2022	\$ 3,330,489	\$ 2,242,106	\$ 5,572,595
Additions	70,030	85,042	155,072
Net Exchange Differences	(150,484)	(101,307)	(251,791)
Impairment	--	--	--
Balance at December 31, 2023	\$ 3,250,035	\$ 2,225,841	\$ 5,475,876
Additions	41,683	152,501	194,184
Net Exchange Differences	(110,723)	(78,785)	(189,509)
Impairment	--	--	--
Balance at December 31, 2024	\$ 3,180,995	\$ 2,299,557	\$ 5,480,551

Exploration and evaluation additions for the year-ended December 31, 2023, are summarized as follows:

	BK 16	Metals	TOTAL
Drilling Expenditures	\$ 2,464	\$ 6,344	\$ 8,808
Amortization Drill Rigs & Vehicles	3,704	4,501	8,205
License Fees	56	811	867
Maintenance, & Consumables	10,561	23,529	34,090
Salaries, Wages & Services	53,245	49,857	103,102
Balance at December 31, 2023	\$ 70,030	\$ 85,042	\$ 155,072

Exploration and evaluation additions for the year-ended December 31, 2024, are summarized as follows:

	BK 16	Metals	TOTAL
Drilling Expenditures	\$ 810	\$ 6,062	\$ 6,872
Amortization Drill Rigs & Vehicles	3,666	4,455	8,121
Lab Analyses & Assays	--	4,765	4,765
License Fees	--	705	705
Maintenance, & Consumables	11,668	42,497	54,165
Salaries, Wages & Services	25,539	94,017	119,556
Balance at December 31, 2024	\$ 41,683	\$ 152,501	\$ 194,184

Tsodilo Resources Limited

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2024 and 2023

(All amounts are in U.S. dollars unless otherwise noted)

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.

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.

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") then seven (7) metal prospecting licenses in consideration of the payment of \$500,000.

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 five (5) prospecting metal licenses in northwest Botswana.

OPERATING SUBSIDIARIES

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

Gcwihaba, a wholly owned subsidiary of the Company holds five (5) Prospecting Licenses (PL) in the North-West district. On April 1, 2024, PL's 020-024/2018 were renewed for their 1st two-year renewal period. The five licenses combined have a proposed minimum exploration expenditure requirement of 10,024,560 BWP (\$714,364) if held for the full license term.

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

Tsodilo was granted PL369/2014 over the BK16 kimberlite pipe through its 100% owned Botswana subsidiary, Bosoto, effective October 1, 2014. On June 21, 2021, a renewal of the second two-year renewal license was granted effective October 1, 2021, for pandemic relief. An application for an extension to complete the work program delayed by the pandemic was filed on June 30, 2023. The application is under review by the Ministry of Minerals and Energy.

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

The Company holds a 100% interest in Newdico (Pty) Limited ("Newdico"), which provides administrative, operational, exploration, geophysical, and drilling services to the Company's other subsidiaries as well as evaluate additional properties for acquisition.

Tsodilo Resources Bermuda Limited

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

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Hangar	Vehicles	Furniture & Equipment	Right of Use Asset	Total
As at December 31, 2022	\$154,480	\$ 676,926	\$ 391,924	\$23,567	\$ 1,246,897
Net Exchange Differences	(6,980)	(30,586)	(16,923)	(1,064)	(55,553)
As at December 31, 2023	147,500	646,340	375,001	22,503	1,191,344
Additions	--	--	--	--	--
Disposals	--	(42,308)	--	--	(42,308)
Net Exchange Differences	(4,980)	(21,822)	(12,074)	(760)	(39,636)
As at December 31, 2024	\$142,520	\$582,210	\$362,927	\$21,743	\$1,109,400

Accumulated Depreciation	Hangar	Vehicles	Furniture & Equipment	Right of Use Asset	Total
As at December 31, 2022	\$110,387	\$675,092	\$314,109	\$9,427	\$1,109,015
Depreciation	16,311	1,760	28,689	4,522	51,281
Net Exchange Differences	(13,026)	(30,512)	(5,576)	(447)	(49,561)
As at December 31, 2023	113,672	646,340	337,222	13,502	1,110,736
Depreciation	16,074	--	3,666	4,455	24,195
Disposals	--	(42,308)	--	--	(42,308)
Net Exchange Differences	(4,235)	(21,822)	(10,759)	(562)	(37,378)
As at December 31, 2024	\$125,511	\$582,210	\$330,129	\$17,395	\$1,055,245

Net Book Value:					
As at December 31, 2023	\$33,828	\$--	\$37,779	\$9,001	\$80,608
As at December 31, 2024	\$17,009	\$--	\$32,798	\$4,348	\$54,155

For the year ended December 31, 2024, \$8,121 (2023: \$8,205) depreciation has been capitalized under exploration and evaluation assets.

5. LEASE LIABILITY

The following table presents the lease obligation for the Group:

	2024	2023
Lease liability opening balance	\$ 10,455	\$ 215,614
Additions	--	--
Payments	(5,716)	(5,744)
Accretion	814	1,290
Exchange difference	(235)	(705)
Lease liability ending balance	5,318	10,455
Current portion	(5,318)	(4,952)
Long-term portion	\$ --	\$ 5,503

The incremental borrowing rate for the lease liabilities recognized was 10%. See note 12.

6. NOTES PAYABLE

As at December 31, 2024, notes payable in the amount of \$2,280,186 (2023: \$1,930,806) were outstanding from a related party. The notes have an annual interest rate of 8% and one of the notes carries a termination fee of 10% upon early redemption of the note. In addition, at the option of the note holder, the December 2018 note can be converted to stock at the discretion of the holder during future private placements that raise a minimum of CAD \$500,000, of those future private placements at the price of the private placement. The remaining notes are due on demand.

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

Notes payable as at December 31, 2024, and 2023 are summarized as follows:

Date Issued	Amount	Interest Rate	Termination Fee	Maturity Date
December 31, 2018	\$ 273,006*	8%	\$ 27,300	31-Dec-25
June 30, 2019	207,242	8%	NIL	On Demand
December 31, 2019	57,684	8%	NIL	On Demand
October 01, 2020	192,042	8%	NIL	On Demand
June 21, 2021	26,500	8%	NIL	On Demand
July 27, 2021	26,500	8%	NIL	On Demand
August 28, 2021	27,000	8%	NIL	On Demand
September 27, 2021	25,500	8%	NIL	On Demand
December 31, 2021	102,235	8%	NIL	On Demand
June 30, 2022	451,159	8%	NIL	On Demand
September 30, 2022	100,738	8%	NIL	On Demand
December 31, 2022	91,440	8%	NIL	On Demand
July 01, 2023	166,880	8%	NIL	On Demand
September 30, 2023	91,440	8%	NIL	On Demand
December 31, 2023	91,440	8%	NIL	On Demand
As at December 31, 2023	\$ 1,930,806		\$ 27,300	
June 30, 2024	166,500	8%	NIL	On Demand
September 30, 2024	91,440	8%	NIL	On Demand
December 31, 2024	91,440	8%	NIL	On Demand
As at December 31, 2024	\$ 2,280,186		\$ 27,300	

*During the year-ended December 31, 2024, \$273,006 of notes payable had its maturity extended from December 31, 2024, to December 31, 2025.

Promissory notes were issued on the above dates to an employee, who is a director of the company. The notes carry an annual interest rate of 8% and are repayable on demand.

7. SHARE CAPITAL

(a) Common Shares – Authorized, Issued and Outstanding

The authorized capital stock of the Company comprises an unlimited number of common shares with no par value. Issued and outstanding: 55,064,085 Common Shares as at December 31, 2024, and 53,044,925 Common Shares as at December 31, 2023.

Shares issued during the year ended December 31, 2024:

- On March 21, 2024, 621,660 units were issued at a price of C\$0.20 for net proceeds to the Company of \$91,919 (C\$124,332). Each unit includes one common share and one warrant entitling the holder thereof to purchase one common share until the close of business on March 21, 2026, at USD \$0.20. Issuance costs of \$5,504 (C\$7,532) were netted against the proceeds.
- On May 6, 2024, 945,000 units were issued at a price of C\$0.30 for net proceeds to the Company of \$206,723 (C\$283,500). Each unit includes one common share and one warrant entitling the holder thereof to purchase one common share until the close of business on May 2, 2026, at USD \$0.30.
- On June 6, 2024, 140,000 (C\$0.17) options were exercised for proceeds of \$17,406 (C\$23,800). The fair value of \$8,166 (C\$11,200) was reclassified from contributed surplus to share capital.
- On June 6, 2024, 62,500 (C\$0.07) options were exercised for proceeds of \$3,197 (C\$4,375). The fair value of \$8,219 (C\$11,250) was reclassified from contributed surplus to share capital.
- On June 6, 2024, 112,500 (C\$0.09) options were exercised for proceeds of \$7,398 (C\$10,125). The fair value of \$13,152 (C\$18,000) was reclassified from contributed surplus to share capital.

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

- On June 6, 2024, 37,500 (C\$0.20) options were exercised for proceeds of \$5,479 (C\$7,500). The fair value of \$1,371 (C\$1,875) was reclassified from contributed surplus to share capital.
- On November 11, 2024, 100,000 (C\$0.07) options were exercised for proceeds of \$5,031 (C\$7,000). The fair value of \$7,905 (C\$11,000) was reclassified from contributed surplus to share capital.

Shares issued during the year ended December 31, 2023:

- On January 25, 2023, 2,500,941 units were issued at a price of C\$0.20 for proceeds to the Company of \$368,550 (C\$500,188). Each unit includes one common share and one warrant entitling the holder thereof to purchase one common share until the close of business on January 25, 2025, at USD \$0.20. Issuance cost of \$11,670 (C\$15,530) were netted against the proceeds.
- On November 16, 2023, 706,903 units were issued at a price of C\$0.20 for proceeds to the Company of \$103,664 (C\$141,380). Each unit includes one common share and one warrant entitling the holder thereof to purchase one common share until the close of business on November 16, 2025, at USD \$0.20. Issuance cost of \$1,5445 (C\$2,097) were netted against the proceeds.

(b) **Warrants**

Warrant activity summary for 2024 and 2023

	Number of Warrants	Exercise Price (USD)	Remaining Contractual Life (years)
Outstanding as at December 31, 2022	2,804,055	\$0.20*	
Issued – January 25, 2023 (note 15)	2,500,941	\$0.20	0.07
Expired – July 25, 2023	(2,504,055)	\$0.20	
Expired – August 10, 2023	(300,000)	\$0.20	
Issued – November 16, 2023	706,903	\$0.20	0.88
Outstanding as at December 31, 2023	3,207,844	\$0.20*	
Issued – March 21, 2024	621,660	\$0.20	1.22
Issued – May 6, 2024	945,000	\$0.30	1.35
Outstanding as at December 31, 2024	4,774,504	\$0.22*	

* Weighted average exercise price

Warrants are issued for a period of 2 years and unless exercised beforehand, will expire automatically on the second anniversary of their issue date.

As the strike price of warrants is in U.S. Dollars, the warrants are classified as equity instruments. The values of the units are equal to the value of the common shares at the issuance date.

(c) **Stock Option Plan**

The Company has a stock option plan ("SOP") providing for the issuance of options that cannot exceed an amount equal to 20% of the outstanding common 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 TSX Venture Exchange the day before the grant date. Options generally vest rateably 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.

On May 20, 2021, shareholders voted to increase the number of common shares of the Corporation reserved for issuance pursuant to the SOP to 9,830,340 to reflect an amount equal to 20% of the outstanding common shares as at May 20, 2021.

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

The Table summarizes the Company's stock option activity for the years ended December 31, 2024, and 2023:

	Number of Options	Weighted Average Exercise Price
Outstanding as at December 31, 2022	3,681,250	C\$0.43
Granted	1,600,000	C\$0.21
Expired	(625,000)	C\$0.58
Outstanding as at December 31, 2023	4,656,250	C\$0.33
Granted	1,450,000	C\$0.23
Exercised (refer above: (a) Common Shares)	(452,500)	C\$0.12
Cancelled/Forfeited	(450,000)	C\$0.36
Expired	(285,000)	C\$0.19
Outstanding as at December 31, 2024	4,918,750	C\$0.33

Stock options movements during 2023 and 2024:

- On January 1, 2023, 650,000 stock options exercisable at C\$0.20 were granted
- On January 2, 2023, 175,000 stock options exercisable at C\$0.65 expired
- On March 26, 2023, 450,000 stock options exercisable at C\$0.55 expired
- On June 12, 2023, 950,000 stock options exercisable at C\$0.21 were granted
- On January 2, 2024, 500,000 stock options exercisable at C\$0.24 were granted
- On January 2, 2024, 50,000 stock options exercisable at C\$0.28 expired
- On March 26, 2024, 100,000 stock options exercisable at C\$0.24 were cancelled
- On June 6, 2024, 352,500 stock options were exercised – details above (a) Common Shares
- On June 6, 2024, 235,000 stock options exercisable at C\$0.17 were expired
- On June 14, 2024, 125,000 stock options exercisable at C\$0.29 were cancelled
- On June 14, 2024, 125,000 stock options exercisable at C\$0.21 were cancelled
- On June 14, 2024, 100,000 stock options exercisable at C\$0.75 were cancelled
- On June 17, 2024, 950,000 stock options exercisable at C\$0.23 were granted
- On November 11, 2024, 100,000 stock options at C\$0.07 were exercised.

The following assumptions were used in the Black Scholes option pricing model to give fair value the stock options granted during the years ended December 31, 2024, and 2023:

	2024	2023
Expected lives	3.91 years	3.94 years
Expected volatilities (based on Company's historical prices)	124.24-124.87%	116.17 - 118.77%
Expected dividend yield	0%	0%
Risk free rates	3.98-4.36%	3.99-4.07%
Weighted average fair value of option	\$0.20	\$0.16

As at December 31, 2024, the Company had stock options outstanding and exercisable as follows:

Number of Outstanding Options	Exercise Prices (C\$)	Number of Exercisable Options	Remaining Contractual Life (Years)
106,250	C\$0.09	106,250	0.75
275,000	C\$0.47	275,000	1.00
450,000	C\$0.75	450,000	1.33
425,000	C\$0.64	425,000	2.00
875,000	C\$0.29	875,000	2.50
612,500	C\$0.20	612,500	3.00
825,000	C\$0.21	825,000	3.42
400,000	C\$0.24	300,000	4.00
950,000	C\$0.23	475,000	4.42
4,918,750	C\$0.33	4,343,750	

The weighted average fair value of the grants in the year ending December 31, 2024, was C\$0.197 (2023 - C\$0.205).

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

8. 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 2024 of approximately 26.5% (2023: 26.5%) to loss before income taxes as follows:

	2024	2023
Loss for the year	(\$1,043,242)	(\$1,151,849)
Income tax rate	26.50%	26.50%
Expected income tax recovery	\$ (276,000)	\$ (305,000)
Foreign operations taxed at lower rates	10,130	39,000
Permanent differences	55,610	46,000
Change in benefits not recognized	210,260	220,000
Provision for income taxes	\$ --	\$ --

As of December 31, 2024, the following deferred tax assets and liabilities have not been recognized:

	2024	2023
Property, Plant and Equipment	(16,000)	(21,000)
Exploration & Evaluation Assets	(2,514,000)	(2,715,000)
Deferred tax liabilities	(2,530,000)	(2,736,000)
Tax losses carried forward	2,530,000	2,736,000
Net deferred income tax asset recorded	\$ --	\$ --

As at December 31, 2024, the Company has unrecognized deductible temporary differences aggregating to \$14,906,000 (2023: \$14,906,000), 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.

	2024	2023
Losses carried forward - Botswana	\$ 4,691,000	\$ 4,466,000
Losses carried forward - Canada	10,861,500	10,087,000
Other	--	353,000
	<u>\$15,552,500</u>	<u>\$14,906,000</u>

The Canadian tax losses of \$10,861,500 (2023: \$10,087,000) expire from 2026 through to 2044. The majority of Botswana tax losses can be carried forward indefinitely providing the subsidiary companies continue their mining exploration activities.

9. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel (directors and officers) of the Company is shown below:

	2024	2023
Short term employee remuneration and benefits	460,196	426,118
Stock-based compensation	148,888	169,905
Compensation attributed to key management personnel	<u>609,084</u>	<u>596,023</u>

- During 2024, a board member was issued notes payable in the amount of \$349,380 (2023: \$349,760) (see note 6). Interest accrued on notes payable for the year 2024 was \$162,953 (2023: \$134,366).
- As at December 31, 2024, there was a total of \$620,055 (2023: \$429,064) payables to related parties included within accounts payable and accrued liabilities. The amounts are unsecured, non-interest bearing and are due on demand.

Tsodilo Resources Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024 and 2023
(All amounts are in U.S. dollars unless otherwise noted)

10. SEGMENTED INFORMATION

The Company operates in one industry. As at December 31, 2024, the Company's property, plant, and equipment in Botswana was \$54,155 (2023: \$80,608) and exploration and evaluations properties in Botswana were \$5,480,551 (2023: \$5,475,876).

11. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities and notes payable.

The fair value of financial instruments is determined by valuation methods depending on hierarchy levels as defined below:

- (1) Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities;
- (2) Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly; and,
- (3) Level 3 includes inputs for the asset or liability that are not based on observable market data.

The Company has no financial instruments measured at fair value. The carrying value of the financial instruments measured at amortized cost approximates its fair value.

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, interest rate risk and foreign exchange risk. These risks are regularly 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 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 considering 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.

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 2024 and 2023. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

(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 accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has a working capital deficiency of \$3,880,921 as at December 31, 2024 (2023: \$3,237,625).

(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 cash balances. The Company limits exposure to credit risk through maintaining its cash with high-credit quality financial institutions. The Company's cash is held with major banks with high credit rating as determined by rating agencies.

Tsodilo Resources Limited

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2024 and 2023

(All amounts are in U.S. dollars unless otherwise noted)

(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 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 financial instruments exposures as at December 31, 2024, a ten-percentage change in the exchange rate would result in approximately a (\$57,750) [2023: (\$50,000)] impact to the Company's net comprehensive 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.

Gcwihaba, a wholly owned subsidiary of the Company holds five (5) prospecting licenses. The five licenses combined have a proposed minimum exploration expenditure requirement of 10,024,560 BWP (\$714,364) if held for the full license term.

Bosoto, a wholly owned subsidiary of the Company, filed for an extension license for its BK16 project in June of 2023. The application is under review by the Ministry of Minerals and Energy.

Exploration Activities

The Company's exploration activities are subject to various Botswana laws and regulations governing the protection of the environment. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Lease & Service Commitments

Due to the impact of the Covid pandemic, expenditures for both the Gcwihaba and Bosoto projects was greatly reduced from pre-pandemic levels.

Currently, the aggregate minimum annual payments are as follows:

Year	Facility	Term	BWP			USD*
			Yearly Rental	Services	Total	
2024	Hangar Maun ¹	2/01/2016 – 01/31/2026	190,720	28,608	219,328	15,629
2024	Shakawe Plot ²	1/01/2021 – 12/31/2025	78,720	-	78,720	5,610
2024	Gaborone ³	2/01/2024 – 1/31/2025	-	96,000	96,000	6,840
2024	Lethakane Plot ⁴	2/21/2018 – 12/31/2068	30,000	-	30,000	2,138
	Total					30,217

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

1. Newdico 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 taking place but to date, the lease transfer has not occurred. 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. As at February 1, 2025, the monthly lease payment is 15,992 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, 2021, and is renewable at the Company's option for an additional 6 years expiring on December 31, 2025. The monthly lease payment for year 2025 is 6,560 BWP. The monthly lease payment is 6,490 BWP increasing 420 BWP annually in each successive year (see note 5).

Tsodilo Resources Limited

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2024 and 2023

(All amounts are in U.S. dollars unless otherwise noted)

3. The twelve-month service agreement has an effective date of February 1, 2024, and is renewable at the company's option for an additional year expiring January 31, 2026. The monthly lease payment is 8,000 BWP/month.
4. The lease term has an effective date of February 2018. Newdico obligations under the lease are effective as of October 1, 2020. The lease cost is 30,000 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 cancellable by either party on six (6) months' notice.

13. LITIGATION

Litigation: On or about June 30, 2021, the Company's wholly owned Botswana subsidiary, Gcwihaba Resources (Pty) Ltd. (Gcwihaba) submitted prospecting renewal license applications for its Xaudum Iron Formation project in northwest Botswana. Of the then current 7 licenses, two licenses were relinquished in their entirety and 5 were submitted for renewal. Collectively 50% of the combined license area in the 7 licenses was relinquished pursuant to Section(s) 17 and 19 of the Mines and Minerals Act.

Four of the five licenses that contain the vast bulk of the exploration target in the Xaudum Iron Formation project were renewed as submitted, effective January 1, 2022, while the fifth license, PL020/2018, continued in renewal. Despite periodic inquiries as to the license renewal status, Tsodilo was first apprised of a possible reason for the continued delay on April 26, 2022, when the Minister of Minerals and Energy (MME) informed Gcwihaba that part of the area included in license PL020/2018 is in the buffer zone surrounding the Okavango Delta, a UNESCO World Heritage Property, and that any prospecting activities in that area would be subject to environmental assessment measures.

On April 27, 2022, Gcwihaba promptly responded by reminding MME that:

- (i) the license in question has existed in its present form since 2008, six years before the buffer zone was established by the State party and not by UNESCO;
- (ii) prior to establishment of the current buffer zone in 2014, significant exploration had already been conducted in that area and a compliant NI 43-101 Inferred Mineral Resource Statement prepared by SRK was submitted to the MME identifying a mineral resource of 441 Mt grading 29.4% Fe;
- (iii) when it was established in 2014, the current buffer zone encroached on a portion (169 Mt) of the Company's identified mineral resource; and
- (iv) the prospecting license including this area has since that time been renewed and re-granted multiple times without any controversy.

Gcwihaba also expressed complete agreement that prospecting, and mining activities were permitted in the buffer zone subject to various environmental standards and practices spelled out in Botswana law and further affirmed its commitment to comply with all such requirements and to develop the Xaudum Iron Formation project in an environmentally friendly manner. With apparent agreement as to the facts and applicable law, and with renewed and unequivocal assurance from Gcwihaba that it would be sensitive to environmental issues and would fully comply with all laws and regulations in this regard, it was expected that any concerns had been more than addressed and that the PL020/2018 license would now be renewed in short order.

However, in a letter received on June 15, 2022, despite its earlier clear statements to Tsodilo that exploration and mining could be conducted in the buffer zone, and a history of similar statements by the Botswana government in multiple earlier UNESCO filings, the Ministry advised that the PL020/2018 license would not be renewed if it included any areas located within the buffer zone.

To reach a mutually acceptable resolution, the Company filed a revised renewal application reducing the buffer zone area of the license block to only an area proximate to a paved airport landing strip, a hospital, a solar farm facility and a shopping center all established, extended, or rebuilt after 2014 and all within the buffer zone.

While the bulk of the Company's Xaudum Iron Formation resource remains free of any dispute, the area within the buffer zone is of sufficient value that the Company believes further efforts are appropriate to protect shareholder interest, and further believes that the conduct of the Botswana government in connection with the license renewal process has left no recourse other than seeking resolution in the courts. Accordingly, litigation was initiated on October 31, 2022, and an oral hearing was held in the High Court in Maun, Botswana on April 18, 2023.

On December 15, 2023, the High Court, Republic of Botswana rendered its judgement *In re Gcwihaba Resources (Pty) Ltd. vs. Minister of Minerals and Energy and the Attorney General of Botswana*, MAHMN-000075-22, and ordered:

- The decision of the 1st Respondent rejecting the application for the renewal of the Applicant's prospecting license

Tsodilo Resources Limited

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2024 and 2023

(All amounts are in U.S. dollars unless otherwise noted)

- (020/ 2018) is illegal, unreasonable and or irrational;
- The decision of the 1st Respondent rejecting the application for the renewal of the Applicant's prospecting license (020/ 2018) is hereby set aside;
- The 1st Respondent is ordered and directed to renew, within 14 days of this order, the applicant's license (020/ 2018) subject only to justifiable safeguards necessary for the protection of the heritage area. Such safeguards are not to include any further demand for reduction or shifting of the license area or its coordinates;
- Following renewal, the 1st Respondent is ordered to align the effective dates of contiguous licenses PL 021-026/2018 with that of the renewed license;
- The Respondents shall pay the costs of these proceedings.

On March 4, 2024, PL's 020 – 024/2018, were issued with an effective date of April 1, 2024, for their first renewal period of two years.

14. NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31	
	2024	2023
Net change in non-cash working capital balances:		
(Increase) decrease in accounts receivable and prepaid expenses	8,878	20,274
Increase (decrease) in accounts payable and accrued liabilities	288,826	283,617
Increase in notes payable for operating activities	--	--
Total	\$ 297,704	\$ 303,891
Non-cash Financing and Investing Activities:		
Fair value of options exercised	38,813	--

15. SUBSEQUENT EVENTS

- On January 1, 2025, the Company granted 400,000 options exercisable at C\$0.16.
- On January 25, 2025, 2,500,941 stock warrants exercisable at US\$0.20 expired.