TSODILO RESOURCES LIMITED
Management's Discussion and Analysis

FOR THE 3 AND 9 MONTHS ENDED SEPTEMBER 30, 2017

The Management's Discussion and Analysis has been authorized for release by the Company's Board of Directors on November 22, 2017

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements of the Company and the notes thereto for the periods ended June 30, 2017 and 2016. The Company's condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Company's functional and reporting currency is United States dollars and all amounts stated are in United States dollar unless otherwise noted. In addition, the Company has three operating subsidiaries, Newdico, Gcwihaba and Bosoto which have a functional currency of the Botswana Pula. This management's discussion and analysis has been prepared as at November 22, 2017.

OVERVIEW

Tsodilo Resources Limited ("Tsodilo" or the "Company") was organized under the laws of the Province of Ontario in 1996 and continued under the laws of the Yukon in 2002. It is incorporated under laws of the Yukon Territory, Canada, under the Business Corporations Act of Yukon and the address of the Company's registered office is 161 Bay Street, P.O. Box 508 Toronto, Ontario, Canada, M5J 2S1. The Company currently exists under the Business Corporations Act of Yukon and its common shares are listed on the Toronto Venture Stock Exchange (TSX-V) under the symbol TSD.

Tsodilo is an exploration stage company which is engaged principally in the acquisition, exploration and development of mineral properties in the 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, has not earned any significant revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the renewal of exploration licenses, obtaining the necessary permits to operate a mine, obtaining the financing to complete exploration and development, and future profitable production.

The Company is also actively reviewing additional diamond and base and precious metal opportunities within southern Africa.

Outstanding Share Data

As of November 22, 2017, 45,347,310 common shares of the Company were outstanding. Of the options to purchase common shares issued to eligible persons under the stock option plan of the Company, 3,667,500 options are outstanding of which 2,975,000 are exercisable at exercise prices ranging from CAD $0.69 - $1.25.

Outstanding Options

Expiry Date	No. of Option Shares	Exercisable	Exercise Price (CAD)
January 3, 2018	235,000	235,000	$1.20
March 22, 2018	400,000	400,000	$1.04
January 2, 2019	222,500	222,500	$0.75
March 21, 2019	480,000	480,000	$1.25
January 2, 2020	260,000	260,000	$1.05
March 27, 2020	400,000	400,000	$0.83
September 1, 2020	100,000	100,000	$0.70
January 4, 2021	260,000	260,000	$0.72
April 8, 2021	450,000	337,500	$0.79
January 2, 2022	260,000	130,000	$0.69
April 3, 2022	600,000	150,000	$0.85
Total	3,667,500	2,975,000	

As of November 22, 2017, 11,804,526 warrants are outstanding. The warrants were issued by way of private placements utilized by the Company for financing purposes. Each warrant entitles the holder thereof to purchase one common share of the Company and the specifics with expiry date, number, exercise price and currency are as follows:

Outstanding Warrants

Expiry Date	No. of Warrant Shares	Exercise Price & Currency
April 29, 2018	1,008,948	$0.60 USD
December 12, 2018	10,795,578	$0.75 USD
Total	11,804,526	

If all warrants were converted, 11,804,526 common shares of the Company would be issued.

Principal Shareholders of the Company

The principal shareholders (greater than 5%) of the Company as of November 22, 2017, are as follows:

Name	Description	Shares Owns, Controls or Directs	% of the Issued and Outstanding Shares
Azur LLC	Private Investment Vehicle	4,996,065	11.01%
International Finance Corporation	Member of the World Bank Group	4,520,883	9.96%
Lucara Diamond Corporation	Diamond Mining Company	4,476,773	9.87%
David J. Cushing	Director	4,327,579	9.54%
JP Morgan Asset Management	Global Investment Advisors and Managers	3,581,413	7.89%
James M. Bruchs	Chairman and CEO	2,285,619	5.04%
First Quantum Minerals	Global Mining Company	2,272,727	5.01%

Exploration Activities 3rd Q 2017

Subsidiaries

The Company holds a 100% interest in its Botswana subsidiary, Gcwihaba (Pty) Ltd ("Gcwihaba") which to date holds twenty-one (21) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West District of which seven (7) are currently in renewal.

The Company holds a 100% interest in its Botswana subsidiary, Bosoto (Pty) Limited ("Bosoto"), which holds the precious stone prospecting license PL 369/2014 for the area which contains the BK16 kimberlite and precious stone prospecting license PL217/2016.

The Company holds a 70% interest in its South African subsidiary, Idada Trading 361(Pty) Limited ("Idada"), which holds a gold and silver exploration license (Ref: MP30/5/1/1/2/1047PR) in the Barberton area.

The Company holds a 100% interest in Newdico (Pty) Ltd ("Newdico") which provides administrative, operational, exploration, geophysical and drilling services to the company's other subsidiaries.

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

1. DIAMOND PROJECT

The Company holds two prospecting licences for precious stones, registered to Bosoto. These licenses are summarized in Table 1. A two year renewal application for PL369/2014 was filed on June 30, 2017 with the Ministry of Minerals, Energy and Water Resources (MMEWR) and the renewal was granted on October 20, 2017 for a period of two years effective October 1, 2017.

Table 1

Precious Stone Prospecting Licenses as at September 30, 2017

PL number	Km^2	Grant Date	Expiry date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term as of 6/30/2017	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 9/30/2017
PL 369/2014	1.02	10/01/17	9/30/19	1st Renewal	1,000	10,000,000 30,000,000	42,000,000	4,111,450
PL 217/2016	580	1/01/17	12/31/19	Initial Grant	2,900	800,000 1,250,000 4,000,000	6,058,700	593,096

Amounts include services provided by Tsodilo and its subsidiaries and all expenditure amounts are incremental in nature and qualified by positive results in the evaluation process throughout the license term.

PL369/2014 (BK 16)

Tsodilo was granted a prospecting license (PL369/2014) over the BK16 kimberlite pipe through its Botswana subsidiary, Bosoto Pty (Ltd) effective October 1, 2014. The prospecting license was renewed for an additional two-year period commencing October 1, 2017. The diamondiferous BK16 kimberlite pipe is located within the Orapa Kimberlite Field (”OKF”) in Botswana and covered by 25 meters (m) of Kalahari Group sediments. BK16 is located 37 kilometers (km) east-southeast of the Orapa Diamond Mine AK01, 25 km southeast of the 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).

The OKF contains at least 83 kimberlite bodies, varying in size from insignificant dykes to the 110 hectares (ha) AK01 kimberlite pipe. Ages of emplacement are Cretaceous and range from 111 Ma for Lethlakane-DK01 (Letlhakane Mine) to 85 Ma for Orapa-AK01, representing a protracted period of kimberlite magmatism lasting approximately 20 million years. Of the 83 known kimberlite bodies, nine (11), AK01, AK02, AK07 (Orapa, Debswana); AK06 (Karowe, Lucara Diamond Corporation); BK01, BK09, BK12 and BK15 (Damshtaa, Debswana); DK01 and DK02 (Letlhakane, Debswana); BK11 (Firestone Diamonds), are currently being or have been mined. Many others have proved to be diamond bearing.

The BK16 kimberlite was initially discovered by De Beers in the 1970's using soil sampling techniques, airborne magnetics, and ground magnetic surveys. This initial work was followed up by some initial drilling and the sinking of a shallow shaft to 36 meters in the central part of the pipe. Initial indications were that the kimberlite was diamondiferous albeit low grade and no further work was done by De Beers.

Over the period 1994 to 2010, several companies held the prospecting rights over the area containing the BK16 kimberlite and various forms of surveying and sampling were employed all in an attempt to ascertain whether BK16 was economically viable. However, none of those efforts systematically evaluated the kimberlite to answer the question as to BK16's merits. Tsodilo believes that much of the above described sampling was done in the upper part of the kimberlite which is characterized by a basalt breccia. Like several of the other Orapa kimberlites, this upper zone of basalt diluted kimberlite is of low grade but the underlying 'cleaner' kimberlite as is the case at BK16 is known to be of higher grade.

In July 2016, Tsodilo Resources Bermuda Limited completed a share repurchase and royalty fee agreement with its Bosoto (Pty) Ltd minority shareholders. The minority shareholders' 25% equity interest has been purchased for a 2% gross proceeds royalty derived from the sale of diamonds mined from Bosoto's BK16 kimberlite project. The result of this transaction is that Tsodilo now has a 100% interest in Bosoto and its BK16 exploration project.

Summary of Work Performed as at September, 2017

2014

- ◊ Application for a prospecting license over BK16 was submitted in July 2014 and was processed as part of a tendering process by the Department of Mines.
- ◊ The Company obtained the Prospecting License over BK16 (PL369/2014) effective October 2014 and valid for an initial period of three years.
- ◊ Desktop study was undertaken of all the historical exploration work that was conducted by several companies from 1970s to 2008.
- ◊ The company completed a high-resolution ground magnetic survey (73 line kilometrs (km), 20 meter (m) line spacing and readings every 5 seconds) and a detailed gravity survey (21 line km, 50 m line spacing and 441 survey stations) over the kimberlite for modelling purposes.

2015

- ◊ Drilling of 20 core holes to cumulative depth of 3,662 m was completed to assist in the geological model and in the process recovered 3,050 m of core. A 3-D geological model was completed based on the ground geophysics and these drill cores.
- ◊ Modelling of the cores and the ground geophysics suggest that the pipe is 5.9 ha at surface.
- ◊ Detailed mapping of the core as well as petrographic studies were conducted under guidance of Dr. J Robey. This program identified five different kimberlite facies: four volcaniclastic phases (Red VK1, Black VK2, Grey VK3 and VK27x) and one coherent kimberlite phase (CK1). The Black VK2 and Grey VK3 are the main facies and make up more than 95% of the pipe.
- ◊ A density study was begun with measurements of the different kimberlite phases initiated as well as a geotechnical study of the cores from this intrusion.
- ◊ A 10 ton-per-hour (mph) mobile Dense Media Separation plant was purchased from De Beers which was previously used in the evaluation the AK6 kimberlite (Karowe Mine) and is located in Letlhakane.
- ◊ An agreement was also reached with De Beers to lease the plant site as well as a neighboring site that houses a prospecting camp and which will be used during the evaluation program.
- ◊ The Company took procession of two parcels of diamonds, 25 (4.93 carat (ct) and 83 stones (16.98 ct), which were produced by Auridiam in their evaluation programs in 1998 and 2000 respectively.
- ◊ The diamonds were acid cleaned which reduced their collective weight to 21.88 ct. The diamonds were then valued and classified using a Yehunda colorimeter at the offices of I. Hennig Co. in Gaborone. Eight of these stones were identified as Type IIa diamonds and all of them are D, E or F colors.

- ◊ Z-Star Mineral Resource Consultants (Pty) Ltd were retained to assist in the planning and positioning of the Large Diameter Drill (LDD) holes that will be used to evaluate the kimberlite to 225 m depth. In total 17 holes were planned and ranked in terms of priority.

2016

- ◊ The geological logging of the cores was supplemented by dilution logging which records the amount of crustal (basalt and sandstone) and mantle xenoliths present in the kimberlite. Dilution by these xenoliths has a dampening effect on the diamond grades. The basalt inclusions are particularly important since most of the original evaluation historical work was conducted in zones with a high concentration of basalt inclusions (VKxxx).
- ◊ The core drilling conducted by the Company has established that the distribution of the VKxxx facies is limited to the central and upper part of the pipe.
- ◊ The density work was completed with measurements taken every 2 m of core, which produced a database of some 2,100 density measurements. These measurements are utilized when converting volumes to tonnes in the evaluation phase.
- ◊ An environmental assessment, in line with the requirements of the Department of Environmental Affairs (DEA), of both the BK16 site and the plant/camp area, was initiated.
- ◊ Rock-quality designation (RQD) which is a rough measure of the degree of jointing or fracture in a rock mass and measured as a percentage of the drill core in lengths of 10 cm or more has been completed. It showed that VK3 is generally fresh and least altered compared to VK2 which is also much more friable.
- ◊ From this work, a geotechnical weathering profile of the kimberlite has been completed and distinguishes between, a slightly weathered calcrete/silcrete, a highly weathered zone and a moderately weathered zone which is immediately above the fresh and slightly weathered kimberlite.
- ◊ Volume measurements of the waste heaps from historic evaluation, some untreated, and left behind on surface came to approximately 756 m^3 (1,534 tonnes). This material has been moved from the kimberlite to the plant area, a distance of some 15 km. This material will be used to commission the plant and to also add additional carats to the valuation parcel.
- ◊ A historic exploration borehole, now used by a local farmer for water, will be converted to the company's use in order to accommodate the equipment required by the LDD drilling and a new hole has been sighted outside of the PL for the farmer's use.

2017 1st Q

- ◊ Drilling started in February of the pilot holes which are required to confirm the modelled kimberlite geology before a start is made with the Large Diameter Drill (LDD) holes for the evaluation program. The cores of these holes are also used once the results become available from the LDD program for geological auditing. The pilot holes (NQ) are drilled by the Company's own diamond drilling equipment and 14 (2,940 m) holes are planned. During the quarter, 4 holes were completed and 2 holes were abandoned due to drilling problems. In total 1,247.27 m were drilled and 1,165.53 m of core was recovered.
- ◊ In addition to the geological logging, the core is being subjected to dilution studies, magnetic susceptibility measurements and moister tests (580 samples completed to date). Further density work will be done at the exploration facilities in Maun.
- ◊ The geotechnical report for the 2015 drill program on BK16 has been completed.
- ◊ Further samples were taken for geotechnical Unconfined Compressive Strength ("UCS") tests at Botswana International University of Science and Technology ("BIUST") and the results will be used by the LDD drilling contractors in their planning. In addition, a MSc program was started at BIUST to do a more in depth study of the geotechnical properties of the kimberlite.

- ◊ A ground magnetic survey was completed over an area that has been earmarked for the relief water borehole for the local cattle syndicate in order to move their existing hole off the kimberlite and outside the perimeter of the prospecting license. A drilling contractor was engaged to drill a 140 m deep percussion hole and strong water was encountered at relatively shallow depth, paving the way to move the equipment from the water borehole on the kimberlite to the newly drilled relief borehole.

2017 2nd Q

- ◊ The pilot hole program was completed and in total 3,669 meters were drilled and 3,353 meters of NQ size core was recovered. This program, whereby each pilot holes will act as a 'twin' for the LDD holes, was completed not only to assist in the selection of the LDD holes and but also to provide the quality control on the bulk samples. Fourteen holes were selected for the LDD work.
- ◊ The LDD program was commenced and 7 collard holes were completed in the quarter. Each 30-inch collar hole was drilled through the Kalahari overburden to a depth of 22 meters and cased.
- ◊ The first two year renewal application was filed.

2017 3rd Q

- ◊ Seven 30-inch collar holes were drilled to 22 m depth each through the Kalahari cover to a total depth of 154 m using a Bomang drill rig. All 14 planned LDD holes have hence been collard to a cumulative depth of 306 m.
- ◊ The pipe has been remodeled based on the newly acquired drill information.
- ◊ Drilling of the LDD holes with the Elephant rig started and 8 holes were completed and one hole was drilled to 74 m. In total 1,687.3 m of kimberlite has been drilled which equates close to 1,200 tonnes. Of this 725 tonnes came from VK3, 450 tonnes from VK2 and 7 tonnes from Vxxx.
- ◊ The tonnes produced so far equates to 148 samples. Each sample represents 12 m of drilling. All samples have been transported from the drill site to the plant area and are awaiting treatment.
- ◊ All holes have been calipered, using an Auslog 3 Arm Caliper for down-the-hole volume measurements, although two of the holes were not completed due to untimely collapse.
- ◊ At the Elephant rig estimates are made of the percentage minus 4 mm, 4 -8 mm, 8-12 mm, and plus 12 mm material fractions in order to monitor the sample quality and to minimize any diamond breakage. These Particle Size Distribution (PSD) samples will be dried, screened and weighted at the plant laboratory for more accurate analysis once the LDD work has been completed.
- ◊ The Company has been assisting the local community with a new borehole that was relocated from a historic hole they were using at the kimberlite pipe.
- ◊ The collar elevation of all the PDH and LDD holes were surveyed using a differential Global Positioning System for accurate x,y and z coordinates.
- ◊ The magnetic susceptibility readings from the pilot hole program have been captured and analyzed. The different rock phases have been characterized and the magnetic susceptibility can also be used as a relative proxy indicator for changes in composition in the kimberlite, weathering and dilution.
- ◊ Moisture 'dry weight' were taken from the last Pilot drill holes as part of the geotechnical studies of the pipe.

Summary of Work to be Performed in 2017

- ◊ The remaining 12 LDD holes were completed and approximately 2,000 tonnes of kimberlite samples were collected.
- ◊ All samples were transported to the Company's plant facility.
- ◊ The refurbishment of the 10tph DMS treatment plant is currently ongoing and in a wet commissioning stage.
- ◊ To commence the treatment of the LDD drill samples and the tailings and spoil material.

- ◊ To complete the acquisition of a Bourevestnik, Inc Polus-M sorter at the Company's facilities in Maun for final diamond recovery.

PL217/2016

PL 217/2016 also occurs within the Orapa Kimberlite Field and is situated some 10 km south of the Orapa Mining area and with the same distance to the west of the Letlhakane Mining lease. It surrounds the Karowe Mining lease, while the BK11 prospect is directly to the east of the licence. Other kimberlites occur along its northern and eastern borders. The licence is highly prospective for kimberlites but also has the potential to contain secondary diamond deposits associated with the palaeo-drainage network in the area. The present drainage is to the north and erosion of the kimberlites would have resulted in the residue, including diamonds, to have been transported in the same direction. The focus of the exploration work would therefore be not only on finding kimberlites but also to assess the geomorphology in the search for palaeo-channels.

Summary of Work Performed as at September 30, 2017

2017 1st Q

- ◊ The 90 m Digital Elevation Model (DEM) was processed to enhance the topography of the license area. The Letlhakane river was used as a bench mark. Furthermore the Landsat 8 False Color (Oct 2015) image was used as a background on the topography to enhance the drainage pattern. This work will highlight target area for further geophysical follow up work.
- ◊ The government generated Total Magnetic Intensity (AM) data was used to enhance potential kimberlite targets.

2017 2nd Q

- ◊ Further review of the AM data using the analytical signal, and based on a pattern recognition technique developed by the Keating (2004) method, generated 28 kimberlite targets.
- ◊ Additional satellite images were collated over the OKF to enhance the palaeo-hydrological analysis (SRTM, Aster GDEM vs 2). Palaeo-shorelines of the Magadikgadi pans were also mapped at selected elevations.
- ◊ Additional datasets for mineral indices and (thermal) emissivity work (Aster LT1; Aster GED Emissivity; Landsat ETM 7+; Landsat LC08) have been downloaded and will be processed for further remote sensing interrogation of the license area.

2017 3rd Q

- ◊ Airborne magnetic anomalies PL217/02, -03, -04, -05, and -06, were checked in the field for any outcrop, possible previous drill holes, vegetation, soils, topography and access.
- ◊ Planning for ground magnetic surveys over these targets have been completed and ground work will start in the next quarter.
- ◊ Reports on ground gravity work from another company proximal to PL217 has been obtained to check whether gravity anomalies are associated with lower density paleo-channel and indicates that it would be a useful tool to apply.

Summary of Work to be Performed in 2017

- ◊ Ground magnetic and gravity geological surveys have commenced and are scheduled to be completed in the quarter.

2. METALS (BASE AND PRECIOUS, PLATINUM GROUP METALS, AND RARE EARTH ELEMENTS) PROJECTS

The Company's twenty-one Prospecting Licences have evolved with time into a package which covers some 8,694.60 km^2 excluding those seven licenses currently in renewal (Table 3).

Table 3
Gcwihaba Metal License Areas as at September 30, 2017

PL numbers	Km²	Grant Date	Expiry / Renewal date	Current Stage	Expenditure		Total Expenditure from Grant date and if held to Full License Term as of 9/30/2017	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 9/30/2017
PL 119/2005	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 051/2008	273.00	07/01/16	6/30/19	2nd renewal*	1,365	100,000	304,095	-
PL 052/2008	194.00	07/01/16	6/30/19	2nd renewal*	970	100,000	302,910	-
PL 386/2008	570.00	07/01/16	6/30/19	2nd renewal*	2,850	500,000	1,508,550	-
PL 387/2008	964.90	07/01/16	6/30/19	2nd renewal*	4,825	500,000	1,514,475	-
PL 388/2008	317.10	07/01/16	6/30/19	2nd renewal*	1,590	500,000	1,504,770	-
PL 389/2008	978.60	07/01/16	6/30/19	2nd renewal*	4,895	500,000	1,514,685	-
PL 390/2008	807.30	07/01/16	6/30/19	2nd renewal*	4,040	500,000	1,512,120	-
PL 391/2008	454.50	07/01/16	6/30/19	2nd renewal*	2,275	500,000	1,506,825	-
PL 392/2008	828.10	07/01/16	6/30/19	2nd renewal*	4,145	500,000	1,512,435	-
PL 393/2008	937.50	07/01/16	6/30/19	2nd renewal*	4,690	500,000	1,514,070	-
PL 394/2008	649.20	07/01/16	6/30/19	2nd renewal*	1,480	500,000	1,504,440	-
PL 395/2008	971.40	07/01/16	6/30/19	2nd renewal*	4,860	500,000	1,514,580	-
PL 595/2009	296.00	07/01/16	6/30/19	2nd renewal*	592	500,000	1,000,592	-
PL 596/2009	453.00	07/01/16	6/30/19	2nd renewal*	906	500,000	1,000,906	-
PL 093/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 094/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 095/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 096/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 097/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
TOTAL	8,694.6				--	--	17,715,453#	1,734,190

\# Amounts include services provided by Tsodilo and its subsidiaries and all expenditure amounts are incremental in nature and qualified by positive results in the evaluation process throughout the license term.

The Company's exploration work had initially indicated that the sulphide-rich Matchless Amphibolite Belt ('MAB') traverse the Company's southern licences in northwest Botswana in an area where the Damara Belt connects with the Lufilian Arc. Petrology, geochemistry and geochronology work was conducted by AEON's (Africa Earth Observatory Network) research group located at the NMMU (Nelson Mandela Metropolitan University) in Port Elizabeth, South Africa. This work has identified Archaean granite-gneisses between 2.548 and 2.641 Ma in age in Ngamiland, whilst paleoproterozoic granites (ca. 2,000 Ma) seem to have been tectonically interlayered with Copper Belt (Lufilian Arc)-equivalent metasediments (including graphitic schist, carbonates and diamictites), and metabasites and gabbros (535 Ma), all of which were intersected during the initial drilling program by the Company.

During the initial drilling campaign by the Company, three separate mineralization domains were identified in the various licences. These are, (1) sulphide mineralization associated with Neoproterozoic metasediments, (2) base and precious metals and REE showings associated with skarns linked to the 535 Ma age basic intrusions, and (3) a large magnetite deposit (Xaudum Iron deposit) which the Company is presently evaluating (Table 4).

Table 4

Main mineralogical domains identified during the Phase 1 drill program

Sedimentary Cu/Co (Katanga type sediments) in the central shale belt	Central African Copper Belt-style sedimentary rock - hosted copper showings at multiple stratigraphic levels, spatially associated with faults	Copper cobalt
Sepopa Cu/Au Skarn deposit (IOCG?)	Iron-copper skarns associated with ~535 Ma basic intrusions	Copper gold iron
Xaudum Magnetite Banded Iron Formation (XIF)	Layered and massive BIF Rapitan type Fe Formation closely associated with the Grand Conglomerate	Iron

2.2 XAUDUM MAGNETITE BANDED IRON FORMATION (XIF)

This Xaudum XIF is intimately associated with glacial diamictites and is the cause of the large Xaudum Magnetic Anomaly that extends over 35 km in a north-south direction with several magnetite bands that occur over a width of several kilometres. The deposit, which has an exploration target of between 5 and 7 billion tonnes of iron ore at grades ranging between 15 - 40%, was subdivided into several exploration blocks. Drilling on Block 1, at the northern part of the Xaudum XIF deposit, was completed and in 2014 SRK Consulting (U.K.) presented Gcwihaba's maiden National Instrument 43-101 Resource report of this Block with an Inferred Mineral Resource of 441 Mt grading 29.4% Fe, 41.0% SiO2, 6.1% Al2O3 and 0.3% P.

Tsodilo initiated drilling on the next exploration area, referred to as Block 2, but delayed the completion thereof due to current iron-ore market conditions However, once completed, the resource definition of Block 2 will increase the resource to at least a $^{+}$1Bt resource.

The Company continues its investigating how to progress this deposit with aspects of local beneficiation. New technology is available to transform the magnetite iron concentrate on site to produce Iron Pellets (heat and fuse), briquettes or supa-scrap (IMBS non-conventional DRI process) or even pig iron (ESS Prodilux furnace). For this the thermal coal in eastern Botswana is considered most appropriate but issues surrounding the infra-structure need to be resolved.

Discussions on the direct sale of the magnetite have also been undertaken with a South African commodity house which markets super high spec magnetite of over 69.5% Fe. This is used for manufacturing of dense media separation products such as magnetite and ferrosilicon, as well as other magnetite-based uses in the petrochemical market. The very high standard specifications of the magnetite attract a very high premium on normal iron ore sales. The feasibility of creating a small-scale magnetite mine to process the ore for this high-end market is being explored.

Summary of Work Performed as at September 30, 2017

2014

◊ Due to the large size of the Xaudum Iron Formation (XIF) deposit, which has an exploration target of between 5 and 7 billion tonnes of iron ore grading between 15 – 40%, it was decided to subdivide the target into several exploration blocks. Drilling continued on the XIF Project and during the year all the planned holes over the most northerly block of the magnetite occurrence, Block 1, were completed. Some 33 holes, totaling 5,854 m were drilled into the magnetite body and 4,478 m of core were recovered

- ◊ Drilling on Block 2 was begun with nine holes drilled in this section to a cumulative depth of 1,490 m extracting some 1,223 m of core.
- ◊ All the cores were orientated with a Reflex Act II and down-the-hole drill directions were measured with the Reflex Gyro instrument. All cores are subjected to magnetic susceptibility (every 20 cm) measurements.
- ◊ The deposit was subdivided into four geodomains: MBA – Magnetite Banded Iron Formation, MBW – Partially oxidized (weathered) BIF, DIM – Magnetite schist or magnetite diamictite and MDS – Magnetic amphibole Schist.
- ◊ During the year, 2,867 samples were consigned for analyses and 4,574 assay results were received.
- ◊ SRK Consulting (UK) Ltd was contracted as independent consultants and completed a National Instrument 43-101 resource report for Block 1, which covers only a small part of this large XIF deposit, and derived at 441 Mt grading 29.4% Fe, 41.0% SiO2, 6.1% Al2O3 and 0.3% P.
- ◊ The ground magnetic survey over the entire XIF has been completed by filling in some data gaps. In total 1,780 km^2 was covered representing 22,749 line km on both 20 and 50 m line spacing.

2015

- ◊ The Company started an investigation of how to progress with the project looking at potential mining and beneficiation aspects especially on a local scale. New technology is available to transform the magnetite iron concentrate on site to produce iron pellets (heat and fuse) briquettes or supa-scrap (IMBS non-conventional DRI process) or even pig iron (ESS Prodilux furnace). For these processes the thermal coal is eastern and southwest Botswana are considered most appropriate but issues around the infra-structure need to be resolved.
- ◊ The iron ore price decrease in the middle of the year to 40US$/t result in the company adopting a longer term view the projects development.

2016

- ◊ The feasibility of possible local beneficiation continued but with iron prices still low the outlook remains long term.

2017 1st Q

- ◊ Quotations for cost and also availability were obtained from six (6) engineering consultancy companies to conduct a Preliminary Economic Assessment (PEA) study for the development of the Xaudum Iron Project under a non-disclosure agreement. The PEA is designed to investigate the various options and the focus will be on size of operation, level of local beneficiation, a Botswana based steel industry versus export of raw ore, infrastructure, transport, etc.

2017 2nd Q

- ◊ Additional information was requested from some of the above mentioned companies in order to update and equalize the proposals for comparison purposes.
- ◊ One additional company, with a base in Botswana, was invited to participate to quote to conduct a PEA.

2017 3rd Q

- ◊ Discussions are ongoing with a 3rd party in order to get PEA in place. This study will be as a basis for taking the project to the next level.

Summary of Work to be Performed in 2017 Iron ore prices have recovered to some extent and a decision will be made as to which of the six consultancy firms would be most suitable for such a PEA study. It will be important to take timing in consideration and what if any government requirements will be.

2.3 KATANGAN-LIKE META-SEDIMENTS

General geology

Southeast and east of the XIF Iron project are north-north-west to north-north-east trending mineralized metasediments in what is referred to as the Central Shale Basin. The latter meta-sedimentary sequence is very similar to the parts of the stratiform Cu-Co (Copper-Cobalt) province of the Central African Copper Belt and is identical to the host rocks of the Kalumbila Cu-Ni-Co deposit in western Zambia. The black shales, meta-pelites, meta-arenites, dolomites, with evidence of evaporate minerals, in particular bear strong resemblance to the Mwashya rocks in Zambia. Most lithologies are mineralized with pyrite, pyrrhotite, and chalcopyrite.

The majority of Katangan metasediments intersected in drilling are interpreted to belong to the Mwashya Group (shale, carbonate), or the Grand Conglomerate (diamictite) units, occurring on each side of the 'basement high'. Most of the FQM and Tsodilo Resources drilling have taken place within these two stratigraphic Groups. Much of the drilling has shown diamictite alternating with carbonate-shale packages and this is attributed to repetition by bedding-parallel thrust faults. The distribution of magnetite-facies BIF is restricted to the diamictite on the western side of the basement-high, and this probably reflects differences in seawater chemistry across the 'basement high' during the Sturtian Glaciation.

The understanding of the upper Katangan stratigraphy in the Shakawe area is poor. The diamictite of the Grand Conglomerate typically transitions abruptly into a clean dolomite referred to as the Kakontwe. This change reflects an abrupt global warming event at the end of the Sturtian glaciation and it is a feature observed in some drill cores from the Shakawe area. However, at the western end of FQM's Stratigraphic Section Line the diamictite is conformably overlain by calcareous sandstone.

The rocks at the extreme western end of the east- west sections contain zircon populations of ≈1.1 Ga and ≈2.0 Ga, but contain no 2.5 Ga zircons. The rocks are interpreted to be of the Ghanzi-Chobe Supergroup. The Kgwebe Volcanics are the most likely source of these ≈1.1 Ga zircons, implying significant differences in the provenance of the Katangan Supergroup and the Ghanzi-Chobe Supergroup meta-sediments.

Summary of Work Performed as at September 30, 2017

2013

- ◊ First Quantum Minerals Ltd (FQM) signed a Memorandum of Understanding with Tsodilo Resources Ltd (Tsodilo) in April.
- ◊ First Quantum Minerals (FQM) re-logged 157 Tsodilo drill holes stored in the company's Maun hangar, which represents some 34,750 m of core.
- ◊ Soil samples for geochemistry were collected over two grids in the Shakawe and Sepupa areas from shallow hand-dug pits. 584 samples were sieved (180 microns) and analyzed for Cu, Co, Pb, Zn, Au and other selected elements. The results were very poor, possibly due to the coarse sieve size, but the conclusion was that soil sampling was not an effective tool for metals exploration in this environment.
- ◊ FQM initiated a diamond drilling program across the area to assess its stratigraphy and drilled 5 holes to a cumulative depth of 3,987 m.
- ◊ The Kalahari Geochemistry Program (KGP) was initiated with the objective to sample the Kalahari/Bedrock interface by drilling 220 holes on a 2 x 2 km grid, using a combination of reverse circulation (24 holes), Sonic (5 holes) and diamond drilling (193 holes). In 2013, 54 holes were drilled to a depth of 2,552 m. Samples were

collected every 2 m and screened to 80 mesh for ICP-MS (As, Au, Bi, Co, Pb) and ICP-OES (Al, Ca, Cu, Mg, Ni, Zn) analyses.

- ◊ Water samples (500 ml) were also collected from the KGP holes for hydro-geochemistry and sent for ICP-MS analysis in Canada.
- ◊ Rock samples were collected for U/Pb geochronology (26 samples) and petrology (30 samples).
- ◊ An airborne electro-magnetic survey (Spectrem) was flow over the project area and 16,934 line km were covered at 200 m, 500 m and 1000 m line interval depending on the distance of the areas of interest. During this survey, magnetic and radiometric data were also collected.
- ◊ An airborne gravity survey started initially to cover the same area as the Spectrem survey. However, due to technical problems the area was reduced to 14,078 line km and in the end only 10,392 line kms were completed at a 500 m flight line interval.
- ◊ The Company signed an 'Earn-in Option Agreement' with First Quantum Minerals (FQM) in November for FQM to earn up to 70% interest in Gcwihaba's metals prospecting licenses. It excluded any rights to iron also held by Gcwihaba.
- ◊ Mineralization associated with 'skarn' (possible IOCG) deposits, such as targets 1822C26, – C27 and -C10, are related to massive magnetite, metabasites, meta-mafic units and granofels in contact with Mwashya-type metasediments and carbonates. Elevated values of Cu, Ni, Ti, V, Co and Fe and La and Ce (both rare earth elements) have been obtained from core samples and anomalous levels of Au and Ag have also been reported from these targets. The assessment of these targets is ongoing.
- ◊ Three airborne magnetic targets in the northwestern corner of Botswana were covered by ground magnetic surveys. These targets are associated with Ni and Zn/Cr soil anomalies from the Government Ngamiland Geochemical soil sampling program in 1999.

2014

- ◊ The KGP program was completed and in total 13,689 meters was drilled to an average depth of 62.2 meters.
- ◊ Samples from the KGP program were also sent for Ultra-Low Detection Au analyses.
- ◊ The FQM stratigraphic drilling program was also completed and in the end 8 holes (BWADD 0001 to 0008) were drilled to a cumulative depth of 5,695 m. This provided the basis for the development of a robust geological model and facilitating a stratigraphic comparison to the Central African Copper Belt.
- ◊ A down-the-hole Electromagnetic probe was tested in boreholes to characterize the different lithologies, with measurements taken for density, conductivity, resistivity and Full Wave Sonic. It showed that it was possible to characterize the different lithologies and to distinguish between them.
- ◊ CSIRO in Australia was retained to assist in overburden regolith research primarily to assist in the sampling of areas of Kalahari cover. Some 230 samples were collected from areas of (weak) bedrock mineralization and areas of barren bedrock for comparison, and other regolith types.
- ◊ Targets TOD17, -29, -30 were drilled during the year (330 m drilled and 208 m core recovered). The siltstones and shales from TOD17 contained traces of chalcopyrite while TOD30 intersected basement, and TOD29 was abandoned in Kalahari sediment.

2015

- ◊ The diamond drilling on structural targets interpreted from the Spectrem airborne survey started in 2013 and was completed with the last hole (BWADD0034, 351 m) being drilled in Q1 2015 and thereby finishing this phase with a total of 11,266 m of drilling.
- ◊ Interpretation of the KGP data identified four targets – Middle East, School, Banana and Northern Swell. The Middle East target is definable by two coincident KGP drill holes containing anomalous copper at both the Kalahari interface and in the bedrock. No diamond drill holes existed along the length of the target and the

potential for mineralization exists along nine km of untested strike. Two holes were drilled (BWADD0035, -0036; 640 m) and no significant mineralization was found, leaving this target unresolved. The School target was drill tested with one hole (BWADD0037; 405 m) and intersected phyllite/shale with abundant sulphides, mainly pyrite. The alteration suite included garnets, retrograde kyanite and chlorite. This target is unresolved and warrants further work.

- ◊ Interpretation of the hydrogeochemistry indicates that anomalies identified within the KGP grid remained anomalous even when saturation indexes were applied. Additional anomalous samples were identified down flow of the 'School' target. This target shows on increased footprint for both the KGP and hydrogeochemistry dataset. Additional targets were identified of which the Nxamasere West remains of interest.
- ◊ Dr Murray Hitzman updated the pre-Kalahari geological map with different structural styles across the north-south orientated basement high, and contributed to a new and evolving theory on a link between iron formation and copper mineralization.
- ◊ The CSIRO (Dr Ravi Anand) research suggests that mineralization in the bedrock is transmitted to the Kalahari surface and can be detected using surface sampling provided that smaller sieve sizes are used.
- ◊ Ten sulphide samples were collected of which two yielded heavy sulfur isotope values likely the product of sulfate – bearing brines. While Sulphur isotopes are not an indicator of prospectivity, the technique elucidates a part of the basin's history.
- ◊ Passive seismic was tested to assess the usefulness to map the Kalahari-Katangan unconformity surface.

2016

- ◊ In January FQM notified Tsodilo Resources that it was to terminated the Earn-in Agreement on the back of a major drop of the global copper price.
- ◊ Tsodilo initiated a review of all data collected over the area (sources: historic, published, FQM and Tsodilo) with the objective to highlight targets that have either been superficially examine or investigated at all. All the FQM data (drillholes, geophysics, geochemistry, and geology) was checked and validated and outstanding results have been incorporated.
- ◊ Four different media types were sampled and each were plotted separately into four different result types, Recce 1 (metasediments including basement), Recce 2 (metasediments excluding the Kalahari cover and basement lithologies), Recce 3 (Kalahari cover only – KGP results) and Recce 4 (assay results from the hydro-geochemistry). Grids of four different data types were produced and normalized.
- ◊ These assay data were gridded and presented for major element (Cu, Ni, Co, Zn, Mo, Mn) and some other elements where found necessary including Sc-ratios in map form.
- ◊ These maps were then overlain on geology (favorable lithologies, faults, thrusts etc.), geophysics (particular magnetics and electromagnetics), alteration and mineralization. The grid stacks consolidate the impact of controlling variables and have been used to define target outlines.
- ◊ Some 22 priority targets were generated some of which coincides with those that FQM had highlighted. The prioritization of these targets is based on the number of times the anomaly is repeated across the four stacks and its coincidence or proximity to shear junctions.
- ◊ This has identified eight targets as priority -1, six as priority -2, and nine as priority -3.
- ◊ The Company's two drill rigs have had a major overhaul and refurbishment.

2017 1st Q

- ◊ Interpretation of the Tsodilo and First Quantum data continued. The drill hole database was used to calculate the following geochemical control grids: the total element concentration (ppm) over the total thickness of the metasediments from deep boreholes drilled mainly for stratigraphic purposes, the maximum element concentration (ppm) within these holes over the total length and the total element concentration (ppm) over the overburden (Kalahari) thickness only. Sc ratios were calculated for Cu, Co, Ni, Zn, Mn and Mo and used to set as the final target boundaries. These were prioritized based on geochemical anomaly overlaps, structural and geological controls and where indicative of new targets. It was concluded that the data from the Kalahari Geochemistry Program (KGP), which was the program to drill through the Kalahari cover into the weathered bedrock to sample this Kalahari/bedrock interface and hence equivalent to a geochemistry sampling program of this palaeo surface, was the most representative of the underlying geology where no deep drill hole data coverage existed. These holes were drilled on a 2 x 2 km grid covering a large area. The results of the deep holes, although encouraging, skew the KGP results which represent the sub-Kalahari geochemistry signatures. Based on these data nine target areas were identified, some linked to metal kicks at depth from the deep holes and some isolated.

2017 2nd Q

◊ Based on the interpretation of the combined Tsodilo and First Quantum datasets the final tally of 9 target areas have been identified.

◊ These are still being assessed for drill targets using all the available geophysical data sets.

◊ As start was made to assess the gold potential of the same area with analysis of both Au and As values. Several of the previously drilled core holes did return isolated anomalous values of these elements. The approach to assess these datasets will be similar as to that of which was employed for the base metals as described in Q1.

2017 3rd Q

◊ The assay data from the KPG (Kalahari Geochemistry Program) and Deep drilling program were analysed for gold exploration purposes. Twenty gold targets were defined on a combination of the Au and As anomalies.

◊ The gold targets were also compared in details with the copper targets for overlaps which in some cases was very clear.

Summary of Work to be Performed in 2017

◊ To finalize actual drill positions, using geophysics, on each of these nine metal targets and have these verified by an independent expert before drilling these targets.

◊ Priority targets are scheduled to be drilled in the 4th quarter.

◊ If appropriate, core sections will be sent for assaying.

◊ To identify target areas for precious metals over the same area and to upgrade these to drill targets using the available geophysical information.

3. Idada Trading 361 (Pty) Limited (“Idada”) – South Africa

The Company holds a 70% interest in its South African subsidiary, Idada. Idada made application for an exploration license (Ref: MP30/5/1/1/2/1047PR) in the Barberton area in February 2012. This application was accepted in February 2013 and consultation was conducted with interested and affected parties in April and June 2013. An Environmental Management Plan (EMP) was submitted in April 2013 and a site visit was made by various governmental departments (DMR, EWT, REMDEC) in September 2013. During the 2nd Q 2015, notice was received from the Department of Mineral Resources, South Africa which granted the Company the prospecting rights for gold and silver in the applied for area subject to certain subsequent conditions being met. The Company has fulfilled those requirements and the Prospecting Right, together with the EMP, was executed and became effective on April 7, 2016. The Prospecting Right has been granted for a term of five years effective May 2015.

Notices have been sent to all surface owners of the 5 farms informing the owners of our intent to access the property to commence exploration activities. . 3 owners, holding most of the target ground, have denied access. This issue has been submitted to the Department of Mineral Resources (DMR) for resolution.

A start was made on the Barberton data collation and mapping process. Various open source satellite imagery data sources were examined to obtain the best cloud-cover free open source Landsat and Aster data. This is on-going work and further downloads may be required (hyperspectral data) for the spectral analysis exploration work. Sample gold and other base metal deposit locations (from de Wit's Africa Mineral Database) were plotted up on the imagery and will enable spectral signature mapping for identifying similar areas in the Barberton PL. Currently the focus is on obtaining as much detailed geological data for the PL as possible before starting the imagery analysis and mapping.

2012

◊ The Company made an application for a Prospecting Right (PR) over a prospective area for gold and silver near Barberton in South Africa (Ref: MP30/5/1/1/2/1047PR).

2013

◊ The application was accepted by the Department of Mineral Resources (DMR).

◊ Consultation was conducted with interested and affected parties

◊ An Environmental Management Plan (EMP) was submitted followed by a site visit by various governmental departments (DMR, EWT, REMDEC).

2014

◊ The application continued to be reviews by DMR

2015

◊ The DMR issued the PR subject to certain subsequent conditions being met.

2016

◊ The Company fulfilled all those requirements and the PR together with the EMP became effective as at May 2015 for a period of five years.

◊ Notices were sent to the surface owners of all the subdivisions of the five farms that are covered by the PR of the intention of the Company to start work. Three owners, holding most of this target ground, subsequently denied access. This issue has been submitted to the DMR for resolution.

◊ A detailed study of all available remote sensing data (satellite, spectral and other available images) was initiated to study the geomorphology, with special attention to soil types and thicknesses and the drainage network, but also to map the major structural and geological features. The ASTER data was useful in particular for mapping areas of alteration, and the radar data Sentinel 1-A provided some useful images of existing lineaments. The northwesterly extension of the Moodies (Komatie) shear zone is of particular interest.

◊ Depth estimates from the detailed airborne magnetic data was restricted because the Total Magnetic Intensity (TMI) was an unconstrained model. However, other information such as the dip of the structure was obtained from these data. Utilizing an Extended Euler Deconvolution (EED) routine suggests that the depth to fresh rock is between 185 to 329 m below surface.

◊ All the gold and base metal occurrences in the immediate area, in the public and academic domain, have been plotted in relation to the PR. Other available maps were georeferenced and added to the database.

2017

◊ The issue regarding the three owners refusing access to the target area has been brought to the attention of the BEE partner in South Africa. The land related to these three owners covers a major part of the target area.

The Department of Mineral Resources (DMR) has been advised of the owners refusing access to the properties for the Company to conduct their exploration program. The DMR has committed to meet with these owners in order to inform them of our legal rights.

Summary of Work to be Performed in 2017

◊ Once the issues with the surface owners have been resolved the Company hopes to start a mapping exercise based on the remote sensing information verifying various geological features and soil types. Some soil and/or stream samples are planned which is to be followed by a ground magnetic survey to cover the major shear zone which will provide drill targets to intersect this structural feature.

Exploration and Evaluation additions for the quarter ended September 30, 2017 are summarized as follows:

	Bosoto Botswana Precious Stones	Idada So. Africa Precious Stones	Metals	Gcwihaba Botswana Radio-Active Minerals	Subtotal	Total TOTAL
Drilling Expenditures	$ 1,274,530	$ 241	$ 6,992	$ --	$ 6,922	$ 1,281,763
Amortization Drill Rigs, Vehicles & Trucks	2,235	--	980	--	980	3,215
GIS & Geophysics	65,933	--	15,277	--	15.277	81,210
Lab Analyses & Assays	8,538	--	5,883	--	5.883	14,421
License Fees	--	--	2,147	--	2,147	2,147
Office, Maintenance, & Consumables	189,460	1,748	66,615	--	66,615	256,823
Salaries, Wages & Services	312,316	--	70,841	--	70,841	383,157
Balance at September 30, 2017	**$1,852,012**	**$1,989**	**$ 167,735**	**$ --**	**$167,735**	**$2,022,736**

Exploration and Evaluation additions for the period ended September 30, 2016 are summarized as follows:

	Newdico Botswana Precious Stones	Bosoto Botswana Precious Stones	Idada So. Africa Precious Stones	Gcwihaba Botswana Precious Stones	Metals	Radio-Active Minerals	Subtotal	Total TOTAL
Drilling Expenditures	--	$ 4,815	--	--	$ 7,095	$ 4,833	$ 11,926	$ 16,741
Amortization Drill Rigs, Vehicles & Trucks	--	2,544	--	--	1,141	1,141	2,282	4,826
GIS & Geophysics	--	--	--	--	377	377	755	755
Lab Analyses & Assays	--	577	--	--	--	--	--	577
License Fees	--	--	--	--	1,036	406	1,442	1.442
Office, Maintenance, & Consumables	--	19,598	5,070	--	16,765	15,182	31,946	56,615
Salaries, Wages & Services		211,598	--	--	93,576	89,899	183,475	395,073
Balance at September 30, 2016	**--**	**$239,132**	**$5,070**	**--**	**$119,900**	**$111,835**	**$231,825**	**$476,027**

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2017, the Company had a working capital of $2,767,522 [2016: ($1,405,824)], which included cash of $2,461,158 (2016: $10,134). These funds are managed in-house in accordance with specific investment criteria approved by the board of directors, the primary objective being the preservation of capital to assure funding for exploration activities. The Company received net proceeds of $466,534 and $5,921,437, from the sale of common shares and warrant units as a result of the private placement which closed on April 29, 2016, and December 12, 2016, respectively.

Financial Instruments

The carrying amounts reflected in the consolidated Statement of Financial Position for cash, accounts receivable, accounts payable, and accrued liabilities approximate their fair values due to the short maturities of these instruments. Certain of the Company's warrants are classified as derivative liabilities and are recorded at their estimated fair value. The liability recognized at September 30, 2017 and 2016 for those warrants is NIL. The Company is not required to pay cash to the holders of the warrants to settle this liability. Due to the nature of the Company's operations, there is no significant credit or interest rate risk.

Operating Activities

Cash outflow used in operating activities before working capital adjustment increased from ($585,344) the quarter ended September 30, 2016 to $672,050 for the year ended September 30, 2017. Other operating expenses fluctuated but on the whole were increased for the period ended September 30, 2017 by $44,906compared to 2016. The largest impact on Comprehensive income (loss) for the period was the foreign exchange loss which resulted in an increase from negative ($33,014) in 2016 to a negative ($51,860) in 2017. Expense variances were throughout the other expense categories with the largest increases in Investor relations and Stock based compensation expenses going up by approximately $69,983 and $39,986, respectively and increases in other expenses offset by a decrease in amortization of $80,087.

Annual Information (in US Dollars)	Fiscal Period September 30, 2017	Fiscal Period December 31, 2016
Net loss for the year	$ 1,035,224	($ 2,243,671)
Basic loss per share	$0.02	($0.30)
Basic diluted loss per share	$0.02	($0.30)
Total other comprehensive income (loss)	90,983	186,002
Total comprehensive loss for the year	($ 944,241	($ 2,057,669)
Basic comprehensive loss per share	$0.02	($0.33)
Diluted comprehensive loss per share	$0.02	($0.33)
Total assets	$7,744,583	$8,539,876
Total long term liabilities	--	--
Cash dividend	--	--

Quarterly Information (in US Dollar)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal Year ended December 31, 2016				
Net income (loss for the period	($285,854)	($299,277)	($387,742)	($1,270,798)
Basic income (loss) per share	($0.01)	($0.01)	($0.01)	($.003)
Diluted basic income (loss per share	($0.01)	($0.01)	($0.01)	($.003)
Comprehensive income (loss) for the period	(249,396)	($287,861)	($55,946)	($1,464,466)
Basic comprehensive income (loss) for the period	($0.01)	($0.01)	$0.00	($.004)
Diluted comprehensive income (loss) per share	($0.01)	($0.01)	$0.00	($.004)
Total assets	$4,412,454	$4,635,888	$5,068,644	$8,539,876
Total long term liabilities	--	--	--	--

Quarterly Information (in US Dollars)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal Period ended September 30, 2017				
Net income (loss) for the period	($311,018)	($416,914)	($307,291)	--
Basic income (loss) per share	($0.01)	--($0.01)	($0.00)	--
Diluted basic income (loss) per share	($0.01)	($0.01)	($0.00)	--
Comprehensive income (loss) for the period	(225,849)	($293,941)	($424,450)	--
Basic comprehensive income (loss) for the period	($0.01)	($0.01)	($0.00)	--
Diluted comprehensive income (loss) per share	($0.01)	($0.01)	($0.00)	--
Total assets	$8,285,854	$8,168,529	$7,744,583	--
Total long term liabilities	--	--	--	

Investing Activities

Cash flow applied in investing activities increased to ($529,158) for the period ended September 30, 2017, [2016: ($470,563)].

Total expenditures of $2,022,736 on exploration properties for the period ended September 30, 2017 were attributable to the Newdico, Gcwihaba and Bosoto projects in northwest Botswana and the Idada project in Barberton, South Africa. . Gcwihaba had an impairment charge for its radio active operations of $1,178,363 in 2016, NIL in 2017.

Financing Activities

The Company finances its corporate and exploration activities through the issuance of equity units by way of non-brokered private placements. Each unit has consisted of one common share of the Company and one or one-half a warrant with each full such warrant entitling the holder to purchase one common share of the Company for a purchase price equal to the unit price for a period of two to five years from the date of issuance.

Private Placement Date	No. of Units	Price per Unit	Net Proceeds USD
December 12, 2016	10,795,578	C$0.75	$5,921,437
April 29,2016	1,008,948	C$0.60	$466,534
Warrant Exercise Date	**No. of Shares**	**Price per Share**	**Proceeds USD**
None	--	--	--
Options Exercised Date	**No. of Shares**	**Price per Share**	**Proceeds USD**
None	--	--	--

A private placement took place on April 29, 2016 and December 12, 2016, from which the Company received net proceeds of $466,534 and $5,921,437 respectively from the sale of common shares and warrant units.

Tsodilo expects to raise the amounts required to fund the Gcwihaba, Bosoto and Idada projects and corporate general and administration expenses, by way of non-brokered private placements and joint ventures.

RESULTS OF OPERATIONS

On a consolidated basis, the Company recorded a comprehensive net loss of $944,241 for the period ended September 30, 2017 $0.02 per common share] compared to a comprehensive net loss of ($734,196) for the period ended September 30, 2016 ($0.03) per common share].

Cumulative exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to $4,620,575 as at September 30, 2017 compared to $4,799,563 as at September 30, 2016. Cumulative exploration expenditures incurred on Gcwihaba's projects as at September 30, 2017 were $2,913,097 compared to $4,158,538 as at September 30, 2016. A net exchange translation difference accounted for a $86,889 increase. Cumulative exploration expenditures incurred on Bosoto's projects as at September 30, 2017 were $2,196,390 compared to $632,695 as at September 30, 2016. A net exchange translation difference accounted for a ($26,037) decrease. Cumulative exploration expenditures incurred on Idada's projects as at September 30, 2017 were ($488,911) compared to $8,330 as at September 30, 2016. A net exchange translation difference accounted for a $92 increase. During the period September 30, 2017 the Company sold royalty interest in these projects reducing cost of Exploration by $1,500,000. The principal components of the Bosoto exploration program resulting in higher expenditures was the commencement of the 3,000 meter pilot hole drill program. Expenditures for other subsidiaries were at normal levels. A table is presented in the Exploration and Evaluation Additions section above with specific details.

PERSONNEL

At September 30, 2017, the Company and its subsidiaries employed twenty-six (26) compared to twenty-two (22) at September 30, 2016, including senior officers, administrative and operations personnel including those on a short-term service basis.

PERIOD ENDED SEPTEMBER 30, 2017

The period ended September 30, 2017 was a normal operating period. Operating expenses were at normal levels for the year. See discussion under operating activities above.

RISKS AND UNCERTAINTIES

Operations of the Company are speculative due to the high risk nature of its business which includes acquisition, financing, exploration and development of diamond and metal properties (collectively "mineral"). Material risk factors and uncertainties, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set below. Any one or more of these risks and others could have a material adverse effect on the Company.

Additional Funding Requirements

Further development and exploration of the various mineral projects in which the Company holds an interest depends upon the Company's ability to obtain financing through equity or debt financing, joint ventures or other means. While the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be successful in obtaining additional financing in the amount and at the time required and, if available, that it can be obtained on terms satisfactory to the Company.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a loss of $1,035,224 and comprehensive loss of $944,241 during the period ended September 30, 2017 and as of that date the Company had an accumulated deficit of $47,600,234 and net working capital of $2,767,522 Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is sufficient to finance exploration and resource evaluation at the projected levels, and to finance continued operations for the 12 month period subsequent to September 30, 2017. The continuity of the Company's operations is not dependent on raising future financing for working capital, the continued exploration and development of its properties and for acquisition and development costs of new projects.

Management believes that it will be able to secure the necessary financing through a combination of the issue of new equity or debt instruments, the entering into of joint venture arrangements or the exercise of warrants and options for the purchase of common shares. However there is no assurance the Company will be successful in these actions. There can be no assurance that adequate financing will be available, or available under terms favorable to the Company. The Company received net proceeds of $466,534 and $5,921,437 from the issuance of common shares and warrant units as a result of the private placement which closed on April 29, 2016 and December 12, 2016 respectively.

Should it be determined that the Company is no longer a going concern, adjustments, which could be significant, would be required to the carrying value of assets and liabilities. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the consolidated statement of operation and comprehensive income (loss), and consolidated statement of financial position classifications that would be necessary were the going concern assumption not appropriate.

Failure to obtain equity or debt financing on a timely basis may cause the Company to postpone its exploration and development plans or forfeit rights in some of its projects.

Uncertainties Related to Mineral Resource Estimates

There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on mineral prices. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there is no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a mineral project is complicated and involves a number of variables.

Commodity Prices and Marketability

The mining industry, in general, is intensely competitive and there is no assurance that, even if commercial quantities of minerals are discovered, a profitable market will exist for the sale of minerals produced. Factors beyond the control of the Company may affect the marketability of any minerals produced and which cannot be accurately predicted, such as market fluctuations, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, any combination of which factors may result in the Company not receiving an adequate return on investment capital. Prices received for minerals produced and sold are also affected by numerous factors beyond the Company's control such as international economic and political trends, global or regional consumption and demand and supply patterns. There is no assurance that the sale price of minerals produced from any deposit will be such that they can be mined at a profit.

Currency Risk

The Company's business is mainly transacted in Botswana Pula and U.S. dollar currencies. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating results of the Company in either a positive or negative direction.

Foreign Operations Risk

The Company's current significant projects are located in Botswana. This exposes the Company to risks that may not otherwise be experienced if its operations were domestic. The risks include, but are not limited to, environmental protection, land use, water use, health safety, labor, restrictions on production, price controls, currency remittance, and maintenance of mineral tenure and expropriation of property. There is no assurance that future changes in taxes or such regulation in the various jurisdictions in which the Company operates will not adversely affect the Company's operations. Although the operating environments in Botswana are considered favorable compared to those in other developing countries, there are still political risks. These risks include, but are not limited to terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business.

Mineral Exploration and Development

The business of exploring for minerals and mining is highly, speculative in nature and involves significant financial and other risks which even careful evaluation, experience and knowledge may not eliminate. There is no certainty that expenditures made or to be made by the Company in exploring and developing mineral properties in which it has an interest will result in the discovery of commercially mineable deposits. Most exploration projects do not result in the discovery of commercially mineable deposit. While discovery of a mineral deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There can be no guarantee that exploration programs carried out by the Company will result in the development of profitable mining operations.

Title Matters

Any changes in the laws of Botswana relating to mining could have a material adverse effect to the rights and title to the interests held in those countries by the Company. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

Infrastructure

Exploration, development, mining and processing activities depend on the availability of adequate infrastructure. Reliable roads, bridges, sewer and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance of provision of such infrastructure could adversely affect activities and profitability of the Company.

Uninsured Risks

The mining business is subject to a number of risks and hazards including, but not limited to, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave~ ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to mineral properties or facilities, personal injury or death, environmental damage, delays in exploration, development or mining, monetary losses and possible legal liability. The Company maintains insurance against certain risks that are associated with its business in amounts that it believes to be reasonable at the current stage of operations. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim.

Key Personnel

The Company is dependent upon on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company currently does not have key personal insurance on these individuals.

ADOPTION OF NEW ACCOUNTING STANDARDS

New Standards, Amendments and Interpretations, Not Yet Adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 *Leases*

FRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Company assessed the potential effect of IFRS 16 on its Condensed Interim Consolidated financial statements, and was not impacted by these accounting changes.

IFRS 9, *Financial Instruments*

IFRS 9 covers the classification and measurement, impairment and hedge accounting of financial assets and financial liabilities and the effective date was for annual years on or after January 1, 2018, with an earlier application permitted. The Company is still assessing the impact of adopting IFRS 9. Amendments to IFRS 9 also provide relief from the requirement to restate comparative financial statement for the effect of applying IFRS 9. Instead, additional transition disclosure will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual years beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments were applied prospectively and are effective for annual years beginning on or after 1 January 2016.

These amendments were applied retrospectively and are effective for annual years beginning on or after January 1, 2016. These amendments did not have any impact on the Company. There were no new standards adopted that had a material impact on the Company.

RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2017	2016
Short term employee remuneration and benefits	**$322,502**	$322,502
Stock based compensation	**88,428**	91,054
Post employment benefits*	**49,614**	189,520
Total compensation attributed to key management personnel	**$460,544**	$603,076

*Post employment benefits include $21,552 of accrued leave benefits through September 30, 2017.

During the period an individual related to the CEO provided administrative and management services to the Company in 2017 and was remunerated in 2017 in the amount of $27,000 (2016: $27,000).

During the period, two individuals related to key personnel of the company, received $88,428 in stock based compensation during the period (2016 $NIL).

A subscription liability balance as of December 31, 2015 of $590,050 was from a Director of the Company and was executed and settled during the two private placements in April 2016 and December 2016 for $300,000 (648,312 Units) and $290,050 (161,976 units) respectively. Oversubscriptions received during 2016 were returned to a Director of the Company in the amount of $340,000 and no subscription liability exists at June 30, 2017.

There are no other related party transactions.

OUTLOOK

Precious stones and metals exploration remain a high-risk undertaking requiring patience and persistence. Despite difficult capital markets in the junior resource sector and the general decrease in commodity prices, the Company remains committed to international commodity exploration through carefully managed programs.

The company does not invest in financial instruments, nor does it do any hedging transactions.

ADDITIONAL INFORMATION

Additional information relating to Tsodilo Resources Limited is available on its website at,
www.TsodiloResources.com or through SEDAR at **www.sedar.com**.

FORWARD-LOOKING STATEMENTS

The Annual Report, including this MD&A, contains certain forward-looking statements related to, among other things, expected future events and the financial and operating results of the Company. Forward-looking statements are subject to inherent risks and uncertainties including, but not limited to, market and general economic conditions, changes in regulatory environments affecting the Company's business and the availability and terms of financing. Other risks are outlined in the Uncertainties and Risk Factors section of this MD&A. Consequently, actual results and events may differ materially from those included in, contemplated or implied by such forward looking statements for a variety of reasons. Readers are therefore cautioned not to place undue reliance on any forward-looking statement. The Company disclaims any intention and assumes no obligation to update any forward-looking statement even if such information becomes available as a result of future events or for any other reason.

"s"	"s"
James M. Bruchs Chairman and Chief Executive Officer	Gary A. Bojes Chief Financial Officer

TSODILO RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017

(expressed in United States dollars)

Unaudited – Prepared by Management

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34) using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been authorized for release by the Company's Board of Directors on November 22, 2017.

CONTENTS:

Financial Reporting Responsibility of Management

Management's Responsibility for Condensed Interim Consolidated Financial Statements

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

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

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

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

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

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

DATED this 22nd day of November, 2017.

TSODILO RESOURCES LIMITED

"s"	"s"
James M. Bruchs Chairman and Chief Executive Officer November 22, 2017	Gary A. Bojes Chief Financial Officer November 22, 2017

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Financial Position
(In United States dollars)

	September 30 2017	September 30 2016	December 31 2016
ASSETS			
Current			
Cash	**$ 2,461,158**	$ 10,134	$4,215,333
Accounts receivable and prepaid expenses	**470,552**	71,034	100,310
	2,931,710	81,168	4,315,643
Exploration and Evaluation Assets *(note 3)*	**4,620,575**	4,799,563	4,036,895
Property, Plant and Equipment *(note 4)*	**192,298**	187,913	187,338
Total Assets	**$ 7,744,583**	$ 5,068,644	$ 8,539,876
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 164,189**	$ 286,942	$ 325,650
Subscriptions *(note 5a)*	**--**	1,200,050	--
Total Liabilities	**164,189**	$1,486,992	325,650
SHAREHOLDERS' EQUITY			
Share capital *(note 5a)*	**49,281,890**	43,360,453	49,281,890
Contributed surplus *(note 5c)*	**11,288,398**	10,943,379	10,977,989
Foreign translation reserve	**(5,389,660)**	(5,430,069)	(5,480,643)
Deficit	**(47,600,234)**	(45,292,111)	(46,565,010)
Equity attributable to Owners of the Parent	**7,580,394**	3,581,652	8,214,226
Non-controlling Interest *(note 3)*	**--**	--	--
Total Equity	**7,580,394**	3,581,652	8,214,226
Total Liabilities and Equity	**$ 7,744,583**	$5,068,644	$ 8,539,876

Nature of operations *(note 1)*

Commitments and contingencies *(note 11)*

Subsequent events *(note 13)*

See accompanying notes to the Condensed Interim Consolidated financial statements

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(In United States dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	**2017**	2016
Administrative Expenses				
CGS – Exploration & Geophysical	**$ --**	$ 3,584	**$ --**	$ 69,453
Corporate remuneration	**123,031**	112,464	**366,295**	333,739
Corporate travel and subsistence	**299**	1,051	**16,698**	8,190
Investor relations	**22,500**	2,776	**80,250**	10,457
Legal and audit	**19,708**	20,947	**24,445**	22,248
Filings and regulatory fees	**14,119**	5,318	**31,223**	13,330
Administrative expenses	**55,368**	56,477	**153,193**	128,680
Amortization	**311**	1,521	**934**	81,021
Stock-based compensation *(note 5c)*	**80,742**	153,384	**310,379**	271,393
	316,078	357,522	**983,417**	938,511
Other Income (Expense)				
Interest Income	**--**	(2,156)	**53**	753
Impairment *(note 3)*	**--**	--	**--**	--
Foreign exchange gain	**8,787**	(28,064)	**(51,860)**	(33,014)
Gain/(Loss) for period	**(307,291)**	(387,742)	**(1,035,224)**	(970,772)
Other Comprehensive Gain/(Loss)				
Foreign currency translation	**(117,159)**	331,796	**90,983**	236,576
Total Other Comprehensive Gain/(Loss)	**(117,159)**	331,796	**90,983**	236,576
Total Comprehensive Gain/(Loss) for the period	**($424,450)**	($ 55,946)	**($944,241)**	($734,196)
Net Loss attributable to shareholders of the parent	**($397,291)**	($387,742)	**($1,035,224)**	($970,772)
Non-controlling interest	**--**	--	**--**	--
	($397,291)	($387,742)	**($1,035,224)**	($970,772)
Total Comprehensive Loss attributable to owners of the parent	**($424,450)**	($55,946)	**($944,241)**	($734,196)
Non-controlling Interest	**--**	--	**--**	--
	($424,450)	($55,946)	**($944,241)**	($734,196)
Basic loss per share attributable to owners of the parent *(note 7)*	**($0.01)**	($0.01)	**($0.02)**	($0.03)
Fully diluted loss per share attributable to the owners of the parent *(note 7)*	**($0.01)**	($0.01)	**($0.02)**	($0.03)
Basic comprehensive loss per share attributable to the owners of the parent *(note 7)*	**($0.01)**	($0.01)	**($0.02)**	($0.03)
Fully diluted comprehensive loss per share attributable to the owners of the parent *(note 7)*	**($0.01)**	($0.01)	**($0.02)**	($0.03)

See accompanying notes to the Condensed Interim Consolidated financial statements

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(In United States dollars except for shares)

	Share Capital		Contributed Surplus		Foreign Translation Reserve	Deficit	Total equity attributable to owners of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount	Stock-based compensation & Other	Warrants					
Balance January 1, 2017	**45,347,310**	**$49,281,890**	**$10,884,378**	**$ 93,611**	**($5,480,643)**	**($46,565,010)**	**$8,214,226**	--	**$8,214,226**
Units Issued	--	--	--	--	--	--	--	--	--
Warrants Expiry	--	--	**93,611**	**(93,611)**	--	--	--	--	--
Additional Paid in Capital – Subsidiary Purchase, Other	--	--	--	--	--	--	--	--	--
Stock Based Compensation	--	--	**310,409**	--	--	--	**310,409**	--	**310,409**
Comprehensive loss	--	--	--	--	**90,983**	**(1,035,224)**	**(944,241)**	--	**(944,241)**
Balance September 30, 2017	**45,347,310**	**$49,281,890**	**$11,288,398**	**$ --**	**($5,389,660)**	**($47,600,234)**	**$7,580,394**	--	**$9,580,394**

	Share Capital		Contributed Surplus		Foreign Translation Reserve	Deficit	Total equity attributable to owners of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount	Stock-based compensation & Other	Warrants					
Balance January 1, 2016	**33,542,784**	**$42,893,919**	**$10,471,523**	**$198,505**	**($5,666,645)**	**($44,321,339)**	**$3,575,963**	**$ -**	**$3,575,963**
Units Issued	**1,008,948**	**466,534**	--	--	--	--	**466,534**	--	**466,534**
Exercised Options	--	--	--	--	--	--	--	--	--
Additional Paid in Capital – Subsidiary Purchase, Other	--	--	--	--	--	--	--	--	--
Stock Based Compensation	--	--	**273,351**	--	--	--	**273,351**	--	**273,351**
Comprehensive loss	--	--	--	--	**236,576**	**(970,772)**	**(734,196)**	--	**(734,196)**
Balance September 30, 2016	**34,551,732**	**$43,360,453**	**$10,744,874**	**$198,505**	**($5,430,069)**	**($45,292,111)**	**$3,581,652**	--	**$3,581,652**

See accompanying notes to the Condensed Interim Consolidated financial statements.

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Cash Flows

(In United States dollars)

	Periods Ended September 30	
	2017	2016
Cash provided by (used in):		
Operating Activities		
Net Gain/(Loss) for the period	**($ 1,035,224)**	($ 970,772)
Adjustments for non-cash items:		
Impairment	**--**	--
Realized gain on warrants	**--**	--
Amortization	**934**	81,021
Amortization on disposal of property, plant and equipment	**--**	--
Foreign exchange gain (loss)	**51,860**	33,014
Stock-based compensation	**310,379**	271,393
	(672,050)	(585,344)
Net change in non-cash working capital balances *(note 12)*	**(531,703)**	(14,479)
	(1,203,753)	(599,823)
Investing Activities		
Additions to exploration properties	**(2,019,521)**	(468,855)
Royalty contribution/reduction in exploration cost	**1,500,000**	--
Additions to property, plant and equipment	**(9,637)**	(1,708)
Proceeds from sale of property, plant and equipment	**--**	--
	(529,158)	(470,563)
Financing Activities		
Shares and warrants issued for cash	**--**	466,534
Share issuance cost	**--**	--
Subscriptions received	**--**	610,000
	--	1,076,534
Impact of exchange on cash	**(21,263)**	(69,924)
Change in cash - for the Period	**(1,754,175)**	(63,776)
Cash - beginning of Period	**4,215,333**	73,910
Cash - end of Period	**$ 2,461,158**	$ 10,134

See accompanying notes to the Condensed Interim Consolidated financial statements

1. NATURE OF OPERATIONS

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

The Company is considered to be in the exploration and development stage given that none of its properties are in production and, to date, have not earned any revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the renewal or extension of exploration licenses, obtaining the necessary permits to operate a mine, obtaining the financing to complete exploration and development, and future profitable production. The Company is incorporated under laws of the Yukon Territory, Canada, under the Business Corporations Act of Yukon and the address of the Company's registered office is 161 Bay Street, P.O. Box 508 Toronto, Ontario, Canada, M5J 2S1. The Company currently exists under the Business Corporations Act of Yukon and its common shares are listed on the Toronto Venture Stock Exchange ("TSXV") under the symbol TSD.

These Condensed Interim Consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a loss of $1,035,224 and comprehensive loss of $944,241 during the period ended September 30, 2017 and as of that date, the Company had an accumulated deficit of $47,600,234 and working capital of $2,767,522. Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is sufficient to finance exploration and resource evaluation at projected levels, and to finance continued operations for the 12 month period subsequent to September 30, 2017. The continuity of the Company's operations over the 12 month period from September 30, 2017 is not dependent on raising future financing for working capital, the continued exploration and development of its properties and for acquisition and development costs of new projects. Beyond the 12 month time horizon, management believes that it will be able to secure additional financing through a combination of the issue of new equity or debt instruments, the entering into of joint venture arrangements or the exercise of warrants and options for the purchase of common shares. However there is no assurance the Company will be successful in these actions. Should it be determined that the Company is no longer a going concern, adjustments, which could be significant, would be required to the carrying value of assets and liabilities. These Condensed Interim Consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the Condensed Interim Consolidated statement of operations and comprehensive loss, and Condensed Interim Consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

2. Significant Accounting Policies

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

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

These condensed interim consolidated financial statements have been authorized for release by the Company's Board of Directors on November 23, 2017.

(b) ***Basis of Preparation***

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

ENTITY	**2017**	2016
Tsodilo Resources Bermuda Limited ("TRBL") [Bermuda]	**100%**	100%
Bosoto (Proprietary) Limited ("Bosoto") [Botswana]	**100%**	100%
Gcwihaba Resources (Proprietary) Limited ("Gcwihaba") [Botswana]	**100%**	100%
Newdico (Proprietary) Limited ("Newdico") [Botswana]	**100%**	100%
Idada Trading 361 (Pty) Ltd. ("Idada") [South Africa]	**70%**	70%
All intercompany transactions have been eliminated on consolidation		

The accounting policies set out below have been applied consistently to all periods and years presented.

(c) ***Significant Accounting Judgments, Estimates and Assumptions***

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

Accounts that require estimates as the basis for determining the stated amounts include warrant liability, contributed surplus, stock-based compensation expense, and amortization expense. The amounts estimated for the warrant liability and stock based compensation is calculated using the Black-Scholes Merton valuation model, which requires significant estimates with respect to the expected life and volatility of such instruments. The estimated depreciation is influenced primarily by the estimated useful life of the Company's Property, Plant and Equipment.

Significant judgments are required with respect to the carrying value of the Company's Exploration and Evaluation Assets, the determination of the functional currency of the Company and its subsidiaries, the recoverability of the Company's deferred tax assets, and potential tax exposures given the company operates in multiple jurisdictions. In particular, the carrying value of the Company's Exploration and Evaluation Assets is dependent upon the Company's determination with respect to the future prospects of its Exploration and Evaluation Assets and the ability of the

Company to successfully complete the renewal or extension process for its exploration properties as required. The Company has defined the cash generating units to be Precious Stones, Metals and Radio Active 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 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 attributable to common shareholders for the year divided by the weighted average number of common shares outstanding during the year plus the effects of dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year. The incremental number of common shares that would be issued is included in the calculation of diluted earnings per share.

(e) ***Exploration and Evaluation Assets***

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

Ownership of Exploration and Evaluation Assets involves certain inherent risks, including geological, commodity prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for Exploration and Evaluation Assets is dependent upon the delineation of economically recoverable ore reserves, the renewal or extension of exploration licenses, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate the mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its Botswana and South Africa Exploration and Evaluation Assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of Exploration and Evaluation Assets carrying values. See footnote 3 for additional disclosures related to license commitments and strategic partners commitments and earn-in agreement.

Exploration and Evaluation Assets (Farm-Out and Royalties)

The Company entered into a farm-out arrangement in 2013, in which the Company is the farmor. Farm-out arrangements will be recorded at cost during the exploration and evaluation phase of the projects. The farmor will not record any exploration costs of the farmee. There are no accruals for future commitments in farm-out agreements in the exploration and evaluation phase, and no profit or loss is recognized by the farmor. In the development phase, a farm-out agreement will be treated as a transaction recorded at fair value as represented by the costs borne by the farmee. The farm-out arrangement ceased in the 1st Quarter of 2016.

During the quarter, the Company announced that it has reached an agreement with Sandstorm Gold Ltd. ("Sandstorm") (NYSE MKT: SAND, TSX: SSL) to grant royalties on three projects in consideration of the payment of $1,500,000 USD.

The package of assets in the Royalty Sale includes:

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

◊ the grant of a 1% GPR on the Company's Botswana wholly owned subsidiary Bosoto (Pty) Ltd. precious stone prospecting license (PL217/2016) located in the Orapa Kimberlite Field; and,

◊ the grant of a 1% NSR on the Company's 70% owned South African subsidiary Idada 361 (Pty) Ltd. gold and silver prospecting license located in the Barberton Greenstone Belt in the Mpumalanga province of South Africa.

Sandstorm shall have a right of first refusal with respect to any third-party bona fide offers to purchase a metal or precious stone royalty on the properties.

Proceeds from the Royalty Sale will be used for exploration and general corporate purposes.

(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:

Vehicles and drilling equipment	5 Years
Furniture and equipment	3 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 in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date.

(iii) Translation of foreign operations

As at the reporting date the assets and liabilities of Gcwihaba, Newdico, Bosoto, and Idada are translated into the 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 Loss and accumulated in the Foreign Translation Reserve.

If TRBL, Gcwihaba, Newdico, Bosoto, and Idada were sold, the amount recognized in the foreign currency reserve would be realized and reflected in the Statement of Operations and Comprehensive Loss as part of the gain or loss on disposal.

(i) ***Income Taxes***

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

Deferred income taxes are recorded using the balance sheet method whereby deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) ***Share-based Compensation***

The Company follows the fair value method of accounting for stock option awards granted to employees, directors and consultants. 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 for indirect exploration costs..

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 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***

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held for maturity, available for sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses, recognized through earnings. The Company does not have any financial assets classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's cash and accounts receivable are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At September 30, 2017 and 2016, and December 31, 2016, the Company has not classified any financial assets as available for sale. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(m) ***Financial Liabilities***

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, to, where appropriate, a shorter year. The Company's accounts payable and accrued liabilities and subscriptions are classified as other financial liabilities. Financial liabilities classified as FVTPL include warrants with exercise prices denominated in a currency other than the Company's functional currency. Derivatives, including separated embedded derivatives are also classified as FVTPL and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. Transaction costs associated with FVTPL liabilities are expensed as incurred.

(n) ***Impairment of Assets***

At the end of each reporting period, the Company assesses each cash-generating unit to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less cost to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk of a specific asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss. See note 3 for impairment adjustments in 2016 and in 2017.

(o) ***Related Party Transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities and includes, but is not limited to, key management personnel, directors, affiliated companies, and project partners. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

(p) ***New Standards, Amendments and Interpretations Adopted***

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

(q) ***New Standards, Amendments and Interpretations, Not Yet Adopted***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Company assessed the potential effect of IFRS 16 on its Condensed Interim Consolidated financial statements, and was not impacted by these accounting changes.

IFRS 9, *Financial Instruments*

IFRS 9 covers the classification and measurement, impairment and hedge accounting of financial assets and financial liabilities and the effective date was for annual years on or after January 1, 2018, with an earlier application permitted. The Company is still assessing the impact of adopting IFRS 9. Amendments to IFRS 9 also provide relief from the requirement to restate comparative financial statement for the effect of applying IFRS 9. Instead, additional transition disclosure will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual years beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments were applied prospectively and are effective for annual years beginning on or after 1 January 2016.

These amendments were applied retrospectively and are effective for annual years beginning on or after January 1, 2016. These amendments did not have any impact on the Company. There were no new standards adopted that had a material impact on the Company.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are summarized as follows:

	Bosoto Botswana Precious Stones	Idada So. Africa Precious Stones	Metals	Gcwihaba Botswana Radio-Active Minerals	Subtotal	Total
Balance at December 31, 2015	**$390,773**	**$3,071**	**$2,779,268**	**$942,928**	**$3,722,196**	**$4,116,040**
Additions	427,272	5,731	223,513	182,569	406,082	839,085
Net Exchange Differences	51,370	206	155,691	52,867	208,557	260,133
Impairment	--	--	--	(1,178,363)	(1,178,363)	(1,178,363)
Balance at December 31, 2016	**$869,415**	**$9,008**	**$3,158,472**	**$ --**	**$3,158,472**	**$4,036,895**
Additions	1,853,012	1,989	167,735	--	167,735	2,022,736
Net Exchange Differences	(26,037)	92	86,889	--	86,889	60,944
Subtotal Balance at September 30, 2017	**$2,596,390**	**$11,089**	**$3,413,096**	**$ --**	**$3,413,096**	**$ 6,120,575**
Royalty contribution/reduction in exploration cost						(1,500,000)
Balance at September 30, 2017						**$4,620,575**

Exploration and evaluation additions for the period ended September 30, 2017 are summarized as follows:

	Bosoto Botswana Precious Stones	Idada So. Africa Precious Stones	Metals	Gcwihaba Botswana Radio-Active Minerals	Subtotal	Total TOTAL
Drilling Expenditures	$1,274,530	$ 241	$ 6,992	$ --	$ 6,992	$ 1,281,763
Amortization Drill Rigs, Vehicles & Trucks	2,235	--	980	--	980	3,215
GIS & Geophysics	65,933	--	15,277	--	15,277	81,210
Lab Analyses & Assays	8,538	--	5,883	--	5,883	14,421
License Fees	--	--	2,147	--	2,147	2,147
Office, Maintenance, & Consumables	189,460	1,748	66,615	--	66,615	256,823
Salaries, Wages & Services	312,316	--	70,841	--	70,841	383,157
Balance at September 30, 2017	**$1,852,012**	**$1,989**	**$ 167,735**	**$ --**	**$167,735**	**$2,022,736**

The Company's significant Exploration and Evaluation Assets are summarized as follows:

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.

Newdico (Proprietary) Limited ("Newdico") – Botswana

Newdico provides exploration, drilling and geophysical services to associated companies on an as needed basis.

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

Gcwihaba, a wholly owned subsidiary of the Company, currently holds twenty-one (21) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West district of which seven (7) are currently in renewal.

During the quarter, Gcwihaba entered into a transaction with Sandstorm Gold Ltd. ("Sandstorm") (NYSE MKT: SAND, TSX: SSL) to grant a 1% Net Smelter Royalty on its twenty-one (21) prospecting licenses in northwest Botswana in consideration of the payment of $500,000 USD.

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.

Proceeds from the Royalty Sale will be used for exploration and general corporate purposes.

Metal Licenses

The current licenses, excluding those in renewal cover 8,694.60 square kilometers and collectively have a proposed minimum spending commitment of BWP 17,715,453 ($1,727,222) if held to the furthest out full-term to June 30, 2019. The Company initially acquired the various licenses in 2005, 2008, 2009 and 2012. In October 2010, PL's 118 and 119/2005 were relinquished in part and in December 2010, PL's 051 and 052/2008 were relinquished in part. In 2012, PL118 was relinquished in its entirety and PL588 / 2009 was relinquished in the 2nd Q 2016. 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.

Bosoto (Pty) Limited ("Bosoto") - Botswana

Tsodilo was granted a prospecting license (PL369/2014) over the BK16 kimberlite pipe through its 100% owned Botswana subsidiary, Bosoto Pty (Ltd) effective October 1, 2014. The diamondiferous BK16 kimberlite pipe is located within the Orapa Kimberlite Field ("OKF") 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 submitted a two year renewal application in the second quarter and the license was renewed on October 20, 2017 to be effective October 1, 2017.

The Company estimated that it would take approximately BWP 40,000,000 ($3,915,660 USD) in expenditures, goods and services over the two year renewal period to continue the evaluation of the BK16 kimberlite's economic potential and if warranted the preparation of a compliant NI 43-101 Bankable Feasibility Study (BFS). This estimate is based on the agreed work plan with the MMEWR. At any point the work plan may be amended and a new work plan agreed to with the MMEWR. The first two year renewal expires September 30, 2019.

PL 217/2016 also occurs within the Orapa Kimberlite Field and is situated some 10 km south of the Orapa Mining area and with the same distance to the west of the Letlhakane Mining lease. It surrounds the Karowe Mining lease, while the BK11 prospect is directly to the east of the licence. Other kimberlites occur along its northern and eastern borders. The licence is highly prospective for kimberlites but also has the potential to contain secondary diamond deposits associated with the palaeo-drainage network in the area. The present drainage is to the north and erosion of the kimberlites would have resulted in the residue, including diamonds, to have been transported in the same direction. The focus of the exploration work would therefore be not only on finding kimberlites but also to assess the geomorphology in the search for palaeo-channels.

During the quarter, Bosoto entered into a transaction with Sandstorm Gold Ltd. ("Sandstorm") (NYSE MKT: SAND, TSX: SSL) to grant a 1% Gross Proceeds Royalty on diamond prospecting license no. 217/2016 located in the Orapa Kimberlite Field in the Central District of Botswana in consideration of the payment of $500,000 USD.

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.

Proceeds from the Royalty Sale will be used for exploration and general corporate purposes.

Idada Trading 361 (Pty) Limited ("Idada") – South Africa

The Company holds a 70% interest in its South African subsidiary, Idada. Idada made application for an exploration license (Ref: MP30/5/1/1/2/1047PR) in the Barberton area in February 2012. This application was accepted in February 2013 and consultation was conducted with interested and affected parties in April and June 2013. An Environmental Management Plan (EMP) was submitted in April 2013 and a site visit was made by various governmental departments (DMR, EWT, 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.

During the quarter, Idada entered into a transaction with Sandstorm Gold Ltd. ("Sandstorm") (NYSE MKT: SAND, TSX: SSL) to grant a 1% Net Smelter Royalty on its 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 in consideration of the payment of $500,000 USD.

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.

Proceeds from the Royalty Sale will be used for exploration and general corporate purposes.

4. PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment

Cost	Vehicles	Furniture and Equipment	Total
As at December 31, 2015	$1,153,280	$ 313,242	$ 1,466,522
Additions	55,322	4,653	59,975
Disposals	--	--	--
Net Exchange Difference	64,565	14,883	79,448
As at December 31, 2016	$ 1,273,167	$ 332,778	$ 1,605,945

	Vehicles	Furniture and Equipment	Total
As at December 31, 2016	$ 1,273,167	$ 332,778	$ 1,605,945
Additions	--	9,637	9,637
Disposals	--	--	--
Net Exchange Difference	37,985	8,427	46,412
As at September 30, 2017	$ 1,311,152	$ 350,842	$ 1,661,994

Accumulated Depreciation

	Vehicles	Furniture and Equipment	Total
As at December 31, 2015	$ 1,068,109	$ 191,963	$ 1,260,072
Depreciation	82,297	7,581	89,878
Disposals	--	--	
Net Exchange Difference	59,797	8,860	68,657
As at December 31, 2016	$ 1,210,203	$ 208,404	$ 1,418,607

	Vehicles	Furniture and Equipment	Total
As at December 31, 2016	$ 1,210,203	$ 208,404	$ 1,418,607
Depreciation	5,051	5,116	10,167
Disposals	--	--	
Net Exchange Difference	36,107	4,815	40,922
As at September 30, 2017	$ 1,251,361	$ 218,335	$ 1,469,696

Net book value

As at December 31, 2016	$ 62,964	$ 124,374	$ 187,338
As at September 30, 2017	**$ 59,791**	**$132,507**	**$192,298**

For the period ended September 30, 2017, an amount of $9,233 (2016: $6,265) of amortization has been capitalized under exploration properties.

5. SHARE CAPITAL

(a) Common Shares

Authorized, Issued and outstanding

The authorized capital stock of the Company comprises an unlimited number of common shares with no par value.

Issued and outstanding: 45,347,310 Common Shares as at September 30, 2017 (September 30, 2016: 34,551,732 and December 31, 2016: 45,347,310)

1) **During the period-ended September 30, 2017: None**

2) **During the year-ended December 31, 2016:**

   i. On April 29, 2016, 1,008,948 Units were issued at a price of C$0.60 for proceeds to the Company of $466,534 (C$605,370). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a year until the close of business on April 29, 2018 at USD $0.60. $3,396 (C$4,268) of issuance costs were netted against the proceeds.

   ii. On December 12, 2016, 10,795,578 Units were issued at a price of C$0.75 for proceeds to the Company of $5,921,437 (C$8,096,683). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a year until the close of business on December 12, 2018 at USD $0.75. $42,198 (C$55,974) of issuance costs were netted against the proceeds.

(b) Warrants

As at September 30, 2017, the following warrants were outstanding:

Number of Warrants - Units

Expiry	Exercise Price (USD)	December 31, 2016	Issued	Exercised	Expired	September 30, 2017
April 29, 2018	$0.60	1,008,948	--	--	--	1,008,948
December 12, 2016	$0.75	10,795,578	--	--	--	10,795,578
		11,804,526	--	--	--	11,804,526

On April 29, 2016, the Company issued 1,008,948 warrants with an exercise price of $0.60, expiring on April 29, 2018. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is equal to the value of the Common Shares at the issuance date.

On December 12, 2016, the Company issued 10,795,578 warrants with an exercise price of $0.75, expiring on December 12, 2018. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is equal to the value of the Common Shares at the issuance date.

On August 10, 2017, 1,116,075 warrants with an exercise price of $1.10 expired.

c) Stock Option Plan

The Company has a stock option plan ("SOP") providing for the issuance of options that cannot exceed 5,629,830 shares of common stock. The Company may grant options to directors, officers, employees, and contractors, and other personnel of the Company or its subsidiaries. The exercise price of each option cannot be lower than the market price of the shares being the closing price of the Company's common shares on the Toronto Stock Exchange the day before the grant date. Options generally vest ratably over an eighteen- month period, beginning with the date of issuance and every 6 months thereafter, and expire in five years from the date of grant as determined by the Board of Directors.

The following Table summarizes the Company's stock option activity for the year ended December 31, 2016 and the period ended September 30, 2017

	Number of Options	**Weighted average exercise price (C$)**
Outstanding as at December 31, 2015	3,221,390	C$1.03
Granted	710,000	C$0.76
Exercised	--	--
Expired	(585,000)	C$1.14
Outstanding as at December 31, 2016	3,346,390	C$0.96
Granted	860,000	C$0.80
Exercised		
Expired	538,890	C$0.96
Outstanding as at September 30, 2017	3,667,500	C$0.92

2017

On January 3 2017, 210,000 stock options issued at C$0.90 expired.

On January 2, 2017, the Company issued 260,000 options at C$0.69 under its SOP to persons who are officers and employees of the Company.

On April 2, 2017, 328,890 options exercisable at C$1.00 expired.

On April 3, 2017, the Company issued 600,000 options exercisable at C$0.85 under its SOP to persons who are Directors and an employee of the Company.

2016

On January 3 2016, 285,000 stock options issued at C$1.25 expired.

On January 4, 2016, the Company issued 260,000 options at C$0.72 under its SOP to persons who are officers and employees of the Company.

On April 8, 2016, the Company issued 450,000 options at C$0.79 under its SOP to persons who are officers and employees of the Company.

On April 17, 2016, 300,000 stock options issued at C$1.03 expired.

The following table summarizes the stock based compensation expense and capitalized stock based compensation for the periods ended September 30, 2017 and 2016.

	2017	2016
Stock-based compensation expense	$310,379	$271,393
Capitalized Stock-based compensation expense	--	--
	$310,379	$271,393

The following assumptions were used in the Black Scholes option pricing model to fair value the stock options granted during the periods ended September 30, 2017 and 2016:

	2017	2016
Expected lives	**4.06 years**	**3.99 years**
Expected volatilities (based on Company's historical prices)	**101.0%-104.9%**	**105.6%-106.2%%**
Expected dividend yield	**0%**	**0%**
Risk free rates	**1.68-1.71%**	**1.00-1.51%**
Weighted average fair value of option	**$0.52**	**$0.54**

The following table summarizes stock options outstanding as at September 30, 2017:

Options Outstanding				**Options Exercisable**		
Exercise Price (C$)	Number of Outstanding Options	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life (Years)	Number of Exercisable Options	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life (Years)
C$1.20	235,000	C$1.20	0.26	235,000	C$1.20	0.26
C$1.04	400,000	C$1.04	0.47	400,000	C$1.04	0.47
C$0.75	222,500	C$0.75	1.26	222,500	C$0.75	1.26
C$1.25	480,000	C$1.25	1.47	480,000	C$1.25	1.47
C$1.05	260,000	C$1.05	2.26	260,000	C$1.05	2.26
C$0.83	400,000	C$0.83	2.49	400,000	C$0.83	2.49
C$0.70	100,000	C$0.70	2.92	100,000	C$0.70	2.92
C$0.72	260,000	C$0.72	3.26	260,000	C$0.72	3.26
C$0.79	450,000	C$0.79	3.52	337,500	C$0.79	3.52
C$0.69	260,000	C$0.69	4.26	130,000	C$0.69	4.26
C$0.85	600,000	C$0.85	4.51	150,000	C$0.85	4.51
	3,667,500	C$0.92	2.55	2,975,000	C$0.94	2.14

6. 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 2016 of approximately 26.5% (2015: 26.5%) to loss before income taxes as follows:

	December 31, 2016	December 31, 2015
Loss for the period	(2,243,671)	(9,722,451)
Income tax rate	26.50%	26.50%
Income tax recovery	(594,573)	(2,576,450)
Foreign operation taxed at lower rates	47,195	405,485
Permanent differences	79,102	67,186
Benefits not recognized	610,335	1,795,228
Expiry of tax losses carried forward		72,868
Changes in estimate and foreign exchange	(142,060)	235,683
Provision for income taxes	$ --	$ --

As of December 31, 2016 the following Deferred tax assets and liabilities have been recognized:

	December 31, 2016	December 31, 2015
Property, Plant and Equipment	$ 2,000	$ --
Exploration & Evaluation Assets	(701,000)	(995,000)
Deferred tax liabilities	(699,000)	(995,000)
Tax losses carried forward	699,000	995,000
Net future income tax asset recorded	$ --	$ --

As at December 31, 2016 the Company has unrecognized deductible temporary differences aggregating to $16,188,000 (2015: $12,359,000), that are available to offset future taxable income. However these temporary differences relate to companies with a history of losses, and they may not be utilized to offset taxable income.

	December 31, 2016	December 31, 2015
Losses carried forward - Botswana	10,666,000	7,540,000
Losses carried forward - Canada	4,811,000	4,138,000
Intangible Assets	128,000	137,000
Other	583,000	544,000
	16,188,000	12,359,000

The Canadian tax losses carried forward expire from 2026 thru to 2036. The Botswana losses can be carried forward indefinitely.

	December 31, 2016	December 31, 2015
Total assessable losses relating to the activity in Botswana	**$13,839,359**	$12,065,873

7. LOSS PER SHARE

Net loss per share was calculated based on the following:

Period ended September 30	**2017**	2016
Net earnings/(loss) for the period	**($1,035,224)**	($ 970,772)
Effect of Dilutive Securities		
Stock options and warrants	**--**	--
Diluted net earnings (loss) for the period	**($1,034,224)**	($970,772)

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for the period ended September 30, 2017 because the stock options and warrants were anti-dilutive and had no impact on the EPS calculation. In addition, the number of stock options and warrants outstanding as at the period ended September 30, 2017, was 15,472,026 (2016: 6,032,335), of which 15,467,595 (2016: 6,031,051) were anti-dilutive.

8. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2017	2016
Short term employee remuneration and benefits	**$322,502**	$322,502
Stock based compensation	**88,428**	91,054
Post employment benefits*	**49,614**	189,520
Total compensation attributed to key management personnel	**$460,544**	$603,076

*Post employment benefits include $21,552 of accrued leave benefits through September 30, 2017.

During the period an individual related to the CEO provided administrative and management services to the Company in 2017 and was remunerated in 2017 in the amount of $27,000 (2016: $27,000).

During the period, two individuals related to key personnel of the company, received $88,428 in stock based compensation during the period (2016 $NIL).

A subscription liability balance as of September 30 2016 of $1,200,,050 was from a Director of the Company and was executed and settled during the two private placements in April 2016 and December 2016 for $300,000 and $900,050 respectively. Oversubscriptions received during 2016 were returned to a Director of the Company in the amount of $340,000 and no subscription liability exists at September 30, 2017.

There are no other related party transactions.

9. SEGMENTED INFORMATION

The Company is operating in one industry. As at September 30, 2017 the Company's Property, Plant, and Equipment in the United States was $2,421 (2016: $534) and in Botswana was $189,877 (2016: $134,479). 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 $5,109,486 (2016: $4,791,233) and South Africa were ($488,911) (2016: $8,330)

10. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, subscriptions and accrued warrants liabilities. The carrying value of cash, accounts receivable, accounts payable and accrued liabilities as presented in the Condensed Interim Consolidated financial statements are reasonable estimates of fair values due to the relatively short period to maturity and the terms of these instruments.

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

Financial Instrument	Classification	Fair Value Hierarchy
Cash	Loans and receivables	n/a
Accounts receivable	Loans and receivables	n/a
Accounts payable and accrued liabilities	Other financial liabilities	n/a
Subscriptions	Other financial liabilities	n/a

See the Company's Condensed Interim Consolidated statement of financial position for financial instrument balances.

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other that quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices): and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobserved inputs).

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, stock options and share purchase warrants. 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. In 2016 the Company raised cash capital as shown in note 5(a) in the amount of $6,387,971.

During the quarter, the Company announced that it has reached an agreement with Sandstorm Gold Ltd. ("Sandstorm") (NYSE MKT: SAND, TSX: SSL) to grant royalties on three projects in consideration of the payment of $1,500,000 USD.

The package of assets in the Royalty Sale includes:

- ◊ the grant of a 1% NSR on the Company's wholly owned Botswana subsidiary Gcwihaba Resources (Pty) Ltd. prospecting metal licenses in northwest Botswana;
- ◊ the grant of a 1% GPR on the Company's Botswana wholly owned subsidiary Bosoto (Pty) Ltd. precious stone prospecting license (PL217/2016) located in the Orapa Kimberlite Field; and,

◊ the grant of a 1% NSR on the Company's 70% owned South African subsidiary Idada 361 (Pty) Ltd. gold and silver prospecting license located in the Barberton Greenstone Belt in the Mpumalanga province of South Africa.

Sandstorm shall have a right of first refusal with respect to any third-party bona fide offers to purchase a metal or precious stone royalty on the properties.

Proceeds from the Royalty Sale will be used for exploration and general corporate purposes.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company anticipates continuing to access equity markets to fund continued exploration of its mineral properties and the future growth of the business. However, there is no guarantee that such financing will be available when required.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

(c) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet it contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. There are no allowances for doubtful accounts required.

The majority of the Company's cash is held with a major Canadian based financial institution.

(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, the Company's exposure to interest rate risk is not significant.

(e) Foreign Exchange Risk

The Company is exposed to currency risks on its Canadian dollar denominated working capital balances due to changes in the USD/CAD exchange rate and the functional currency of the parent company. As at September 30, 2017, a ten percentage change in the exchange rate would result in a $48,621impact to the Company's net 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.

Based on the net Pula denominated asset and liability exposures as at September 30, 2017, a ten percentage change in the exchange rate would result in a $100,481 impact to the Company's net comprehensive income (loss).

11. COMMITMENTS AND CONTINGENCIES

Prospecting Licenses

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

Currently, the aggregate minimum lease payments are as follows:

Year	Facility	Term	BWP			USD*
			Rental	Services	Total	
2017	**Hangar Maun[1]**	1/01/2016 – 12/31/2026	103,680	15,562	119,242	11,284
2017	**Shakawe Plot[2]**	1/01/2016 – 12/31/2020	72,000	-	72,000	6,813
2017	**Letlhakane Plot[3]**	2/01/2016 – 1/31/2019	72,000	-	72,000	6,813
	Total				262,242	24,910

* converted at January 1 of the current calendar year

[1]The lease has an effective date of January 1, 2016 and continues for 10 years at 8% escalation annually and shall be 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.

[2]The lease has an effective date of January 1, 2016 and is renewable at the company's option for an additional 4 years expiring on December 31, 2020. The monthly lease payment is 6,000 BWP. The Company prepays 1 year in advance.

[3]The lease has an effective date of February 1, 2016 and continues for 3 years. The company prepays at least 6 months in advance.

Royalty

During the quarter, the Company announced that it has reached an agreement with Sandstorm Gold Ltd. ("Sandstorm") (NYSE MKT: SAND, TSX: SSL) to grant royalties on three projects in consideration of the payment of $1,500,000 USD.

The package of assets in the Royalty Sale includes:

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

◊ the grant of a 1% GPR on the Company's Botswana wholly owned subsidiary Bosoto (Pty) Ltd. precious stone prospecting license (PL217/2016) located in the Orapa Kimberlite Field; and,

◊ the grant of a 1% NSR on the Company's 70% owned South African subsidiary Idada 361 (Pty) Ltd. gold and silver prospecting license located in the Barberton Greenstone Belt in the Mpumalanga province of South Africa.

Sandstorm shall have a right of first refusal with respect to any third-party bona fide offers to purchase a metal or precious stone royalty on the properties.

Proceeds from the Royalty Sale will be used for exploration and general corporate purposes.

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

	September 30 2017	September 30 2016
Net change in non-cash working capital balances		
(Increase) decrease in accounts receivable and prepaid expenses	**($370,242)**	($28,215)
Increase (decrease) in accounts payable and accrued liabilities	**(161,461)**	13,735
Total	**($531,703)**	($14,479)

13. SUBSEQUENT EVENTS

None.