

September 16, 2022

H.E Mokgweetsi EK Masisi
President
Republic of Botswana

RE: TSODILO RESOURCES LIMITED (Tsodilo) on behalf of Gcwihaba Resources (Pty) Ltd.

Dear Honourable President,

I have hesitated for months to bring this matter to your attention, as I had hoped that an amicable solution would be found by the parties before the need to litigate the matter in the courts. The issue is simple and straightforward:

- ◇ Tsodilo has held certain prospecting licenses in Ngamiland since 2008;
- ◇ The licenses have been granted, renewed, regranted and renewed by Ministers Kedikilwe, Mokaila, Kebonang, Molale and Moagi since 2008;
- ◇ In 2014, after spending millions of USD, Tsodilo established and reported an initial iron resource of some 441Mt in what is currently known as PLO20/2018;
- ◇ Later In 2014, the State Party established a "buffer zone" surrounding the then to be designated Okavango World Heritage Property (OKWHP). The *buffer zone* is not part of the OKWHP and there is no dispute to this; it is clearly stated and set forth in the documents submitted and filed with UNESCO <https://whc.unesco.org/en/list/1432/documents/> . Only the area known as the core zone is part of the OKWHP as defined in the UNESCO documents;
- ◇ When the buffer zone was established in 2014, it encroached on our prospecting license so that a relatively small portion (a current area of 7.6 hectare equal to .018% of the total buffer and core zone area) of the buffer zone overlapped our license area;
- ◇ Although relatively small in area, the area in which the buffer zone encroached on our license contains some 169Mt of an inferred iron resource with a current in-situ value in the billions of dollars;
- ◇ This buffer zone encroachment on our license was known to Government as government had been briefed on our discovery since 2008, and there was no issue with respect to the buffer zone encroachment as it is clearly stated by the State Party in the UNESCO reports that prospecting licenses were permitted in the buffer zone as evidenced by the following:

1) Nomination dossier to UNESCO for inscription into the World Heritage List (submission by Republic of Botswana, 2013)

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"The Ministry of Energy, Mineral and Water Resources has issued several mineral prospecting licenses to exploration companies for concession areas within the buffer zone of the site. No licenses have been issued within the core zones of the property. **Should an application to mine within the buffer zone arise, an Environmental Impact Study (EIA) will be required as part of Botswana's EIA Act,**

which would address concerns relating to the World Heritage property. Also, the matter would be referred to the World Heritage Centre (WHC) for their advice.” (emphasis added)

and from the same report,

2) [Page 405]

The government of Botswana through the Ministry of Minerals, Energy and Water Resources has taken a position that it will not issue any new mineral concessions within the Core area of the delta. The Ministry will further engage with the holders of the few existing licenses within the Core area of the delta with a view to eventually expunge those portions of the licenses which overlap the core.

Regarding the buffer area, stringent environmental protocols and practices will be adhered to, to protect the integrity of the Delta. (emphasis added)

In addition,

3) WORLD HERITAGE NOMINATION – IUCN TECHNICAL EVALUATION KAVANGO DELTA (BOTSWANA) – ID No. 1432 [April 2014]

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“Mining activities including prospecting will not be permitted within the [core zone] property.

Furthermore, potential impacts from mining including concessions in the buffer zone and outside the buffer zone need to be carefully monitored and managed to avoid direct and indirect impacts to the property, including water pollution.” (emphasis added)

- ◇ It is clear from the State Party’s submissions to UNESCO since 2013, that both mining and prospecting licenses can exist within the buffer zone. This simple fact was reiterated in 2014 during a meeting with then Minister Mokaila, when he said "(paraphrase) No arbitrary buffer zone area will deprive the Batswana of the economic benefits of the country's mineral resources";
- ◇ The above sentiment must have been shared by subsequent Minsters, as our licenses were renewed and reissued and we were encouraged to continue our work on the Xaudum Iron Formation (XIF);
- ◇ The encouragement and support from government for our (XIF) project was so strong that we approached Mineral Development Company of Botswana (MDCB) in 2018 to join us in the development of this project. We worked with MDCB to determine if an economic case could be made to develop this resource and, based on information and belief, this culminated in a decision in December 2020 by MDCB's Board and Investment Committee to invest in the project and join us in the development of the project subject to Ministerial approval which we are informed by MDCB is still pending now some 21 months later;
- ◇ In June of 2021, we filed our license renewal applications, reducing by 50% our current contiguous license holdings. For brevity's sake, 4 of the 5 licenses which we were renewing were renewed effective January 1, 2022 and the 5th, the one in which the buffer zone encroach on 7.6 hectares of the license has not been renewed as of this date.
- ◇ On April 26, 2022, the Minister informed us by letter that "2. *Kindly note that the coordinates submitted in the application for renewal of Prospecting License No. 020/2018 are encroaching into the buffer zone, of the Okavango Delta, which is listed as a World Heritage Site. Prospecting activities are prohibited within the buffer zone of the Delta, or if permitted, they are to be subject to stringent Environmental Impact Assessment measures, in accordance with the provisions of the Environmental Assessment Act of 2010 and Environmental Regulations of 2012 from the Department of Environmental Affairs (DEA).*"

- ◇ On April 27, 2022, we responded that for the most part we agreed with the Minister's April 26, 2022, letter and stated that it was consistent with what we had been saying for months, i.e., that exploration and mining is permitted in the buffer zone, and that the Minister's statements parallel those which the State Party told UNESCO in 2013 and 2014:
 - a) **... Should an application to mine within the buffer zone arise, an Environmental Impact Study (EIA) will be required as part of Botswana's EIA Act, which would address concerns relating to the World Heritage property. Also, the matter would be referred to the World Heritage Centre (WHC) for their advice, and**
 - b) **... Regarding the buffer area, stringent environmental protocols and practices will be adhered to, to protect the integrity of the Delta**
- ◇ As we agree with both the Minister's letter of April 26, 2022, and the State Party's pronouncements in 2013 and 2014 about exploration and mining in the buffer zone, we expected license PL020/2018 to be issued shortly after the Minister's April 26 letter, but it has not and we are told that it won't be unless we agree to drop the area in the buffer zone.
- ◇ After spending millions of dollars establishing a resource with an in-situ value in the billions of dollars, we could not just walk away from it as we have full legal right to be there are per the government's own public words on file with UNESCO and its pattern and practice of awarding us the license since 2008;
- ◇ Acknowledging the situation of government's desire to have us out of the buffer zone and the predicament of correcting the not correct records filed by the State Party with UNESCO over the years, we took a conciliatory approach and proffered a series of settlement proposals that solved government's issues and gave us back the time we had wasted with the MDCB process, the licensing renewal issue and gave our shareholders something for walking away from the \$6M USD that they had spent on exploration in this small buffer zone area and walking away from a 169Mt resource;
- ◇ It would appear there is no interest from the Ministry with respect to discussing and resolving this matter except and unless we just agree to simply leave the buffer zone;
- ◇ Accordingly, in order protect our shareholders' and stakeholders' interests, we have had to initiate the legal process by filing our Statutory Letter with the Attorney General's office as required before we commence the legal action.

There is no dispute as to the facts and with respect to whether we can or can't be in the *buffer zone*, the State's own words say we can. As adherence to the rule of law remains a cornerstone to Botswana's cultural and economic development I am not concerned with the legal aspects of the matter.

I am concerned, however, of the ramifications and unwanted exposure that litigation will bring, particularly the disclosure of the false statements made to UNESCO by the State Party. A review of the record filed with UNESCO clearly shows an extended history of filing inaccurate reports regarding the lack of existing licenses and exploration activities in Botswana's buffer zone. Government has been aware of the inaccurate reports for quite some time, and has not informed UNESCO of the errors. More problematic is that some or all of the false statements in the reports were known to be false at the time the reports were filed to the extent that Director, Stephen T. Mogotsi, Department of National Museum

and Monuments, effectively admitted that the report he filed with UNESCO in February 2022 was false in that he said *"Currently there are no prospecting licenses in the core zone and negotiations with companies holding prospecting licenses within the buffer zone have been concluded. In this regard, it has been agreed that the company, Gcwihaba Resources (Pty) Ltd will relinquish all the prospecting licenses within the buffer zone."* Mr. Mogotsi acknowledges that he knew the statement was false, but he made it anyway. This and statements in previous filings clearly show an intent to obfuscate the facts. Why this was done is not clear, although it has been suggested that it was done so the State Party would have a "clean record" as there was a desire or goal to be on UNESCO's Executive Committee and by declaring that there were no prospecting licenses in the buffer zone even though licenses were permitted would be seen as a positive for the State Party's selection to the Executive Committee. Frankly, I don't care why or who made the false representations to UNESCO but as a publicly traded company, we are required make sure the public record is correct no matter where it is, and the filing by the State Party with UNESCO is clearly untrue and what it is saying to our shareholders and the investing public is that we agreed to give up a resource of some 169Mt tonnes which we had a legal right to and for which we received no compensation.

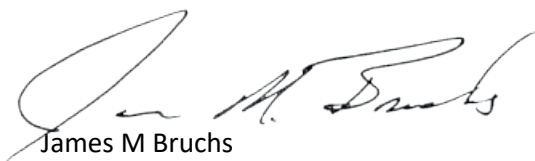
We have not notified UNESCO of the false or inaccurate reports, as I was asked not to by the Ministry as there was a view in October 2021 that we (Ministry and Tsodilo) needed to work this out privately to reach a satisfactory resolution. The Ministry however has now made it clear that they do not want to resolve this matter, necessitating us commencing the legal process, and after filing our legal complaint we will have a duty to inform UNESCO and our investors of the inaccurate reports filed by the State Party.

I have been working in Botswana for 21 years and I can see of no reason why our licensing issue cannot be resolved without a world-wide public airing of the UNESCO issues. I can say that many I have spoken to do not want this issue brought up, as they can see no good coming from it. As I have explained, we have not brought it up, and have no desire to bring it up, but the only way to avoid this come up is if we reach a satisfactory settlement of the issue. If we do, it is as if the record at UNESCO magically becomes accurate with respect to licenses in the buffer zone area.

I am aware that if you discuss this matter with others there will various versions of events and facts, so in order that the record can speak for itself and move it out of a he said / she said environment, we have established a non-public website with most if not all of the documentation surrounding this matter. The webpage can be accessed at: [Tsodilo Resources Ltd. - MMGE](#)

Thank you for the attention that I hope you give this matter and please be assured that I have spent the last 12 months, working night and day to avoid litigation on this matter and will continue to do so until we've run out of time. We have been active in Botswana since 1988 and it is our desire to work with you and all of Batswana to bring what we believe is the largest resource development project to production. I have always felt that we could resolve the issues in a matter of hours and still do.

Respectfully submitted,



James M Bruchs
Chairman & CEO

Attachment: Settlement Proposal