
Overview

This Management's Discussion and Analysis ("MD&A") of financial results and related data of Pangolin Diamonds Corp. ("Pangolin" or the "Company") is reported in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. To the extent which may be appropriate, this MD&A should be read in conjunction with the condensed interim consolidated financial statements for the three months ended December 31, 2019 and December 31, 2018 and with the annual audited consolidated financial statements for the years ended June 30, 2019 and June 30, 2018. Additional information relating to the Company may be accessed through SEDAR at www.sedar.com.

This commentary is as of February 27, 2020. The reader should be aware that historical results are not necessarily indicative of future performance.

Forward-Looking Statements

This MD&A contains forward-looking information which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, future plans and objectives, competitive positioning, requirements for additional capital, government regulation of operations, environmental risks and the timing and possible outcome of litigation and regulatory matters. All statements other than statements of historical fact, included in this MD&A that address activities, events or developments that the Company expects or anticipates may occur in the future are forward-looking statements. Often, but not always, forward-looking statements can be identified by use of forward-looking words such as "may", "could", "would", "might", "will", "expect", "intend", "plan", "budget", "scheduled", "estimate", "anticipate", "believe", "forecast", "future" or "continue" or the negative thereof or similar variations. Forward-looking statements are based on certain assumptions and analyses made by the Company, in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and known and unknown risks, many of which are outside the control of the Company, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Important factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other things, general business, economic, competitive, political and social uncertainties, the actual results of current operations, industry conditions, research and development activities, intellectual property and other proprietary rights, production risks, liabilities inherent in the mining industry, accidents, labour disputes, delays in obtaining regulatory approvals or financing and general market factors, including interest rates, currency exchange rates, equity markets, business competition, changes in government regulations. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause results to differ from those anticipated. Forward-looking statements contained in this MD&A are made as of the date hereof and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, results or otherwise, except as required by applicable securities laws.

Business Background

Pangolin Diamonds Corp. (the "Company" or "Pangolin") was incorporated under the Ontario Business Corporations Act on November 9, 2011. The Company is currently engaged in the acquisition, exploration and development of mineral properties in Botswana. The head office and principal address of the Company is 25 Adelaide Street East, Suite 1614, Toronto, Ontario M5C 3A1.

On December 22, 2011, the Company acquired all of the issued and outstanding common shares of Pangolin Diamonds Limited ("PDL"), a private company incorporated under the laws of the Republic of Seychelles. PDL holds, through its subsidiaries Pangolin Diamonds (Pty) Limited ("Pangolin Botswana") and Geocontracts Botswana (Pty) Limited ("Geocontracts"), prospecting licences relating to diamonds in Botswana. As a result of this transaction, the prior shareholders of PDL obtained a majority interest in the issued and outstanding shares of Pangolin Diamonds Corp.

On March 4, 2013, the Company closed its amalgamation with Key Gold Holding Inc. ("Key Gold"). At shareholder meetings for each of Key Gold and PDL held on January 15, 2013, the amalgamation of Key Gold and PDL, pursuant to an amalgamation agreement dated November 26, 2012, was approved (the "Amalgamation"). In connection with the Amalgamation, Key Gold shareholders received one common share of the Company ("Pangolin Share") for each two outstanding common shares in the capital of Key Gold and PDL shareholders received one Pangolin Share for each outstanding common share in the capital of PDL.

Pangolin Botswana and Geocontracts are wholly-owned subsidiaries of PDL and were incorporated on January 22, 1987 and March 15, 1989, respectively, under the laws of the Republic of Botswana and have a head office and a registered office at Plot 337/338, Corner Khama Street / Selous Street, Francistown, Botswana. They currently manage and execute Pangolin's day to day operations and their interest in the Pangolin Botswana Prospecting Licences and Geocontracts Prospecting Licences (as such terms are defined below).

Properties

Pangolin, through its wholly-owned subsidiaries, holds title to various properties (herein, the "Pangolin Properties"). The Pangolin Properties consist of: (i) seven (7) diamond prospecting licences (PL529/2014, PL083/2015, PL321/2016, PL380/2018, PL381/2018, PL33/2019 and PL34/2019) granted by the Minister of Minerals Resources, Green Technology and Energy Security, of the Republic of Botswana (herein, the "Ministry") in favour of Pangolin Botswana (the "Pangolin Botswana Prospecting Licences") and (ii) nine (9) diamond prospecting licences (PL229/2014, PL247/2014, PL170/2015, PL 004/2016, PL 005/2016, PL 006/2016, PL 007/2016, PL 008/2016, PL 009/2016) granted by the Ministry in favour of Geocontracts, (the "Geocontracts Prospecting Licences").

In the event of a viable diamond deposit being discovered, it is necessary to negotiate the terms of any mining lease with the Botswana Government. Important principles governing such negotiations are that the Botswana Government will maximize the return to the People of Botswana, subject to the licensee receiving a reasonable return on investment. In the case of large, rich deposits such as De Beers' Jwaneng and Orapa Diamond Mines, the Botswana Government has acquired a 50% interest in the deposit via a holding company, Debswana. History has shown that the working interests negotiated range between a 0% or no interest, up to a 50% interest.

The Botswana Government retains a 10% royalty on the gross market value of produced diamonds and can select to participate in development by contributing its share of development costs. Nomathata Diamonds, a company incorporated in the Republic of the Seychelles, which is controlled by a major shareholder, Dr. Leon Daniels, who is also a director as

well as the Chief Executive Officer and President of the Company, holds a 1.15% net smelter royalty on new diamond deposit discoveries – calculated on the same basis as the Botswana Government's royalty. Umgeni Holdings International Limited ("Umgeni"), an arm's length company, holds a 2.6% gross overriding royalty of an amount equal to 97% of gross proceeds from the sale of diamonds ("GOR") and a 2.6% NSR on an amount equal to 97% of gross proceeds from the sale of base and precious metals in Pangolin's Malatswae, Moenyenana and Motloutse diamond projects.

Commencing in January 2019, the Company has reorganized its field operations management structure. Instead of having three diamond projects, the Moenyenana Project has been removed by redistributing the prospecting licences of the Moenyenana Project between the Motloutse and the Malatswae Projects. Each of the two current projects have been allocated a Project Manager and each of the Project Managers are supported by field and operational teams pertinent to the operations in the two newly created diamond Projects.

Malatswae Project

Property Description and Location

Pangolin's Malatswae Diamond Property is located in the Central Province of the Republic of Botswana. It is comprised of eight contiguous Prospecting Licences issued by the Ministry under the terms of the Mines and Minerals Act 1999 ("the Act") with a total area of 3,195 km². The Licences are issued for "precious stones" only, in effect for diamonds, and carry no right to any other mineral.

Under the Act, a Prospecting Licence is issued for an initial period of up to three years, and then may be twice renewed for periods not exceeding two years each, giving a maximum possible validity of seven years. At least 50% of the area of a Licence must be relinquished at first and second renewals, except that physically contiguous and co-dated Licences may be treated as one area.

The holder of a Prospecting Licence is expected to carry out an agreed exploration program which is described in the Licence document, and to spend not less than amounts set out in the Licence during each year of the Licence validity. Failure to do so may result in an application for the renewal of the Licence being refused.

Prospecting Licences are administered by The Director, Department of Mines, to whom applications are made, and to whom work done on the Licence must be reported on a quarterly basis. The Licence holder is required to pay a rental of BWP5.00/km²/year during the validity of the Licence (subject to certain minimums). The maximum permissible area for a Prospecting Licence is 1,000 km², but blocks of multiple licences are permitted.

A Prospecting Licence does not give the right to mine, and diamonds recovered during the course of prospecting operations are the property of the State, and may not be sold.

Current Malatswae Prospecting Licences

The Malatswae Property is situated in northeast Botswana within the Central (administrative) District. The Property is made up of eight Prospecting Licences as described in Table 1 below:

Table 1. Malatswae Prospecting Licences

Malatswae Project PLS

	Prospecting Licence	Validity		Surface Area	
		From	To		
1	083/2015	01-Jul-18	30-Jun-20	242 km ²	Pangolin Botswana
2	380/2018	01-Oct-18	30-Sep-21	52 km ²	Pangolin Botswana
3	381/2018	01-Oct-18	30-Sep-21	614 km ²	Pangolin Botswana
4	529/2014	01-Jul-18	30-Jun-20	464 km ²	Pangolin Botswana
5	034/2019	01-Oct-19	30-Sep-22	478.4 km ²	Pangolin Botswana
6	008/2016	01-Oct-19	30-Sep-21	431 km ²	Geocontracts
7	009/2016	01-Oct-19	30-Sep-21	494 km ²	Geocontracts
8	247/2014	01-Oct-17	30-Jun-19	420 km ²	Geocontracts
			Total	3195.4 km ²	

Renewal applications for PLs 529/2014 and 083/2015 have been successful and the Prospecting Licences have been renewed for a further two years expiring on 30 June 2020. Prospecting Licences 380/2018 and 381/2018 have been granted for a three year period from 01 October 2018 to 30 September 2021. Renewal of PL 247/2014 was submitted on 30 June 2019 and the renewal application has been approved. Prospecting Licences 008/2016 and 009/2016 have been renewed for a further two year period from 01 October 2019 to 30 September 2021. A new Prospecting Licence PL 34/2019, covering an area of 478.4 square kilometres has been issued in favour of Pangolin Diamonds (Pty) Limited for a three year period from 01/10/2019 to 30/09/2022.

Exploration to Date

Pangolin previously held PLs 561/2009 and 562/2009 which partly overlap with the present Malatswae Property. These were not renewed at first renewal in 2012, but were succeeded by PLs 247/2014 and 529/2014.

Pangolin also previously held PLs 063/2011, which lay to the north of PL 561/2014, and PL 100/2011 which lay to the west of PL 247/2014. PL 100/2011 was prospected for possible alluvial diamonds in channels in the basal Kalahari Group. PLs 063/2011 and 100/2011 lapsed on 30 June 2017 and no renewal applications were submitted.

The first diamond in the area of the MSC Advance Project (MSC) area was found in samples collected under PL 562/2009 but not processed before the licence lapsed. This prompted the re-application for the area, now PL 247/2014.

Pangolin's exploration approach has been based primarily on soil sampling for kimberlite indicator minerals. This has been supplemented with the interpretation of government aeromagnetic data, plus groundmagnetic surveys over selected aeromagnetic anomalies. Where required, other geophysical methods such as gravity, ground penetrating radar (GPR) controlled source audio-magnetotellurics (CSAMT), audiotellurics and EM have been applied to selected targets. Borehole siting to date has been largely based on geophysics on targets proximal to indicator mineral recoveries.

The Company has carried out extensive soil sampling programmes and to date the complete record of the soil samples, both historical and by Pangolin, totals over 10,000 samples from within the Malatswae Property. The historical database is from the work of De Beers and Kukama Exploration.

Regional soil sampling programmes were completed over PL247/2014 and PL 529/2014 following the discovery of a diamond during 2013.

PL 380/2018 was specifically applied for to evaluate soil sampling techniques. The Prospecting Licence is 52 km² and allows for a focus area. The area was previously sampled on a 1 km x 1 km basis. No results of significance were obtained and the area was relinquished during the First Relinquishment period of PL 247/2014. The area has now been resampled on a 500 m x 500 m grid system collecting larger volume samples at the higher sample density. The higher density and larger volume of soil samples have produced several positive results which have been followed up with detailed grid sampling and groundmagnetic surveys. The exploration programme is in progress.

Sampling in PL 529/2014 has produced more than 300 kimberlitic garnets from the MTS Grid in an area of less than 2 km². An assessment of the surfaces of the garnets suggests more than one source within the sampled area. Three diamonds have been recovered from soil samples collected within the MTS Grid. The MTS Grid has been covered with a detailed gravity and groundmagnetic surveys as well as a single orientation CSAMT survey.

The MTS Grid area has a paucity of kimberlitic ilmenites. In contrast, the MSC area is characterised by a higher ilmenite/garnet ratio. It is believed that different kimberlite groups are the sources of the indicators and diamonds at the two focus areas.

Four additional soil sample grids have been developed, MAL 001, MAL 007, MAL 010, and 529/11T. Diamonds have been recovered from the MAL 001, MAL 007, MAL 010 and 529/11T grids. A single diamond has been recovered from area MAL 157. In total, diamonds have been recovered from nine (9) geographically separate sampling grids within the Malatswae Project area.

Within the project area detailed soil sampling, geophysics, core drilling and percussion drilling were completed to follow up the recovery of diamonds and kimberlite indicators. To date, a kimberlite dyke was discovered in PL529/2014 at MAL 001.

Regional soil sampling in late 2013 located a single diamond in the Malatswae project area. The area where the diamond was discovered is now being defined as the MSC Advance Project (MSC area) within PL247/2014. An application was presented to the Department of Mines for a Prospecting Licence over a large area centred on the diamond's location. Initial follow-up close-spaced soil sampling recovered a further eight diamonds, several pyrope garnets, numerous picro-ilmenites, olivines and a fragment of mantle-derived garnet peridotite. This subsequent set of indicator minerals feature primary textures suggesting a proximal source.

High density, detailed loam sample grids have been established over a number of areas within the MSC Project area and the soil sampling has been completed. A total of nineteen diamonds have been reported from the MSC Grid area. Additional gravity, groundmagnetic, AMT and EM surveys are in progress.

Results of Operations

During Q3/2019, the MSC Advance Project area has been a focus area for exploration. A significant area of the 10 km² focus area have been covered with high density groundmagnetic surveys and high density soil sampling programmes. Several groundmagnetic anomalies have been identified from these high density groundmagnetic surveys.

In addition, gravity, AMT and EM geophysical surveys have been applied to the area to assist in identifying drill targets.

Six targets were drilled. No kimberlite was found. The results from the drilling are being assessed towards a better understanding of the area.

Groundmagnetic surveys were undertaken in PL380/2018. The results are being evaluated.

Exploration Planning

Soil sampling and geophysical surveys will continue to be conducted in the MSC Project and surrounding areas. Groundmagnetic surveys will be conducted over selected aeromagnetic anomalies in PL381/2018. These aeromagnetic anomalies will also be covered with orientation soil sample grids. In addition, soil sampling and geophysical surveys will be conducted over and around geophysical targets identified in PL529/2014 and the newly issued PL34/2019.

Motloutse Diamond Project

The Motloutse Diamond Project is located in eastern Botswana and is comprised of six diamond PLs as described below:

PANGOLIN DIAMONDS (PTY) LTD

	Prospecting Licence	Validity		Surface Area
		From	To	
1	321/2016	01-Apr-17	31-Mar-20	986 km ²
2	004/2016	01-Oct-19	30-Sep-21	483.2 km ²
3	005/2016	01-Oct-19	30-Sep-21	674 km ²
4	006/2016	01-Oct-19	30-Sep-21	455 km ²
5	007/2016	01-Oct-19	30-Sep-21	227.3 km ²
6	229/2014	01-Jul-18	30-Jun-20	474 km ²
	Total			3299.5 km ²

Property Description and Status

PL 229/2014 is due for renewal by end March 2020 for a two year period from 01 July 2020 and the renewal application is being prepared. The Prospecting Licence covers an area of 474 km².

The renewal application for Precious Stones Prospecting Licence 321/2016 has been submitted.

Four of the Moenyenana Project prospecting licences (PL 004/2016, PL 005/2016, PL 006/2016 and PL 007/2016) have been included in the newly configured Motloutse Project. These six Prospecting Licences have been renewed for a two year period from 01 October 2019 to 30 September 2021.

Exploration to Date

Historically, the first authenticated diamonds in Botswana were found within the boundaries of PL 229/2014. The source of the diamonds has not been discovered.

A number of diverse aeromagnetic targets were followed up on the ground with both soil sampling and geophysical surveys. This programme was undertaken to filter different types of aeromagnetic anomalies identified within the Motloutse Project area. A number of anomalies have been tested since the inception of the Motloutse Project. To date no kimberlite has been discovered. This programme is in progress.

A soil sample grid, the MSD Grid, was established over an area where a diamond was found and independently reported during an exploration programme in 1996. Initially a total of 132 samples were collected on a 50m x 50m x 100 litre basis. A number of indicators were recovered from the soil samples, including one diamond. Several of the indicators have surface textures indicating a proximal source.

Subsequently, additional soil sampling programmes were undertaken over the grid area. These samples were collected on a 25m x 25m grid and the samples returned additional indicators. The assessment of the indicator surfaces are indicative of a proximal source and detailed geophysical surveys were conducted over the MSD Grid area, including groundmagnetometry, VLF and AMT. Data interpretation to date suggests that the source of the indicators may be a dyke system with possible enlargements. An extension grid to the area where the historical diamond was found has been sampled on a 50m x 50m grid. The samples returned a few positive results, suggesting that the interpreted dyke system may extend over a distance of 1.3 km.

Three trenches totaling 420m of trenching to a depth of 3 metres have been completed over the MSD Grid area. The samples have been processed for kimberlite indicator minerals. No indicators were recovered from the underlying Karoo sediments, indicating that the indicators are not from Karoo sediments but from a local kimberlitic source.

Regional soil sampling on a 1km x 1km basis has been completed over PL 229 and the samples have been processed through the in-house 1 tph Dense Media plant. Most of the samples were negative. A few samples returned single indicators. These positive samples are being followed up with additional sampling grids over the positive results.

During a joint venture between AMPAL and De Beers in the mid 1990's a kimberlitic garnet anomaly was identified in PL 52/1990 which is now located in the western part of PL 229/2016. The conclusion drawn by De Beers was that these garnets originated from the Orapa kimberlite field 150 kilometres to the west.

Orientation sampling conducted by Pangolin has recovered garnets from this AMPAL Garnet Anomaly (AGA) area. A study of the surface conditions of the garnets recovered by Pangolin suggests that the garnets have a local derivation and not distal from the Orapa kimberlite field. The initial orientation results obtained by Pangolin from the AGA area have prompted Pangolin to define the AGA area as a special project area to discover the source of the kimberlite indicators historically recovered from the AGA area.

Historical sampling by previous exploration companies have reported diamonds up to 2.4 carats along the drainage of the Motloutse river. The reported diamonds have prompted commencement of sampling of the subsidiary streams draining into the Motloutse from the north in PL229/2014 and PL321/2016.

Results of Operations

The presence of both diamonds and kimberlite indicator minerals with surface textures indicating a proximal source in the MSD Grid area remains of interest. Orientation AMT surveys have indicated the possible presence of dyke structures within the MSD Grid area. A more detailed AMT survey is currently being undertaken to assist in defining the location of kimberlite dykes and possible blows in the MSD area.

More than twenty geophysical targets have been identified in the northwestern parts of the Motloutse Project. Groundmagnetic surveys are being conducted over these aeromagnetic targets.

Soil sampling programmes have been initiated over indicator historical indicator anomalies identified by AMPAL. The objective of the soil sampling programme is to study the surface textures of the recovered indicators to determine if the indicators are transported or if the source is local.

Significant concentrations of kimberlite indicator minerals have been found to be associated with two aeromagnetic anomalies. The limits of the anomalies have not been determined by current soil sampling. This programme is in progress.

Stream sediment samples collected from the subsidiary streams draining from the north in the Motloutse have been processed. Two stream sediment samples returned positive results. The high rainfall experienced over the past few months have precluded additional sampling. These positive results will be followed up during the dry season.

Exploration Planning

Detailed AMT surveys will be completed over the PL 229/2014 MSD Grid areas with indicators with surface textures indicating a proximal source. Once the final results are obtained a decision will be made whether to trench or drill to identify the sources of the indicators in the MSD area.

Soil sampling and groundmagnetic surveys will continue to be conducted in the AGA area of PL229/2014 to develop drill programmes towards the discovery of kimberlites. Recovered indicators from the AGA area will be subjected to surface texture studies.

Soil sampling in PL004/2016 will continue in areas where anomalous indicator counts have been found. The objective of these soil sample programmes are to determine the outer limit of the indicator anomalies. Once these

have been established, the sample density and sample size will be increased to assist in the identification of drill targets in areas characterized by complex geophysical signatures.

An area of anomalous kimberlite indicator counts has been identified from historical De Beers reports in PL 007/2016. A soil sample programme conducted over the area have produced small numbers of indicators aligned along a structural trend. More detailed soil sampling grids will be established during the dry season to further define the indicator trend.

Jwaneng South Project

Property Description and Location

The project comprises one diamond PL located in Southern District of Botswana, namely:

PL 170/2015 has been renewed for a two year period from 01 July 2018 to 30 June 2020 covering an area of 358 km².

Exploration to Date

A systematic regional soil sampling programme covering the entire area of PL 170/2015 on a 1 km x 1 km grid basis has been completed.

Results of Operations

Results have been disappointing.

Exploration Planning

Prospecting Licence 170/2015 will be relinquished effective June 30, 2020.

Kweneng Project

Prospecting Licence 33/2019 has been granted to Pangolin Diamonds (Pty) Limited for a period of three years from 01 October 2019 to 30 September 2022. The prospecting licence is located in the Kweneng District and covers an area of 998.4 km². The area was previously explored by De Beers. They reported the recovery of chromites. An assessment of the chromite chemistry has identified a significant number of chromites recovered by De Beers as having compositions similar to that of chromites recovered as diamond inclusions. The regional felsic volcanics are not the source of these chromites. In addition, some of the chromites have compositions consistent with a derivation from a highly reduced mantle and inconsistent with a derivation from volcanics extruded at surface.

Exploration to Date

Five targets have been followed up with groundmagnetic surveys. Soil samples have been collected over three of the targets.

Results of Operations

Groundmagnetic surveys conducted over two aeromagnetic targets have identified two magnetic negative anomalies. These targets have not been covered by soil samples as yet.

Three other targets have been covered by soil samples. A chromite anomaly has been identified over one of the target areas. More than 300 chromites have been submitted for microprobe analysis to determine the percentage of diamond inclusion type chromites in the overall population.

Several chrome diopsides have been recovered from the samples processed over one of the targets.

Exploration Planning

The two magnetic negative anomalies will be sampled in due course and the results will determine the future programme.

Due to the shallow cover in the general exploration area the kimberlite indicator targets will be trenched to identify the source of the indicator minerals. It is anticipated that a s drilling programme will be initiated in the Kweneng Project area.

AK 10

On April 3rd, 2018 Pangolin, signed an option agreement (the "Agreement") with Mekanwu Civil Blasting (PTY) Ltd. ("MCB"), a private company incorporated under the laws of the Republic of Botswana. Under the Agreement, MCB has granted Pangolin the sole and exclusive option to earn up to a 75% interest in respect of MCB's precious stone AK10 Diamond Project located in the Central District of Botswana, Africa, which project contains a 6 hectare diamondiferous kimberlite pipe.

The Company has carried out mineral chemistry analysis and is currently commencing the extraction of a bulk sample. The Option Period has been extended to December 31, 2020.

Additional Disclosure for Venture Issuers Without Significant Revenue

During the six months ended December 31, 2019 and December 31, 2018 the Company incurred the following exploration and evaluation expenditures:

	2019	2018
Exploration drilling	\$ 20,197	\$ 33,145
Exploration sample analysis	2,435	23,212
Fuels and oils	1,365	14,212
Motor vehicle expenses	17,612	16,682
Field consumables and equipment	4,204	9,496
Repairs and maintenance	2,044	2,716
Geological consulting and licenses	192,288	64,512
	\$ 240,145	\$ 163,975

Results of Operations

Quarterly Results

Quarterly Data	2020		2019				2018	
000's	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net (loss) income	(424)	(238)	(161)	(48)	115	(198)	(278)	(248)
Basic (loss) income per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Revenue

The Company did not have any revenue for the quarter ended December 31, 2019.

Share-Based Compensation

Share-based compensation for the three months ended December 31, 2019 totalled \$213,300 (three months ended December 31, 2018 - \$53,400).

Costs and Expenses

Costs and expenses for the three months ended December 31, 2019 were \$662,126 and included the following categories: Exploration and evaluation expenditures, consulting and professional fees, administration costs, travelling, depreciation, stock based compensation and investor relations expenses.

Loss

Pangolin had a net loss of \$423,717 for the quarter ended December 31, 2019. Exploration activities accounted for \$173,718, consulting fees of \$25,785, administrative costs of \$30,672, investor relations, promotion and travel of \$9,170, professional fees of \$24,435, and a foreign exchange gain of \$53,363.

Liquidity

Pangolin has financed its operations to date by the issuance of common shares and the sale of royalty interests. The Company presently has no debt or other operating credit facilities. Pangolin had working capital of \$341,928 and cash of \$316,914 as at December 31, 2019 as compared to a working capital deficiency of \$30,539 and cash of \$211,204 as at June 30, 2019. Further financing will be required for working capital and exploration expenditures. The Company is uncertain whether it can obtain, in the current environment, financing to complete its current work programs. This and other conditions reflect material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

Capital Resources

Pangolin has no sources of revenue. The availability of equity capital, and the price at which additional equity could be issued, will be dependent upon the success of Pangolin's exploration activities, and upon the state of the capital markets generally. Additional financing may not be available on terms favourable to Pangolin or at all.

Off-Balance Sheet Arrangements

Pangolin does not have any off-balance sheet arrangements.

Transactions with Related Parties

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

Compensation of Key Management Personnel of Company:

The remuneration of directors and other key members of management personnel during the quarter ended December 31, 2019 and 2018 were as follows:

		2019	2018
Share-based payments	\$	162,000	\$ 35,600
Consulting fees	\$	18,000	\$ 18,000
Consulting fees included in exploration expenses	\$	23,000	\$ 32,061

Related party transactions:

As at December 31, 2019 and June 30, 2018, respectively, the Company had the following balances receivable from (payable to) related parties that are not subsidiaries of the Company:

		2019	2018
Shareholders' loans	\$	(30,000)	\$ (34,411)

Shareholders' loans payable are unsecured, non-interest bearing and due on demand.

During the three and six months ended December 31, 2019, the Company incurred legal fees of \$8,807 and \$15,432, respectively, (three and six months ended December 31, 2018 - \$2,697) charged by a law firm of which a director of the Company is a partner. Included in accounts payable as at December 31, 2019 was \$10,000 (June 30, 2019 - \$10,000) owing to this law firm. This amount is unsecured, non-interest bearing, with no fixed terms for repayment.

During the three and six months ended December 31, 2019, the Company incurred rent expense of \$4,500 and \$9,000, respectively (three and six months ended December 31, 2018 - \$4,500 and \$9,000, respectively) charged by a director of the Company for use of a facility in Botswana. As at December 31, 2019, \$nil (June 30, 2019 - \$10,000) was included in accounts payable and accrued liabilities pertaining to rent incurred.

Included in accounts payable is \$12,260 (June 30, 2019 - \$33,260) owed to the Company's Chief Financial Officer and \$nil (2018 - \$92,000) owed to the Company's Chief Executive Officer who is also a director of the Company for consulting fees and sundry expense reimbursements. This amount is unsecured, non-interest bearing, with no fixed terms for repayment.

The above noted transactions are approved by the Board of Directors.

Contingency

Environmental contingencies

The Company's exploration activities are subject to various federal and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Contingency

Pursuant to a share purchase agreement dated December 22, 2011, as amended November 8, 2012, and December 1, 2013, the Company has agreed to pay Leon Daniels, the former majority shareholder of PDL and a current director and officer of the Company, \$1,200,000 in the event that the Company discovers at least ten kimberlites in connection with its properties, payable within 24 months of the discovery of such kimberlites, provided that each such kimberlite is

"diamondiferous" as verified by a Qualified Person (as such term is defined in NI 43-101). In addition, the parties have agreed that for a kimberlite to be diamondiferous, it must be a kimberlite in which a "macro" diamond is contained – namely a diamond being greater than 0.5 mm in size. If a known diamondiferous kimberlite is acquired by the Company, it will not be counted as one of the 10 as described above. There have been no such kimberlites discovered by the Company to date.

Consulting agreements

The Company entered into a consulting agreement with an individual to perform functions as the Chief Financial Officer of the Company for a monthly fee of \$6,000. Such agreement was renewed on September 7, 2017 and will expire on December 31, 2020 unless terminated earlier in accordance with the agreement. The agreement stipulates a 90 day notice provision in the event of an early termination.

The Company has also entered into a consulting agreement, effective September 1, 2017, with an individual to perform functions as the Chief Executive Officer of the Company for a monthly fee of US \$6,000 and will expire on December 31, 2020 unless terminated earlier in accordance with the agreement. The agreement stipulates a 90 day notice provision in the event of an early termination.

Royalty Agreement

The Botswana government retains a 10% net royalty on the market value of produced diamonds and can select to participate in development by contribution of its share of development costs. Nomathata Diamonds Inc., a corporation incorporated in the Republic of the Seychelles, which is controlled by a significant shareholder who is also a director and officer of the Company, holds a 1.2% net smelter royalty ("NSR") calculated on the same basis as the government's royalty.

On April 1, 2018, the Company signed an option agreement (the "Agreement") with Mekanwu Civil Blasting (PTY) Ltd. ("MCB"), a private company incorporated under the laws of the Republic of Botswana. Under the Agreement, MCB has granted Pangolin the sole and exclusive option to earn up to a 75% interest in respect of MCB's precious stone AK10 Diamond Project located in the Central District of Botswana, Africa. In connection with this Agreement, the Company signed a joint venture agreement on June 30, 2018. On December 5, 2019, the Company extended this option through December 31, 2020.

On November 27, 2018, the Company announced it had reached an agreement with Umgeni Holdings International Limited ("Umgeni") under which Umgeni has agreed to acquire a royalty interest in Pangolin's Licences located within the Central District of Botswana, as well as an area defined as the Adjacent Area of Interest for \$600,000. Umgeni is a private company of which Dr. Christopher Jennings is a beneficiary of the sole shareholder that initially purchased a 1.3% GOR and a 1.3% NSR for \$600,000 in May of 2017.

Under the terms of the agreement, Umgeni agreed to pay Pangolin an additional \$600,000, (of which all \$600,000 had been received during the year ended December 31, 2019), for a total of \$1,200,000 in funding to date to acquire the following royalty interests in Pangolin's Malatswae, Moenyenana and Motloutse diamond projects: a 2.6% gross overriding royalty on diamonds ("GOR") and a 2.6% net smelter returns royalty on base and precious metals ("NSR") over the Licences issued to Pangolin Diamonds (Pty) Limited and Geocontracts Botswana (Pty) Limited, located within the Central District of the Republic of Botswana, as well as a defined Adjacent Area of Interest.

Proposed Transactions

Pangolin has not entered into and has no current plans to enter into any asset or business acquisitions or dispositions.

Forward Looking Information (additional disclosure)

The following information provides further clarification with respect to the Company's forward-looking information.

Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain diamond deposits	Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration and development activities will be favourable; operating, exploration and development costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of diamonds and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties	Diamonds price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2020. The Company expects to incur further losses in the development of its business Should the Company not raise sufficient capital, it may cease to be a reporting issuer	The operating and exploration activities of the Company for the twelve-month period ending June 30, 2020, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
The Company's ability to carry out anticipated exploration on its property interests	The exploration activities of the Company for the twelve-month period ending June 30, 2020, and the costs associated therewith, will	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs;

	be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits
Plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations	Financing will be available for the Company's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to the Company; the price of diamonds will be favourable to the Company; no title disputes exist with respect to the Company's properties	Diamond price volatility, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
Management's outlook regarding future trends	Financing will be available for the Company's exploration and operating activities; the price of diamonds will be favourable to the Company	Diamond price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions
Prices and price volatility for diamonds	The price of diamonds will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of diamonds will be favourable	Changes in debt and equity markets and the spot price of diamonds; interest rate and exchange rate fluctuations; changes in economic and political conditions

Significant Accounting Policies

Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

(i) Assets' Carrying Values and Impairment Charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

(ii) Income, Value Added, Withholding and Other Taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(iii) Existence of Decommissioning and Restoration Costs and the Timing of Expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

(iv) Share - based Payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future

employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Management's Responsibility for Financial Statements

The preparation of the financial statements is the responsibility of management. In the preparation of the statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements. Management maintains a system of internal controls to provide reasonable assurance that Pangolin's assets are safeguarded and to facilitate the preparation of relevant and timely information.

RISK FACTORS RELATING TO PANGOLIN

Pangolin's common shares should be considered highly speculative due to the nature of Pangolin's business and the present stage of its development and the location of its properties in Botswana. For a more complete listing of the risk factors relating to Pangolin, please refer to the Company's MD&A for the year ended June 30, 2019.

Share Capital

As at the date of this MD&A, there are 160,292,618 common shares outstanding, 62,385,468 warrants outstanding at an exercise price of between \$0.05 and \$0.15 per share and 14,400,000 stock options outstanding at an exercise price of between \$0.05 and \$0.12.

Trends

Pangolin is not aware of any trend, commitment, event or uncertainty that is reasonably expected to have a material effect on Pangolin's business, financial condition or results of operations as of the date of this MD&A, except as otherwise disclosed herein or except in the ordinary course of business.