TSODILO RESOURCES LIMITED
Management's Discussion and Analysis

FOR THE 3 MONTHS ENDED
MARCH 31, 2016

The Management's Discussion and Analysis has been authorized for release by the Company's Board of Directors on May 24, 2016

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements of the Company and the notes thereto for the periods ended March 31, 2016 and 2015. The Company's 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 May 24, 2016.

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.

Corporate

At a special meeting of the holders of common shares of the Company held on April 9, 2002 shareholders approved a restructuring of the Company that incorporated the sale of substantially all of the Company's assets. The assets were transferred in settlement on debt due of $612,783 and owing to Trans Hex Group Limited ("Trans Hex Group"), the principal shareholder and creditor of the Company prior to restructuring. The Company retained an interest in all future dividends that may be paid by either Northbank Diamonds Limited, Hoanib Diamonds (Proprietary) Limited or Trans Hex (Zimbabwe) Limited. In addition, the Company was released from the long-term loans due to Trans Hex Group by the subsidiaries being sold, of $3,341,690, and Trans Hex Group agreed to return the 10,688,137 common shares in the capital of the Company, representing 73.22% of the issued and outstanding shares of the Company at that time, to treasury for cancellation. The special meeting of shareholders also approved the discontinuance of the Company from the Province of Ontario and its continuance under the Business Corporations Act (Yukon), the change of name of the Company from Trans Hex International Ltd. to Tsodilo Resources Limited, the election of new directors and the repeal of the existing stock option plan of the Company and adoption of a new stock option plan. Following the restructuring of the Company, as approved by shareholders in April 2002, Tsodilo has no long-term debt.

Outstanding Share Data

As of May 24, 2016, 34,551,732 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, 3,196,390 options remain outstanding of which 2,816,390 are exercisable at exercise prices ranging from CAD $0.70 - $1.25.

Outstanding Options

Expiry Date	No. of Option Shares	Exercise Price (CAD)
April 17, 2016	300,000	$1.03
January 3, 2017	210,000	$0.90
April 2, 2017	328,890	$1.00
January 3, 2018	235,000	$1.20
March 22, 2018	400,000	$1.04
January 2, 2019	222,500	$0.75
March 21, 2019	480,000	$1.25
January 2, 2020	260,000	$1.05
March 27, 2020	400,000	$0.83
September 1, 2020	100,000	$0.70
January 4, 2021	260,000	$0.70
April 8, 2021	450,000	$0.79
Total	3,196,390	

As of May 24, 2016, 3,626,244 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
May 29, 2016	306,183	$1.40 USD
July 29, 2016	634,116	$1.40 USD
December 30, 2016	560,922	$1.21 USD
August 10, 2017	1,116,075	$1.10 USD
April 29, 2018	1,008,948	$$0.60 USD
Total	3,626,244	

If all warrants were converted, 3,626,244 common shares of the Company would be issued.

Principal Shareholders of the Company

The principal shareholders (greater than 5%) of the Company as of May 24, 2016, are as follows:

Name	Description	Shares Owns, Controls or Directs	% of the Issued and Outstanding Shares
Azur LLC	Private Investment Vehicle	4,996,065	14.46%
International Finance Corporation	Member of the World Bank Group	4,520,883	13.08%
David J. Cushing	Director	3,445,996	9.97%
James M. Bruchs	Director and CEO	2,285,619	6.62%
First Quantum Minerals	Global Mining Company	2,272,727	6.57%

Exploration Activities for the 1st Q 2016

Subsidiaries

Gcwihaba holds twenty-two (22) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West district of which twenty (20) are currently in renewal; and, eight (8) radioactive mineral licenses located in the North-West district.

The Company has a 75% interest in its Botswana subsidiary, Bosoto (Pty) Limited, which holds the precious stone prospecting license for the area which contains the BK16 kimberlite.

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 application was filed in February 2012; accepted in February 2013; consultation was conducted with interested and affected parties in April and June 2013; an Environmental Management Plan (EMP) was submitted in April 2013; a site visit was made by various governmental departments (DMR, EWT, and REMDEC) in September 2013; during the second quarter of 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 fulfilled those requirements in the third quarter of 2015; and, the Execution of the Right documents were issued on April 7, 2016.

The Company holds a 100% interest in Newdico (Pty) Ltd which provides 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 PROJECTS

The Company holds one prospecting licence for precious stones, registered Bosoto. This license is summarized in Table 1. The Bosoto license (PL369/2014) covers 1.02 square kilometres and the term of the current license is October 1, 2014 to September 30, 2017.

Table 1.

Precious Stone Prospecting Licenses as at March 31, 2016

PL number	Km²	Grant Date	Expiry date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 3.31.2016
PL 369/2014	1.02	10/01/14	9/30/17	Initial Grant	1,000	35,407,000# 138,275,000# 64,200,000#	237,882,000	
Total							237,885.000#	21,746,000#

Amounts include services provided by shareholders 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 75% 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).

The OKF contains at least 83 kimberlite bodies, varying in size from insignificant dykes to the 110 ha AK01 kimberlite pipe. The AK01 pipe has been dated at 93.1 Ma and it is presumed that all the kimberlite intrusions in the OKF are of similar and post-Karoo age. Of the 83 known kimberlite bodies, nine (9), AK01 (Orapa, Debswana); AK06 (Karowe, Lucara Diamond Corporation); BK01, BK09, BK12 and BK15 (Damtshaa, Debswana); DK01 and DK02 (Letlhakane, Debswana); BK11 (Firestone Diamonds), are currently being or have been mined.

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.

Summary of Work Performed to Date

All the historical holes were entered into the Tsodilo database along with the detailed in-house generated ground geophysical surveys (Gravity and Magnetic) which the Company completed in 2014. This information was used to plan and drill 17 core holes to develop the geological model. Although 20 holes were drilled, three of these were repeat holes due to drilling problems and hence 17 holes were used for the final geological model. Five of the 17 holes were vertical and the others were inclined holes. The cumulative depth of this program was 3,727 meters (m) producing 3,089 m of NQ size core. The inclined holes were surveyed with the down-the-hole Gyro surveys and orientated using the Reflex ACTII system. The cores were stored in the Company's premises at the Maun airport.

The following measurements were taken of the drill core:

1. Magnetic susceptibility readings taken every 20 cm. Density measurement were completed on every 2 m of core and 2,100 density measurements, using both the standard rapid emersion technique and the varnish coating method, have been entered into the Company's database. These also include repeats and standards. After some experimentation it was decided that all core in the BK16 project will be measured for dry bulk density using the varnish coating method as it has been demonstrated to give superior dry bulk density results over the standard rapid emersion technique, particularly when dealing with the weathered kimberlite

which is friable and highly porous. The standard procedure now is to sample between 20 and 30 cm of solid core every two meters. This core is then coated with a thin coat of varnish, weighted and the volume established by water displacement.

2. Detailed geological logs are prepared for each hole and converted into an electronic format. Both hand drawn logs and the electronic logs are kept in the Company's database. Dilution logging is an important part of the geological logs and will be used in the geological model in order to locate areas with higher volumes of xenoliths inclusions, which are either crustal (basalt, sandstone) or mantle (peridotite, eclogite), and hence areas with potentially diluted grades.
3. A first pass geotechnical log is prepared for each hole in terms of Rock Quality Designation (RQD), which is a rough measure of the degree of jointing or fracture in a rock mass, measured as a percentage of the drill core in lengths of 10 cm or more. High-quality rock has an RQD of more than 75%, low quality of less than 50%. It is therefore logical that there would be a strong correlation between core recovery and RQD.

Detailed logging of the cores determined that there were three major phases and one minor phase as follows:

- ◊ First phase volcaniclastic 'red' kimberlite with 90 % basalt xenoliths, called **VK1 (Red VK).**
- ◊ Second phase massive, dark volcaniclastic kimberlite – the **black VK2**.
- ◊ Third phase basalt xenoliths rich volcaniclastic kimberlite – **grey VK3.**
- ◊ A coherent phase (VK) similar to hypabyssal kimberlite was intersected in one hole – **CK.**

These data sets were entered into the GIS database and used for the geological model of the kimberlite. The BK16 geological model defined some 13 to 14.5 million tonnes of exploration target for the VK2 and VK3 phases with estimated grade of 13 to 19 carat per hundred ton ("cpht") with low confidence but based on previous bulk sampling.

Based on this geological model the Company has planned the outlay of a Large Diameter Drilling (LDD) bulk sampling program in consultation with the mineral resource consultants Zstar of South Africa.

In anticipation of this drilling program, the Company purchased a DMS mobile plant from De Beers Botswana. This plant is capable of handling a 10 tons/hour head feed throughput and was used in the evaluation of AK06 (Karowe Diamond Mine) owned by Lucara Diamond Corp. It is set up and located just outside the Letlhakane village approximately 15 km directly WNW from the BK16 kimberlite pipe.

The plant is equipped among others with primary and secondary crushers (Cone and Jaw), de-sliming screens, conveyors, a scrubber with 12 mm trommel screen, a DMS preparation screen and DMS cyclone (250mm/57mm). It is supported by a laboratory, security office and concentrates storage units. A detailed engineering review of the plant was completed and refurbishing of the mechanical operation of the plant and the establishment of a final recovery unit has been presented.

Summary of work performed in the 1st Quarter and in 2016

The geotechnical logging of the 20 diamond holes drilled (3,655 meters) on BK16 in 2015, for development of the geological model, is now complete. The data of this work has been captured into the data base and is being validated and checked, after which the data will be processed, interpreted and reported. Early data capture had some errors and some core checking is required for further validation.

The density measurements completed in 2015, were examined during the first quarter to validate and correct any data. Experiments were performed to verify the data and to improve the procedures for future use. During the verification process, it was found that some standards plotted outside of the expected limits due to recording and process errors. The latter was solved by introducing a wire mesh box which does not trap air bubbles which the previously used sacks did and hence increased the buoyancy effect, giving some bias beyond acceptable limits. This meant that some of the density measurements had to be repeated. It is envisaged to have this completed by April. These new dataset will be used in the evaluation process of the BK16 kimberlite.

A methodology to measure the moisture content of the rock has been devised and will be used during the drilling of the pilot holes. These data is important when interpreting bulk sampling results and will also be used in the exploitation of the kimberlite.

The grid for the 17 pilot holes to a cumulative depth of 3,460 m has been prepared. These holes are necessary to establish the nature of the material that will be sampled by the Large Diameter Drill holes (LDD) drilled later in the year.

Preliminary planning for the refurbishment of the 10 tph DMS treatment plant has been completed. 2,000 tons of kimberlite are planned to be drill out and treated through this plant in 2016.

The program for remainder of 2016 will focus on the LDD work. Because of the cost of each LDD hole (24 inch diameter), it is highly advisable to drill a NQ core pilot hole at each LDD site in order to maximize the kimberlite recovery of each hole and to correlate the geology with the sample results from the LDD program. The cumulative depth of the LDD holes is 3,460 m so the pilot whole drilling program should take under two months to complete. This drilling is scheduled to start during the 2ND quarter of 2016. The LDD meterage is based to recover at least 200 carats for first stage evaluation using a conservative grade of 10 cpht and will be recovered from some 2,000 tons of kimberlite that will be processed through the DMS sampling.

In total, 17 LDD holes (3,460 m) are to be drilled and this includes material from VK2, VK3 and diluted material. This work is scheduled to start in the 3rd quarter. Refurbishment of the plant and set-up of the final recovery unit will commence during the 2nd quarter.

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

The Company's Prospecting Licences have evolved with time into a package which covers some 1,244.80 km² not including licenses currently in renewal (Table 3).

Table 3. Gcwihaba Metal License Areas as at March 31, 2016

PL numbers	Km²	Grant Date	Expiry / Renewal date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 3.31.2016
PL 119/2005	831.80	07/01/14	07/01/16	Extension	4,160	125,000	258,320	23,614
PL 051/2008	TBD	07/01/11	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 052/2008	TBD	07/01/11	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 386/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 387/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 388/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 389/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 390/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 391/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 392/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 393/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 394/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 395/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 595/2009	TBD	07/01/09	07/01/12	in renewal	TBD	TBD	TBD	TBD
PL 596/2009	TBD	07/01/09	07/01/12	in renewal	TBD	TBD	TBD	TBD
PL 597/2009	TBD	07/01/09	07/01/12	in renewal	TBD	TBD	TBD	TBD
PL 588/2009	413.00	07/01/14	07/01/16	2nd renewal	2,065	125,000	254,130	23,231
PL 093/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD
PL 094/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD
PL 095/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD
PL 096/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD
PL 097/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD
TOTAL	1,244.80						512,450	46,845

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

2.1 STRATEGIC PARTNERSHIP

On November 20, 2013, Tsodilo announced that, further to its April 17, 2013 Memorandum Of Understanding ("MOU") with First Quantum Minerals Ltd. (TSX:FM)(LSE:FQM) ("First Quantum"), the Company, its wholly-owned subsidiary Gcwihaba Resources (Pty) Ltd. ("Gcwihaba"), First Quantum and First Quantum's wholly-owned subsidiary Faloxia (Proprietary) Limited ("FQM Subco") have entered into a definitive Earn-In Option Agreement (the "Option Agreement") pursuant to which First Quantum (which term for the purposes of this section includes FQM Subco) has acquired the right to earn up to a 70% interest in metals prospecting licences in Botswana granted to Gcwihaba insofar as they cover base, precious and platinum group metals and rare earth minerals by meeting certain funding and other obligations as set forth below. The interests that may be earned by First Quantum specifically exclude any rights to iron held by Gcwihaba.

Under the terms of the Option Agreement, First Quantum can earn either a 51% participating interest or a 70% participating interest in designated projects within the overall license area covered by the Option Agreement (the "Project Area") by satisfying the following requirements:

- ◊ funding exploration expenditures within the Project Area in the aggregate amount of US$6 million by November 20, 2015 (the "Tranche 1 Funding Commitment");
- ◊ funding an additional US$9 million in exploration expenditures within the Project Area by November 20, 2017; and
- ◊ completing a technical report ("Technical Report") on a designated area within the Project Area prepared in compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators and that meets certain requirements with respect to resources as described below.

The Tranche 1 Funding Commitment was a firm commitment by First Quantum and was to be satisfied irrespective of whether First Quantum elects to pursue the other requirements to earn an interest in Gcwihaba's licenses. Tranche 1 funding obligations have been met. As of December 31, 2015, First Quantum has reported that the total expenditures spent on Prospecting Licenses covered by the MOU amounted to $14,732,922.28.

On January 6, 2016, First Quantum notified the Company that they did not intend to continue with the Tranche 2 Expenditure terminating the Earn-in-Option Agreement. Tsodilo has initiated discussions with other companies to select a new joint venture partner for the development of its metals projects in Tsodilo's license holdings.

A review of the copper targets that were developed by FQM in the Shakawe area is ongoing. The data from FQM has been checked and validated, and outstanding results have been incorporated. This database will be combined with

the results of the work that Tsodilo has done over the years. The objective of this work is to review existing targets for drilling since only one target was drill tested in 2015. FQM data sets that are on the program for review are:

1. **Drill Holes:** Diamond drill holes (DD) drilled as 'Target Drill Holes' and stratigraphic holes, Reverse Circulation (RC) Kalahari Geochemistry holes, DD Kalahari Geochemistry holes.
2. **Geophysics:** Spectrum Airborne Electromagnetics and radiometrics, Tsodilo ground magnetics, Gyrolag Airborne gravity.
3. **Assays:** Samples from DD core and Kalahari Geochemistry drilling.
4. **Geological logs:** Mineralization, Alteration, Geochronology, petrography.

These targets will be ranked in order of priority by gridding assay values from the different drill phases and combined with geophysical survey results. The criteria for this prioritization are listed in the following Table 5.

Table 5. Target selection based on set criteria.

Criteria	Indicators				Description
	Geophysics	Geochemistry	Mineralogical	Geological logging	
Reductant	Airborne Electromagnetics	-	Mineralization - pyrite, pyrrhotite, chalcopyrite.	Mwashya Shales	Graphitic Shales identified as good conductors
Trap	Airborne Electromagnetics	-	Alteration - Fuchsite: Cr transported by saline brine	High ductile strain. Drag folding. Fuchsite replacement.	Carbonaceous Shales adjacent to thrust fault
	Ground magnetics				
Fault	Ground magnetics	-	Alteration- K-feldspar: Along margins of basement	-	Bedding-parallel thrust faults, cross-cutting structures.
Fluid /Fertility	-	Assays	Alteration - Kyanite: Presence of fluids	-	Strong metal (Cu, Co and Mo) anomalism and weakly anomalous Pb, Ag, Se and Sb
Basement High	Airborne Gravity	-	Alteration - Fuchsite: Cr transported by saline brine	Modified sediments and quartzites	Source heat and intrusives
	Airborne Electromagnetics	-			

Assay data was gridded to produce voxets of Cu anomalies by way of 98th percentile cut-off hence showing where the highest 2 % of the data lays. Total Cu % anomalous values were then plotted also for different percentiles. Another way of looking at the gridded data was through contoured depth slices. Cu assay values for the geochemistry holes were gridded using a Minimum Curvature gridding algorithm at different elevations/Relative Levels (RL). The above two gridding methods are going to be repeated for each anomalous metal element.

The same cycle is performed for the results of all the holes. Once completed, the assay datasets are going to be overlain by geophysical data (AEM, gravity and magnetics), gridded zones of alteration and geology. The results will be

captured and populated in table format after which the various targets are ranked according to their priority. A new program will then be formulated to drill these targets.

2.2 XAUDUM MAGNETITE BANDED IRON FORMATION (XIF)

Tsodilo, through its local subsidiary Gcwihaba, is evaluating the Xaudum Iron Ore deposit. This project falls outside of the partnership with First Quantum and is solely a Tsodilo project. The drilling and the ground geophysical surveys conducted by Gcwihaba have so far concentrated on this Banded Ironstone Formation ("BIF"). This Xaudum BIF is intimately associated with glacial diamictites and is the cause of the large Xaudum Magnetic Anomaly that has been isolated and extends over 35 km in a north-south direction with several magnetite bands that occur over a width of several kilometres. It is part of a Rapitan type iron-formation both in terms of age and lithology. Rapitan-type iron-formations are Neoproterozoic (0.8-0.6 Ga) iron-formations that are characterized by their association with glaciomarine sediments. Examples include the Rapitan Group (Canada), the Yudnamutara Subgroup (Australia), the Chuos Formation (Namibia), and the Jacadigo Group (Brazil).

Because of the large size of this deposit, which has an exploration target of between 5 and 7 billion tonnes of iron ore at grades ranging between 15 – 40%, it was decided to subdivide the target into several exploration blocks.

Drilling on Block 1 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 which forms the northern part of this large XIF deposit. For this block SRK has derived an Inferred Mineral Resource of 441 Mt grading 29.4% Fe, 41.0% SiO_2, 6.1% Al_2O_3 and 0.3% P.

Tsodilo subsequently started drilling the next exploration area within the Xaudum XIF deposit, referred to as Block 2a. Here the company expects to define a significant Inferred Mineral Resource in due course which will significantly increase the Xaudum Iron Project total Mineral Resource. The first holes of this block were drilled between August and November 2014, and the Company aims to complete the resource definition of Block 2 in order to prove 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.

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 to alternate 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.

3. Radioactive Licenses

The Company holds eight prospecting permits for radioactive minerals through its wholly owned subsidiary Gcwihaba Resources (Pty) Ltd in northwest Botswana. The area of the licenses cover 3,911.80 km^2 (Table 5) and overlap some of the Gcwihaba metal permits.

Table 5.

Gcwihaba – Radioactive License Areas as at March 31, 2016

PL numbers	Km^2	Grant Date	Renewal date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum* (BWP)	BWP	USD as at 3.31.2016
PL 150/2010	411.30	04/01/15	03/31/17	2nd Renewal	2,060	70,000	--	--
PL 151/2010	311.40	04/01/15	03/31/17	2nd Renewal	1,560	70,000	--	--
PL045/2011	547.80	04/01/15	03/31/17	2nd Renewal	2,740	70,000	--	--
PL 046/2011	372.00	04/01/15	03/31/17	2nd Renewal	1,860	70,000	--	--
PL 047/2011	478.00	04/01/15	03/31/17	2nd Renewal	2,390	70,000	--	--
PL 048/2011	404.20	04/01/15	03/31/17	2nd Renewal	2,025	70,000	--	--
PL 049/2011	973.40	04/01/15	03/31/17	2nd Renewal	4,870	70,000	--	--
PL 050/2011	413.70	04/01/15	03/31/17	2nd Renewal	2,070	70,000	--	--
Total	3,911.80				19,575	560,000	1,159,150	105,963

The Company has reviewed the exploration results from Union Carbide Exploration Corporation which had secured many prospecting licences in west and northwest Botswana for uranium. Of particular interest are their findings of anomalous uranium within what they called the Khaudum and Chadum paleo-drainages. High counts of uranium in both calcrete and water samples and anomalous counts of vanadium from the water samples were obtained. Up to 30

meters thick valley calcrete (the target calcrete) was drilled with geochemical anomalous concentration of uranium in certain trap environments. However at the time, no ore-bodies were delineated, but Union Carbide concluded that based on the high uranium concentrations in the water samples the area is anomalous with respect to uranium.

The age and origin of these types of calcretes further south has been incorporated in a research project conducted by AEON and the following field observations indicated the presence of two types of duricrust both slightly radioactive (1500 cpm). These represent good potential hosts for uranium, similarly to the well-known Langer Heinrich and Klein Trekkopje uranium deposits in Namibia that developed within Tertiary paleo-channel systems of the Namid Desert (Liluende, 2012). In addition Uranium-rich soils (3,000-6,000 cpm) were identified in the Chadum and Kkhaudum drainages.

The radiometrics of the full FQM database was received, checked and updated where necessary. These were plotted and various parameters were determined, such as the Th/U Ratios, association with structures etc. Initial 3D gridding of uranium drill hole exploration data was completed and the FQM data was considered relative to this uranium drill hole data. Also Th/U ratios were determined based on the FQM input data and plotted against this drill hole data and compared to various other parameters. Initial correlations of U and Cu were examined and the latest plots done as part of the Cu targeting exercise show the correlations better. This has always been of interest while looking for uranium because uranium has been found to be closely associated with Cu in some areas. An index based on soil geochemistry data biased towards Cu was therefore determined which mapped out regional cutoffs and highlights index anomalies associated with certain geological units.

Also cross-border work was initiated to follow uranium targets from Namibia into Botswana, which involved recording and plotting of all uranium deposits and mines in Namibia. These records include the relationships of the uranium mineralization with structural elements (e.g. faults and lineaments such as the Welwitschia lineament) and geology (e.g. intrusives such as the U mineralization associated with granites around Rössing). Attempts were also made to match up the uranium targets in Grootfontein with structures in Namibian striking into Botswana. Various image datasets from Dr. Roy Miller and Dr. Branco Corner were georeferences and plotted for this. These included Namibian geophysical (AM, Gravity) and geological (Tectonostratigraphy) datasets. Additional government flown airborne magnetic dataset has been ordered from the Namibian Geological Survey for the Namibian side of the border to supplement the data obtained in Botswana.

The Company is presently evaluating all these different datasets as well as its relationship with the local geology and geophysics. That part of the project area which was covered with an airborne radiometric survey will be incorporated. The aim is to verify the geological model and start with some ground mapping. The Company is also evaluating the use of ground geophysical instruments to locate and define drill targets for uranium.

4. 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.

Exploration and Evaluation additions for the year ended March 31, 2016 are summarized as follows:

	Newdico Botswana	Bosoto Botswana	Idada So. Africa	Gcwihaba Botswana				Total
	Precious Stones	Precious Stones	Precious Stones	Precious Stones	Metals	Radio-Active Minerals	Subtotal	TOTAL
Drilling Expenditures	--	$ --	--	--	$ --	$ --	$ --	$ --
Amortization Drill Rigs, Vehicles & Trucks	--	968	--	--	--	--	--	968
GIS & Geophysics	--	--	--	--	--	--	--	--
Lab Analyses & Assays	--	545	--	--	2,851	713	3,564	4,109
License Fees	--	--	--	--	--	383	383	383
Office, Maintenance, & Consumables	--	2,233	--	--	1,498	1,497	2,985	5,228
Salaries, Wages & Services		363,211	--	--	25,051	34,748	59,799	123,010
Balance at March 31, 2016	**--**	**$66,977**	**--**	**--**	**$29,400**	**$37,341**	**$66,741**	**$133,718**

Exploration and Evaluation additions for the year ended December 31, 2015 are summarized as follows:

	Newdico Botswana	Bosoto Botswana	Idada So. Africa	Gcwihaba Botswana				Total
	Precious Stones	Precious Stones	Precious Stones	Precious Stones	Metals	Radio-Active Minerals	Subtotal	TOTAL
Drilling Expenditures	$ 49,362	$ 72,611	$ --	$ 7,024	$ 27,156	$ 27,183	$ 61,363	$ 183,336
Amortization Drill Rigs, Vehicles & Trucks	91,005	41,503	--	196	20,579	20,578	41,353	173,961
GIS & Geophysics	--	17,079	--	2,430	156	--	2,576	19,655
Lab Analyses & Assays	2,088	3,039	--	325	4,778	--	5,103	10,230
License Fees	846	--	--	250	353	1,297	1,900	2,746
Office, Maintenance, & Consumables	20,258	40,105	3,498	13,240	13,219	13,095	39,554	103,415
Salaries, Wages & Services	162,378	377,828	--	43,251	70,904	52,791	166,946	707,152
Balance at December 31, 2015	**$325,937**	**$552,165**	**$3,498**	**$66,716**	**$137,145**	**$114,944**	**$318,805**	**$1,200,405**

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2016, the Company had a working capital deficit of ($1,048,631) [2015: ($216,935)], which included cash of $14,198 (2015: $30,748). 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. In the 2nd quarter of 2015, security options were exercises for proceeds of $21,575. The Company received total proceeds of $934,837 from the sale of common shares and warrant units as a result of the private placement which closed on August 10, 2015. Post August 10, 2015 and to date through March 31, 2016, the Company has accepted investor deposits for subscription to a Private Placement for security units in the amount of $900,050.

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 March 31, 2016 for those warrants is NIL (2015: $93,093). The Company was 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 ($300,222) the period ended March 31, 2015 to ($1,048,631) for the period ended March 31, 2016. Other operating expenses fluctuated but on the whole were increased for the period ended March 31, 2016 by $71,507 compared to 2015. The largest impact on Comprehensive income (loss) for the period was the foreign exchange translation of $36,458 [2015: (483,328)]. The realized gain on the valuation of warrants was reduced from $65,929 in 2015 to $nil in 2016, which is a non-cash item that varies with market valuation and is recorded as a liability under IFRS, but this liability does not require an outlay of cash and is primarily for disclosure on warrants expressed in Canadian dollars. Expense variances were throughout the other expense categories with the largest decreases in stock-based compensation expenses going down by approximately $48,000 and the largest increases in amortization going up by approximately $39,000.

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Annual Information (in US Dollars)	Fiscal Period March 31,2016	Fiscal Year December 31, 2015
Net loss for the year	($285,854)	($9,722,451)
Basic loss per share	($0.01)	($0.30)
Basic diluted loss per share	($0.01)	($0.30)
Total other comprehensive income (loss)	$36,458	($1,122,545)
Total comprehensive loss for the year	(249,396)	($10,844,996)
Basic comprehensive loss per share	($0.01)	($0.33)
Diluted comprehensive loss per share	($0.01)	($0.33)
Total assets	$4,412,454	$4,439,220
Total long term liabilities		--
Cash dividend		--

Quarterly Information (in US Dollar)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal Year ended December 31, 2015				
Net income (loss for the period	($212,347)	($6,767,478)	($385,287)	($2,357,299)
Basic income (loss) per share	($0.01)	($0.21)	($0.00)	($0.30)
Diluted basic income (loss per share	($0.01)	($0.21)	($0.00)	($0.30)
Comprehensive income (loss) for the period	($695,675)	($6,545,694)	($855,108)	($2,748,519)
Basic comprehensive income (loss) for the period	($0.02)	($0.21)	($0.02)	($0.33)
Diluted comprehensive income (loss) per share	($0.02)	($0.21)	($0.02)	($0.33)
Total assets	$13,121,763	$7,289,616	$6,599,835	$4,439,220
Total long term liabilities	--	--	--	--

Quarterly Information (in US Dollars)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal Period ended March 31, 2016				
Net income (loss) for the period	($285,854)			
Basic income (loss) per share	($0.01)			
Diluted basic income (loss) per share	($0.01)			
Comprehensive income (loss) for the period	(249,396)			
Basic comprehensive income (loss) for the period	($0.01)			
Diluted comprehensive income (loss) per share	($0.01)			
Total assets	$4,412,454			
Total long term liabilities	--			

Investing Activities

Cash flow applied in investing activities decreased to ($171,354) for the period ended March 31 2016, [2014: ($246,753)].

Total expenditures of $170,115 on exploration properties for the period ended March 31, 2016 were attributable to the Newdico, Gcwihaba, Bosoto and Idada projects in northwest Botswana. Previously included in this amount was the proportionate contributory share, ranging from 2.32 to 2.23% to the Trans Hex Group for the Newdico project. Trans Hex Group now has zero interest for funding the expenses of Newdico. There no longer are expenses and funding for the exploration of the Newdico project. An impairment charge was recognized for the project of $6,654,616 in 2015. Gcwihaba had an impairment charge for its diamond operations of $2,220,363 in 2015. No impairment charges were necessary for the period ending March 31, 2016.

Financing Activities

Following the restructuring of Tsodilo in April 2002 and the cancellation of the shares formerly held by Trans Hex, the source of financing for the Company's activities changed from debt (related party) financing to equity, through the issue of 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**
August 17, 2015	1,116,075	C$1.10	$934,857
Warrant Exercise Date	**No. of Shares**	**Price per Share**	**Proceeds USD**
None			
Options Exercised Date	**No. of Shares**	**Price per Share**	**Proceeds USD**
April 2, 2015	37,500	C$0.75	$21,575

In the 2nd quarter of 2015, security options were exercises for proceeds of $21,575. A private placement took place on August 10, 2015, from which the Company received total proceeds of $934,857 from the sale of common shares and warrant units.

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

At March 31, 2016 $900,500 in subscriptions were raised for future private placements. See subsequent events in the Financial Statements ending March 31, 2016 for April 2016 unit issuances.

RESULTS OF OPERATIONS

On a consolidated basis, the Company recorded a comprehensive net loss of ($249,396) for the period ended March 31, 2016 [($0.01) per common share] compared to a comprehensive net loss of ($695,675) for the period ended March 31, 2016 [($0.01) per common share]. The change in the loss in 2016 was due primarily to the foreign exchange translation.

Cumulative exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to $4,140,610 as at March 31, 2016 compared to $12,761,274 as at March 31, 2015. Cumulative exploration expenditures incurred on the Newdico project as at March 31, 2016 was Nil compared to $6,456,789 as at March 31, 2015. A net negative exchange translation difference accounted for a ($0??) reduction. Cumulative exploration expenditures incurred on Gcwihaba's projects as at March 31, 2016 were $3,748,499 compared to $6,190,505 as at March 31, 2015. A net exchange translation difference accounted for a ($40,438) reduction. Cumulative exploration expenditures incurred on Bosoto's projects as at March 31, 2016 were $389,010 compared to $113,980 as at March 31, 2015. A net exchange translation difference accounted for a ($68,740) reduction. Cumulative exploration expenditures incurred on Idada's projects as at March 31, 2016 $3,101 compared to $3,071 as at March 31,

2015. A net exchange translation difference accounted for a ($30) addition. The principal components of the Newdico, Gcwihaba, Bosoto and Idada exploration program were: (a) additional soil sampling and the completion of the processing and analysis of the soil samples; (b) commissioning of further ground magnetic surveys of selected aeromagnetic anomalies; (c) analyzing detailed proprietary aeromagnetic maps covering the target areas; and (d) commencement of a diamond core drilling program on selected targets. A table is presented in the Exploration and Evaluation Additions section above with specific details.

PERSONNEL

At March 31, 2016, the Company and its subsidiaries employed 17 compared to twenty-six (26) at March 31, 2015, including senior officers, administrative and operations personnel including those on a short-term service basis.

PERIOD ENDED MARCH 31, 2016

The period ended March 31, 2016 was a normal operating period. Operating expenses were at normal levels for the year. Foreign exchange charges were larger in 2015. 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 $285,854 and comprehensive loss of $249,396 during the period ended March 31, 2016 and as of that date the Company had an accumulated deficit of $44,607,193 and negative net working capital of $1,048,631. Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is insufficient to finance exploration and resource evaluation at the projected levels, and may be insufficient to finance continued operations for the 12 month period subsequent to March 31, 2016. The continuity of the Company's operations is 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. The Company's failure to raise additional funds could result in the delay in the work performed on the Company's exploration properties and may lead to an impairment charge on the Company's exploration and evaluation assets. Since August 25, 2015 and to date, the Company has accepted investor deposits in the amount of $700,050 for subscription to a Private Placement for security units. Of this amount, $410,000 was deposited in the first quarter of 2016.

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. During the year ended December 31, 2015, the Company received proceeds of $21,575 from the exercise of Stock Options. The Company received total proceeds of $928,907 from the issuance of common shares and warrant units as a result of the private placement which closed on August 10, 2015. Since August 25, 2015 and to date, the Company has accepted investor deposits in the amount of $700,050 for subscription to a Private Placement for security units. Of this amount, $410,000 was deposited in the first quarter of 2016.

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 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.

Competition

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire prospective properties in the future.

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 Accounting Standards, Amendments and interpretations

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

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 9, *Financial Instruments*

IFRS 9 covers the classification and measurement, impairment and hedge accounting of financial assets and financial liabilities and the effective date is for annual periods 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 remeasured 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 periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to 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 must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

These amendments are not expected to have any impact on the Company. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2016	2015
Short term employee remuneration and benefits	**$107,501**	$107,51
Stock based compensation	**$34,578**	65,939
Post employment benefits*	**$158,466**	120,733
Total compensation attributed to key management personnel	**$300,545**	$294,173

*Post employment benefits include $64,655 of accrued leave benefits through March 31, 2016.

An individual related to the CEO provided administrative and management services in 2015 to the Company in the amount of $9,000 ($8,250: 2015).

There are no other related party transactions.

OUTLOOK

Precious stones, metals and radio-active materials exploration remain a high-risk undertaking requiring patience and persistence. Despite difficult capital markets in the junior resource sector, 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"

James M. Bruchs
Chairman and Chief Executive Officer

"s"

Gary A. Bojes
Chief Financial Officer