TSODILO RESOURCES LIMITED

Management's Discussion and Analysis of Results of Operations and Financial Condition

For the Three Month Period Ended March 31, 2006

The following discussion and analysis for the first quarter results should be read in conjunction with the unaudited Consolidated Financial Statements included in this report, and the Management Discussion and Analysis filed in March of 2006 together with the Annual Report for the year ended December 31, 2005. This interim report is intended to provide the reader with a review of the factors that affected the Company's performance during the three month period ending March 31, 2006 and those factors reasonably expected to impact on future operations and results. The unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles applicable in Canada. The Company's functional and reporting currency was changed to United States dollars and all amounts stated are in United States dollar unless otherwise noted. On August 18, 2005 the board of directors of the Company decided that it was in the best interests of the Company to change its financial year end from March 31 to December 31 effective December 31, 2005. The change in financial year to December 31 was made to align with the reporting schedule of comparable public companies. The period December 31, 2005 was a transitional period and had a nine month reporting period. This management's discussion and analysis has been prepared as at April 27, 2006.

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. The shares of the Company are listed and posted for trading on the TSX Venture Exchange under the symbol: TSD. Tsodilo is an international diamond exploration company with the majority interest in a kimberlite exploration project in northwest Botswana. The Company has not yet determined whether these properties contain reserves that can be economically mined. As an exploration stage company, the recoverability of amounts shown for exploration expenditures is dependent upon the discovery of reserves that can be economically mined, the securing and maintenance of the interests in the properties, the ability of the Company to obtain the necessary financing to complete the development, and future production or proceeds from the disposition thereof. The Company is also actively reviewing additional 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 of debt due and owing to Trans Hex Group Limited ("Trans Hex Group"), the principal shareholder and creditor of the Company prior to restructuring, of $612,783. 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 April 27, 2006, 11,832,929 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, 1,070,000 options remain outstanding of which 845,000 are exercisable at exercise prices ranging from Canadian $0.15 - $1.85. If all options were vested and exercised, 1,070,000 common shares of the Company would be issued.

As of April 27, 2006, 1,167,330 warrants are outstanding. The warrants were issued by way of the private placements utilized by the Company for financing purposes. Each warrant entitles the holder thereof to purchase one common share of the Company at purchase prices ranging from Canadian $0.75 - $2.35 for a period of two years from the date of issuance. If converted, 1,167,330 common shares of the Company would be issued.

Principal Shareholders of the Company

The largest shareholder of the Company is its President and Chief Executive Officer, James M. Bruchs, who currently owns, controls or directs 2,545,983 or 21.52% of the issued and outstanding common shares as of April 27, 2006. The Firebird Global Master Fund, Ltd. controls 1,875,630 or 15.85% of the issued and outstanding shares as of April 27, 2006 and John R. Redmond, a Director of the Company, currently owns, controls or directs 1,602,773 or 13.55% of the issued and outstanding shares as of April 27, 2006.

Subsidiaries

The Company has an 81% operating interest in its Botswana subsidiary, Newdico (Proprietary) Limited (“Newdico”), which holds prospecting licenses and applications covering approximately 16,800 square kilometers in northwest Botswana on which there is encouragement for the existence of undiscovered kimberlites in at least three separate areas of the property. The Company’s minority partner (19%) in this project, Trans Hex Group, is an established South African diamond mining company. Some, or all, of the current licenses held by Newdico may be subject to the granting of a 2% free carried interest in any mine or mines that may result thereon.

The Company has a 100% interest in its wholly owned Botswana subsidiary, Gcwihaba Resources (Proprietary) Limited (“Gcwihaba”), which has diamond prospecting licenses covering approximately 6,800 square kilometers and base and precious metal licenses covering 3,780 square kilometers.

Exploration Activities

Newdico (Proprietary) Limited - Botswana

Planned Exploration Program for 2006

The program is based on our strategy of using a combination of indicator mineral sampling, magnetic and gravity data to generate individual targets for drill evaluation and our regional strategy of evaluating possible transport corridors giving rise to the alluvial secondary KIM and diamond deposits at Tsumkwe and Omatako. Our program for 2006 will include the following:

- ◊ Extend the 2x2 kilometer KIM sampling grid for 24 kilometers to the south of the Nxau Nxau kimberlite field to cover the western 40 kilometers of the Okavango Dyke Swarm. This will involve the collection and processing of some 240 deflation soil samples.

- ◊ Prepare drill access roads and collect KIM samples along two 17 kilometer sections across interpreted paleo-drainage channel transport corridors.

- ◊ Perform a trial airborne survey over the western portion of the dyke swarm using low-level flying, close-spaced survey lines and gradiometer array magnetometers to distinguish dolerite from kimberlite magnetic responses.

- ◊ Drill evaluation of the 16 high-priority targets in the Guma District.

- ◊ Drill evaluation of the current 4 high-priority targets in the Nxau-Nxau kimberlite field.

- ◊ Drill evaluation of transport corridor sections.

- ◊ Drill evaluation of any high-priority airborne test survey magnetic anomaly targets.

- ◊ If time allows, drill evaluation of 18 second-priority targets in the Nxau-Nxau kimberlite field.

The favorable chemistry and diamond preservation potential of the kimberlites in our license blocks together with the known secondary alluvial diamond discoveries down slope across the border in Namibia establish the greater Nxau Nxau field as highly prospective with the possibility of several economic kimberlites present within our ground. To date, at least 18% of the kimberlites discovered in the Nxau Nxau field are known to be diamondiferous. Our target selection is and remains focused and we look forward to drill testing and analysis of further selected anomalies in the Nxau Nxau field once the rains have ceased. C15 and A41 are just two of the multiple priority kimberlite targets to be drilled in the next few months. We remain on track to locating the source of the alluvial G10 and diamond deposits at Tsumkwe and Omatako.

Gcwihaba Resources (Pty) Limited ("Gcwihaba")

Diamond Licenses

Planned Exploration Program for 2006

- ◊ Drill evaluation of Anomaly 2021 A7 is a high priority.

Base and Precious Metals Licenses

Planned Exploration Program for 2006

- ◊ There are several zones of co-incident base metal anomalies that require follow-up sampling as a first step in the evaluation process. A Chalcophyle Index is currently in preparation to assist in the prioritization of these zones.

- ◊ Exploratory drilling of suspected base metal deposits to determine their nature, composition and size

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Annual Information **(in US dollars)**	**Nine Months Ended** Dec.31 2005	**Fiscal Year** Mar. 31 2005	Mar. 31 2004
Total Revenues	--	--	--
Loss before Non-controlling Interest	470,811	620,822	405,814
Basic and diluted loss per share - cents	$0.04	$0.07	$0.06
Non-controlling Interest	--	--	--
Net Loss for the Year	470,811	620,822	405,814
Basic and diluted loss per share - cents	$0.04	$0.07	$0.06
Total Assets	2,032,426	2,087,421	1,010,432
Total long term liabilities	280,642	237,008	213,549
Cash dividends declared	--	--	--

QUARTERLY INFORMATION

The quarterly results have been as follows:

(in US dollars)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal Year 2005 (ended March 31, 2005)				
Total Revenues	--	--	--	--
Loss for the period	75,106	185,742	113,981	245,993
Basic and diluted loss per share - cents	$0.01	$0.02	$0.01	$0.03
Total Assets	1,422,230	1,408,529	1,842,605	2,087,421
Total long term liabilities	213,549	237,245	237,245	237,008
Fiscal Period 2005* (ended December 31, 2005)				
Total Revenues	--	--	--	
Loss for the period	83,068	190,070	197,673	
Basic and diluted loss per share - cents	$0.01	$0.02	$0.02	
Total Assets	2,171,006	2,166,670	2,032,426	
Total long term liabilities	294,236	294,236	280,642	
* Transitional period for year end change to December 31				
Fiscal Period 2006 (ended December 31, 2006)				
Total Revenues	--			
Loss for the period	156,252			
Basic and diluted loss per share - cents	$0.01			
Total Assets	2,689,555			
Total long term liabilities	289,490			

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2006, the Company had net working capital of $769,557 (December 31, 2005: $296,541), which included cash and equivalents $513,164 (December 31, 2005: 289,810). These funds are managed in-house in accordance with specific investment criteria approved by the board of directors, the primary objective being the preservation of capital to assure funding for exploration activities. The Company does not hedge its activities or otherwise use derivatives. At year end the Company did not have any material contractual obligations. The Company is required to spend a minimum on prospecting over the period of its licenses (Newdico: $1.9million, Gcwihaba: $0.34million). To date in the Newdico project, it has spent in excess of its requirement. Currently the Company has ordered a mobile diamond core drill rig and transport at a cost of $650,400 and is expecting delivery at the beginning of the second quarter of 2006.

Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short maturities of these instruments. 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 for the first three months increased from $226,491 in March 31, 2005 to $329,387 for the period ended March 31, 2006. Operating activities represented, are those typical for junior public exploration companies, including corporate consulting fees, legal and accounting services, investor relation activities and office and administration.

Investing Activities

Cash flow applied in investing activities increased to $204,925 for the three months ended March 31, 2006 (March 31, 2005: $39,329). $105,461 was spent on exploration activity (March31, 2005: 40,873). All expenditures on exploration properties for the three months ended March 31, 2006 were attributable to the Newdico and Gcwihaba projects in northwest Botswana and included the 19% share funded by the Trans Hex Group for the Newdico project. $99,464 was spent on acquiring support vehicles. The Company has ordered a mobile diamond core drill rig and transport at a cost of $650,400 and is expecting delivery at the beginning of the second quarter of 2006.

In February 2006, the board of directors of Newdico approved an exploration program and budget for the period April 2006 to December 31, 2006 that calls for expenditures totaling approximately Pula 11.6 million (approximately $2.2 million as of March 20, 2006). Trans Hex Group is presently responsible for funding 19% of the expenses of this company. The approved exploration program includes provision for additional soil sampling, airborne and ground magnetics and ground gravity surveying, geophysical interpretation, and drilling equipment.

The required third year of the diamond exploration program expenditures, including license fees, for Gcwihaba amount to approximately Pula 0.42 million (approximately $0.07 million as of April 27, 2006). Gcwihaba’s expenditures will exceed this required amount. The required expenditure in the first year of the base metal exploration program amounts to approximately Pula 0.20 million (approximately $0.04 million as of April 27, 2006). As with previous years, Gcwihaba expects to meet or exceed this requirement.

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) finance 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 of the Company, 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 years from the date of issuance.

During the first quarter, the Company issued, through non-brokered private placements:

1) 468,776 units of the Company at a price of $1.07 (C$1.25) per unit for gross proceeds to the Company of $500,000. Each unit consists of one common share of the Company and one warrant of the Company, each warrant entitling the holder to purchase one common share of the Company at a price of C$1.00 for a period of two years. The common shares, warrants and warrant shares are subject to a hold period of 12 months, as agreed to by the parties, expiring on January 27, 2007.

2) 319,108 units of the Company at a price of $0.78 (C$0.90) per unit for gross proceeds to the Company of $250,000. Each unit consists of one common share of the Company and one warrant of the Company, each warrant entitling the holder to purchase one common share of the Company at a price of C$1.00 for a period of two years. The common shares, warrants and warrant shares are subject to a statutory hold period of 4 months, as agreed to by the parties, expiring on June 21, 2006.

Tsodilo expects to raise the amounts required to fund its 81% share of the Newdico project, the Gcwihaba projects and corporate general and administration expenses, by way of negotiated non-brokered private placements.

RESULTS OF OPERATIONS

On a consolidated basis Tsodilo recorded a net loss of $156,252 in the first quarter ended March 31, 2006 ($0.01 cents per common share) compared to a net loss of $245,993 for the first quarter ended March 31, 2005 ($0.04 cents per common share). The single largest expense was the book entry reflecting the accounting valuation (in terms of the Black-Scholes option pricing model) of the options issued to directors, officers and consultants that vested during the period, of $66,960 for the three month period. This compares with the expensing of $62,115 for the same period the previous year. Eliminating the effect of non-cash charges relating to stock-based compensation and the effects of foreign exchange gains and losses totaling $51,463 for the three month period ended March 31, 2006 (March 31, 2005: $104,650), general and administration expenses at December 31, 2005 amounted to $104,789 compared with $141,343 at March 31, 2005 after eliminating these items. This decrease was due to a reduction in legal expenses and corporate remuneration.

PERSONNEL

At March 31, 2006 the Company and its subsidiaries employed the same number of personnel (7) as at December 31, 2005 and March 31, 2005, including senior officers, administrative and operations personnel including those on short-term contract bases. Individual components of the exploration program, such as soil sampling, geophysical surveying and reverse circulation drilling, are contracted out to independent third parties operating under the control and direction of the Company's subsidiaries' Managing Director, James M. Bruchs, and the Company's Exploration Vice President, Peter W. A. Walker.

RISKS AND UNCERTAINTIES

Tsodilo's primary objective is the discovery of an economic kimberlite diamond deposit capable of rapid advancement to feasibility stage and ultimate development as a producing property. The discovery of a kimberlite is only the first step in the exploration process. Subsequent evaluation begins with caustic fusion diamond analysis of the kimberlite and, if results warrant, continues through progressively larger mini-bulk and bulk samples in order to make an increasingly accurate determination of the content and quality of the diamonds. Early stages of kimberlite evaluation provide an initial qualitative assessment rather than an accurate indication of either the grade of the ore body or the value per carat of the diamonds. Collection of larger bulk samples and formal appraisal of a commercial-size parcel of diamonds are necessary to make an accurate determination of these parameters. At any stage in the process, the results may indicate that the deposit lacks the required economic value.

Capital Requirements

In the absence of cash flow from operations, Tsodilo relies on capital markets to fund its operations. The ongoing exploration and eventual successful development of a diamond mine would require significant additional financing. There can be no assurance that adequate funding will be available, or available under terms favorable to the Company, for these purposes when ultimately required. The exploration and development of mineral deposits involve significant financial risks over an extended period of time. Even a combination of careful evaluation, experience and knowledge may not eliminate these risks. While discovery of a diamond deposit may result in substantial rewards, few exploration properties ultimately become producing mines.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet financing arrangements.

Exploration Risks

The Company's operations are subject to all the hazards and risks normally incident to the exploration, development and mining of diamond deposits, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. Whether a diamond deposit will ultimately be commercially viable depends on a number of factors, including the particular attributes of the deposit such as the deposit's size; the quality and quantity of the diamonds; its proximity to existing infrastructure; financing costs and the prevailing prices for diamonds. Also of key importance are government regulations, including those relating to prices, taxes, royalties, land tenure, land use, the importing and exporting of diamonds and production plant and equipment, and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of them may impede the development of a deposit or render it uneconomic.

At this time, the major portion of the Company's exploration activity is carried out in partnership with another party. Doing so allows the Company to maximize its exposure to promising exploration opportunities, to manage the risks inherent in diamond exploration, and to optimize its use of financial and management resources.

Currency Risks

The Company's financing has generally been received in United States dollars while significant portions of its operating expenses has been and will be incurred in Botswana Pula. On May 29, 2005, the Botswana Minister of Finance and Development Planning announced a 12% devaluation of the pula against a basket of currencies, as well as a change in the system of exchange-rate adjustments to a crawling peg rather than the discrete steps previously used, in order to improve Botswana's competitiveness. This action has stabilized the current pula / dollar rates similar to those in 2002.

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.

ACCOUNTING STANDARDS

Tsodilo follows Canadian generally accepted accounting principles. In line with accepted industry practice, the Company has adopted the policy of deferring property specific acquisition and exploration costs. Deferred costs relating to properties that are relinquished, or where continued exploration is deemed inappropriate, are written off in the year such assessment is made. If Tsodilo adopted a policy of expensing all exploration costs, the Company's asset base, shareholders' equity, and loss from operations would be materially different.

Related Party Transactions

The Company has not entered into related parties transactions during the three month period ended March 31, 2006 and the nine month fiscal period ended December 31, 2005.

OUTLOOK

Diamond exploration remains a high-risk undertaking requiring patience and persistence. Despite difficult capital markets in the junior resource sector, the Company remains committed to international diamond exploration through carefully managed programs. Peter W. A. Walker, a professional geologist registered with the South African Council for Natural Scientific Professions is the qualified person responsible for the design and conduct of the Company's exploration programs.

ADDITIONAL INFORMATION

Additional information relating to Tsodilo Resources Limited is available on its website 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.

L. Kirk Boyd

Chief Financial Officer

April 27, 2006

TSODILO RESOURCES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006

(expressed in United States dollars)

Unaudited – Prepared by Management

CONTENTS:

These interim financial statements have not been subjected to a review by the Company's external auditors.

TSODILO RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS

(in United States dollars)

(MANAGEMENT PREPARED)

	March 31 2006	December 31 2005
ASSETS		
Current		
Cash and equivalents	**513,164**	289,810
Deposits on equipment	**244,200**	
Amounts receivable & prepaid expense	**22,271**	28,055
	779,636	317,865
Exploration Properties	**1,785,077**	1,679,616
Property, Plant and Equipment	**124,842**	34,945
	$ 2,689,555	$ 2,032,426
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	**10,079**	21,324
NON-CONTROLLING INTEREST	**289,490**	280,642
SHAREHOLDERS' EQUITY		
Share Capital	**26,966,990**	26,218,172
Warrants	**140,112**	140,112
Contributed Surplus	**6,090,783**	6,023,823
Cumulative Translation	**(837,425)**	(837,425)
Deficit	**(29,970,474)**	(29,814,222)
	2,389,986	1,730,460
	$ 2,689,555	$ 2,032,426

TSODILO RESOURCES LIMITED
CONSOLIDATED STATEMENT OF DEFICIT
(in United States dollars)

	For the Three Month Period Ended	
	March 31 2006	March 31 2005
Deficit at beginning of the period	**$ (29,814,222)**	$ (29,097,418)
Loss of the period	**(156,252)**	(245,993)
Deficit at the End of the Period	**$ (29,970,474)**	$ (29,343,411)

TSODILO RESOURCES LIMITED
CONSOLIDATED STATEMENT OF OPERATIONS
(in United States dollars)

	For the Three Month Period Ended March 31 2006	March 31 2005
REVENUES	**$ -**	$ -
EXPENSES		
Consulting fees	**-**	2,710
Corporate remuneration	**40,991**	62,975
Corporate travel and subsistence	**13,312**	12,001
Investor relations	**30,582**	11,984
Legal and audit	**362**	38,137
Office and administration	**16,368**	11,967
Amortization	**3,174**	1,569
Foreign exchange loss/(gain)	**(15,497)**	42,535
Stock-based compensation	**66,960**	62,115
Loss before non-controlling interest	**156,252**	245,993
Non-controlling interest	**-**	-
Loss for period	**156,252**	245,993
Basic and diluted loss per share	**$ 0.02**	$ 0.04

TSODILO RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in United States dollars)

	For the Three Month Period Ended	
	March 31, 2006	March 31 2005
CASH PROVIDED BY/(USED IN)		
OPERATING ACTIVITIES		
Loss for the period	**(156,252)**	(245,993)
Adjustments for non-cash items:		
Foreign exchange adjustment	**(15,497)**	(41,597)
Amortization	**3,174**	1,688
Stocked-based compensation	**66,960**	162,756
	(101,616)	(123,146)
Net change in non-cash working capital balances	**(227,771)**	(103,345)
	(329,387)	(226,491)
INVESTING ACTIVITIES		
Exploration properties	**(105,461)**	(40,873)
Disposals of/(additions to)	**(99,464)**	1,544
Property, Plant and Equipment	**(204,925)**	(39,329)
FINANCING ACTIVITIES		
Issue of Common Shares	**748,818**	479,342
Contribution from Non-Controlling Interest	**8,848**	-
	757,666	479,342
Change in cash and equivalents - for period	**223,354**	213,522
Cash and equivalents - Beginning of period	**289,810**	424,283
Cash and equivalents - end of period	**$ 513,164**	$ 637,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2006 and 2005
(in United States dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Tsodilo Resources Limited ("Tsodilo" or the "Company") is an international diamond exploration company engaged in the process of exploring its mineral properties in northwest Botswana. The Company has not yet determined whether these properties contain reserves that can be economically mined. As an exploration stage company, the recoverability of amounts shown for exploration expenditures is dependent upon the discovery of reserves that can be economically mined, the securing and maintenance of the interests in the properties, the ability of the Company to obtain the necessary financing to complete the development, and future production or proceeds from the disposition thereof. The Company is also actively reviewing additional opportunities within southern Africa.

As at March 31, 2006, the Company reported an accumulated deficit of $29,970,474 (March 31, 2005: $29,343,411) and cash outflows from operations of $329,387 (2005: $226,491) for the three month period then ended. The cash position of the Company is insufficient to finance continued exploration. The continuity of the Company's operations is dependent on Tsodilo raising future financing for working capital, the continued exploration and development of its properties, and for acquisition and development costs of new project opportunities. There can be no assurance that adequate financing will be available, or available under terms favorable to the Company. These financial statements have been prepared on a going concern basis that assumes the continuity of operations and realization of assets and settlement of liabilities in the normal course of business. 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.

2. NOTICE OF NO AUDITOR REVIEW OF FINANCIAL STATEMENTS

Under National Instrument 51-102 "Continuous Disclosure Requirements", Part 4, Subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financials have not been reviewed by an auditor.
The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor, KPMG, Inc., has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation and preparation of the financial statements

The consolidated financial statements have been presented in US dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its direct and indirect subsidiaries. All inter-company transactions and balances have been eliminated.

Change in reporting currency

Management have elected to change the reporting currency of the Company from Canadian to United States dollars, as this more accurately reflects the requirements of the Company's investors and other users of the financial statements. Accordingly, the financial statements for the period ended March 31, 2006 and the fiscal year ended December 31, 2005 have been presented in US dollars, and the financial statements from prior periods have been represented in US dollars to provide information on a consistent basis. The change in reporting currency did not have a material impact on the reported results for prior periods.

Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates are related to the recoverability of exploration expenditures, fixed assets and contingencies. Actual results could differ from those estimates.

Exploration properties

All costs relating to the acquisition, exploration and development of non-producing mining properties are capitalized as incurred. Some of the exploration activities of the Company are conducted jointly with others and accordingly, where the arrangements are of a joint venture nature; these financial statements reflect only the Company's proportionate interest in these activities. The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular properties.

If a property proceeds to development, these costs become part of preproduction and development costs of the mine and will be amortized over the expected life of the mine. If a property is abandoned, sold or continued exploration is not deemed appropriate in the foreseeable future or when other events and circumstances indicate that the carrying amount may not be recovered, the related costs and expenditures are written down to the net recoverable amount at the time the determination is made. Proceeds from the sale of exploration properties are credited to the costs of the relevant property.

Exploration costs that do not relate to specific non-producing mining properties are expensed as incurred.

Amortization

Property, plant and equipment are amortized principally on a straight-line basis over their estimated useful lives of three to ten years. Property, plant and equipment awaiting installation on site are not amortized until they are commissioned, but are reviewed for impairment and if deemed impaired, an impairment loss is measured and recorded based on the net recoverable value of the asset.

Foreign currency translation

The US dollar is the currency in which the financial statements are presented. Foreign currency transactions and balances, and the financial statements of foreign operations, all of which are integrated, are translated into US dollars using the temporal method. Under this method, monetary assets and liabilities of the Company and its subsidiaries denominated in foreign currencies are translated into US dollars at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the historical rates. Revenue and expense items are translated at the average rate prevailing during the year, except for depreciation, depletion, amortization and write downs, which are translated at the same exchange rates as the assets to which they relate with gains and losses arising on settlement recognized in the statement of operations. Gains and losses on translation from functional currencies into US dollars are reflected in cumulative translation account.

4. EXPLORATION PROPERTIES

These may be summarized as follows:

	Newdico Botswana	Gcwihaba Botswana	Total
	$	$	$
Balance at March 31, 2005	1,260,547	136,092	1,396,639
Apr. to Dec. 2005 expenditures	239,505	43,472	282,977
Balance at December 31, 2005	1,500,052	179,564	1,679,616
Jan. to Mar. 2006 expenditures	98,999	6,462	105,461
Balance at March 31, 2006	1,599,051	186,026	1,785,077

5. SHARE CAPITAL

(a) Common Shares

Authorized

The authorized capital stock of the Company comprises an unlimited number of common shares.

Issued and outstanding

Details of the issued and outstanding common shares are as follows:

	Shares (number)	Amount (dollars)
Issued and outstanding at December 31, 2005	11,045,045	26,218,172
Shares issued on private placement	787,884	748,818
Issued and outstanding at March 31, 2006	11,832,929	26,966,990

(b) Warrants

As at March 31, 2006, the following warrants were outstanding:

		Number of Warrants			Value		
Expiry Date	Exercise Price	Opening	Issued/ (Exercised)/ (Expired)	Closing	Opening (dollars)	Issued/ (Exercised)/ (Expired)	Closing (dollars)
May 26, 2005	C$0.50	**241,710**	**(241,710)**	**---**	**46,292**	**(46,292)**	**---**
August 17, 2005	C$0.50	**139,789**	**(139,789)**	**---**	**14,752**	**(14,752)**	**---**
September 29, 2005	C$0.50	**268,556**	**(268,556)**	**---**	**31,901**	**(31,901)**	**---**
June 1, 2006 (i)	C$0.75	**65,024**	**---**	**65,024**	**14,164**	**---**	**14,164**
October 14, 2006 (ii)	C$1.12	**56,969**	**---**	**56,969**	**20,156**	**---**	**20,156**
November 8, 2006 (iii)	C$2.35	**26,668**	**---**	**26,668**	**20,622**	**---**	**20,622**
March 4, 2007 (iv)	C$1.15	**230,785**	**---**	**230,785**	**85,170**	**---**	**85,170**
		1,029,501	**(650,055)**	**379,446**	**233,057**	**(92,945)**	**140,112**

During the period no warrants were exercised.

(c) **Contributed Surplus**

As at December 31, 2005	6,023,823
Relating to the issue of stock options	66,960
As at March 31, 2006	6,090,783

(d) **Stock Option Plan**

Outstanding stock options granted to directors, officers and employees at March 31, 2006 were as follows:

Expiry	**Price**	**Outstanding March 31, 2006**	**Exercisable Options**
June 24, 2007	C$0.15	100,000	100,000
September 18, 2007	C$0.23	100,000	100,000
December 31, 2007	C$0.41	50,000	50,000
July 8, 2008	C$0.50	100,000	100,000
January 1, 2009	C$0.75	60,000	60,000
August 31, 2009	C$0.75	210,000	210,000
January 3, 2010	C$1.85	85,000	63,750
August 19, 2010	C$1.25	280,000	140,000
January 3, 2011	C$1.25	85,000	21,250
		1,070,,000	845,000

Weighted average exercise price

- outstanding **$0.86**
- exercisable **$0.75**

6. INCOME TAXES

The company uses the asset and liability method of accounting for income tax. Assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

7. LOSS PER SHARE

Loss per share is based on a weighted average number of common shares outstanding of 10,891,085 for period ended March 31, 2006(2005: 9,136,737). Diluted loss per share assumes that outstanding stock options and warrants are exercised at the beginning of the period (or at the time of issuance, if later) and the proceeds used to purchase common stock at the then ruling closing price. The effect of conversion in computing diluted per share amounts for the period ended March 31, 2006 and 2005 is anti-dilutive.

8. RELATED PARTY TRANSACTIONS

During the period, the Company did not enter into transactions with related parties

9. SEGMENTED INFORMATION

Substantially all working capital balances of the Company are situated at the head office in Canada and in Botswana. Materially all of the Company's property plant and equipment is presently located in Canada ($7,941) and Botswana ($116,901).

10. COMMITMENTS

Minimum lease payments for leased equipment or space are as follows:

2006	**0**