Management's Discussion and Analysis

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 2007 together with the Annual Report for the year ended December 31, 2006. 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, 2007 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. This management's discussion and analysis has been prepared as at May 24, 2007.

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 May 24, 2007, 13,844,500 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, 1,880,000 options remain outstanding of which 1,187,500 are exercisable at exercise prices ranging from Canadian $0.15 - $1.85. If all options were vested and exercised, 1,880,000 common shares of the Company would be issued.

As of May 24, 2007, 2,930,240 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 $0.70 - $2.35 for a period of two years from the date of issuance. If converted, 2,930,240 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 2,645,983 or 19.11% of the issued and outstanding common shares as of May 24, 2007. John R. Redmond, a Director of the Company, currently owns, controls or directs 1,903,647 or 13.75% of the issued and outstanding shares as of May 24, 2007 and the Firebird Global Master Fund, Ltd. controls 1,875,630 or 13.55% of the issued and outstanding shares as of May 24, 2007.

Subsidiaries

The Company has an 91% 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 (9%) 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 (Pty) Limited ("Newdico")

The exploration 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 kimberlite indicator minerals ("KIM") and diamond deposits at Tsumkwe and Omatako. Our program for 2007 will include the following:

- Drill evaluation of 10 high-priority targets in the Nxau Nxau kimberlite field.
- Drill evaluation of 4 previously discovered diamondiferous kimberlites in the Nxau Nxau field for petrography and KIM chemistry analysis.
- The Company will commence a drill program to collect 100 tons of kimberlite for macro diamond analysis if the KIM chemistry of kimberlite A15 (5) is favorable. A decision is expected in the 2nd quarter of 2007.

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 and tested for diamond in the Nxau Nxau field are known to be diamondiferous.

GCWIHABA Resources (Pty) Limited ("Gcwihaba")

Diamond Licenses

Planned Exploration Program for 2007

• Drill evaluation of eight priority targets in the Gcwihaba area schedule for the 4th quarter.

Base and Precious Metals Licenses

Planned Exploration Program for 2007

• 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 has been prepared and is currently being reviewed by the Company's currently in preparation to assist in the prioritization of these zones for further drill testing.

• Exploratory drilling of suspected base metal deposits to determine their nature, composition and size will take place in the 3rd quarter.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2007, the Company had net working capital of $95,555 (2006: $769,557), which included cash and equivalents $109,579 (2006: $513,164). 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: $1.9 million, Gcwihaba: $0.34 million). To date, the Company has exceeded this requirement in the Newdico project.

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 decreased from $329,387 in March 31, 2006 to $16,347 for the period ended March 31, 2007. 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 decreased to $151,392 for the first three months ended March 31, 2007 (2006: $226,491). $193,540 or 99.25% of the exploration expenditures were spent on the Newdico properties and $1,454 or 0.75% of the expenditures were on the Gcwihaba properties. Total expenditures of $194,994 (including non cash deferred amortization costs of $44,762) on exploration properties for the period ended March 31, 2007 were attributable to the Newdico and Gcwihaba projects in northwest Botswana and included the 9% share funded by the Trans Hex Group for the Newdico project.

In November 2006, the board of directors of Newdico approved an exploration program and budget for the period January 1, to December 31, 2007 that calls for expenditures totaling approximately Pula 10.6 million (approximately $1.8 million as of May 24, 2007). Trans Hex Group is presently responsible for funding 9% 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.

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 May 24, 2007). 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 $0.03 million as of May 24, 2007). 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:

(i) On February 13, 2007, the Company completed a non-brokered private placement. 141,516 units of the Company (the "Units") were issued at a price of $0.68 (C$0.80) per Unit for proceeds to the Company of $95.869. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of $0.68 (C$0.80) for a period of two years. The common shares, warrants and warrant shares are subject to a negotiated hold period of twelve (12) months, expiring on February 13, 2008 and the certificates evidencing such securities bear a legend to that effect.

(ii) On May 18, 2007, the Company completed a non-brokered private placement. 167,146 units of the Company (the "Units") were issued at a price of $0.72 (C$0.80) per Unit for proceeds to the Company of $120,000. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of $0.72 (C$0.80) for a period of two years. The common shares, warrants and warrant shares are subject to a negotiated hold period of twelve (12) months, expiring on May 18, 2008 and the certificates evidencing such securities bear a legend to that effect.

Tsodilo expects to raise the amounts required to fund its 91% 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 $97,193 in the first quarter ended March 31, 2007 ($0.01 cents per common share) compared to a net loss of $156,252 for the first quarter ended March 31, 2006 ($0.01 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 $52,000 for the three month period. This compares with the expensing of $66,960 for the same period the previous year. Decreases in salary, investor relations and office expenses were partially offset by increases in legal and audit.

ANNUAL INFORMATION

(in US dollars)

	Fiscal Year Dec.31 2006	**Nine Months Ended** Dec.31 2005	**Fiscal Year** Mar. 31 2005
Total Revenues	--	--	--
Loss before Non-controlling Interest	541,132	470,811	620,822
Basic and diluted loss per share - cents	$0.04	$0.04	$0.07
Non-controlling Interest	--	--	--
Net Loss for the Year	541,132	470,811	620,822
Basic and diluted loss per share - cents	$0.04	$0.04	$0.07
Total Assets	3,472,693	2,032,426	2,087,421
Total long term liabilities	245,491	280,642	237,008
Cash dividends declared	--	--	--

QUARTERLY INFORMATION
(in US dollars)

	Quarter 1	**Quarter 2**	**Quarter 3**	**Quarter 4**
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 Year 2006 (ended December 31, 2006)				
Total Revenues	--	--	--	--
Loss for the period	156,252	234,194	89,720	60,966
Basic and diluted loss per share - cents	$0.01	$0.02	$0.01	$0.00
Total Assets	2,689,555	2,891,225	3,278,118	3,472,693
Total long term liabilities	289,490	235,769	219,441	245,491
Fiscal Year 2007 (ended December 31, 2007)				
Total Revenues	--			
Loss for the period	97,193			
Basic and diluted loss per share - cents	$0.01			
Total Assets	3,491,244			
Total long term liabilities	225,763			

PERSONNEL

At March 31, 2007 the Company and its subsidiaries employed eighteen (18) personnel as compared to seven personnel at March 31, 2006, including senior officers, administrative and operations personnel including those on short-term contract bases.

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.

Changes in Accounting Policies including Initial Adoption

There were no changes in accounting policies for the interim period ended March 31, 2007.

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.

Over the next five years the CICA will adopt its new strategic plan for the direction of accounting standards in Canada which was ratified in January 2006. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Report Standards (IFRS) over the next five years. The Company continues to monitor and assess the impact of the planned convergence of Canadian GAAP with IFRS.

DISCLOSURE CONTROLS

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as at March 31, 2007, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would have been known to them.

RELATED PARTY TRANSACTIONS

In April 2007, the Company borrowed $60,000 on an interim basis from a person who is an officer and director of the Company. The loan had no interest rate, no maturity date, and no terms of repayment. The $20,000 loan has been repaid as at May 24, 2007.

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.

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.

TSODILO RESOURCES LIMITED

INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD
ENDED MARCH 31, 2007

(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)
(unaudited - Management prepared)

	March 31	December 31
	2007	2005
ASSETS		
Current		
Cash and equivalents	**109,579**	201,177
Amounts receivable and prepaid expenses	**13,109**	53,055
	122,688	254,232
Exploration Properties *(note 3)*	**2,619,112**	2,424,118
Property, Plant and Equipment *(note 4)*	**749,444**	794,343
	3,491,244	3,472,693
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**28,133**	40,530
NON-CONTROLLING INTEREST *(note 3)*	**225,763**	245,491
SHAREHOLDERS' EQUITY		
Share Capital *(note 5)*	**27,088,200**	27,024,564
Warrants *(note 5)*	**965,746**	1,018,683
Contributed Surplus *(note 5)*	**6,473,374**	6,336,204
Cumulative Translation *(note 2)*	**(837,425)**	(837,425)
Deficit	**(30,452,547)**	(30,355,354)
	3,237,348	3,186,672
	3,491,244	3,472,693

Going Concern *(note 1)*

Subsequent events *(note 5)*

Commitments *(note 9)*

Tsodilo Resources Limited
Consolidated Statements of Operations

(in United States dollars)

(unaudited - Management prepared)

	For the Thee Month Period Ended	
	March 31	March 31
	2007	2006
Expenses		
Corporate remuneration	**26,000**	40,991
Corporate travel and subsistence	**428**	13,312
Investor relations	**7,146**	17,887
Legal and audit	**1,779**	362
Filing and regulatory fees	**11,115**	12,695
Office and administration	**3,886**	16,368
Amortization	**1,297**	3,174
Foreign exchange loss	**(6,458)**	(15,497)
Stock-based compensation *(note 5)*	**52,000**	66,960
	97,193	156,252
Loss before non-controlling interest	**(97,193)**	(156,252)
Non-controlling interest	**-**	-
Loss for the period	**(97,193)**	(156,252)
Basic and diluted loss per share - cents (note 7)	**$ (0.01)**	**$ (0.01)**

Consolidated Statements of Deficit

(in United States dollars)

(unaudited - Management prepared)

	For the Thee Month Period Ended	
	March	March
	2006	2005
Deficit – Beginning of period	**(30,355,354)**	(29,814,222)
Loss for the period	**(97,193)**	(156,252)
Deficit - End of Period	**(30,452,547)**	(29,970,474)

Tsodilo Resources Limited
Consolidated Statements of Cash Flows

(in United States dollars)

(unaudited - Management prepared)

	For the Thee Month Period Ended	
	March 31	March 31
	2007	2006
Cash provided by (used in):		
Operating Activities		
Loss for the year	**(97,193)**	(156,252)
Adjustments for non-cash items:		
Foreign exchange adjustment		(15,497)
Amortization	**1,297**	3,174
Stock-based compensation *(note 5)*	**52,000**	66,960
	(43,896)	(101,615)
Net change in non-cash working capital balances	**27,549**	(227,771)
	(16,347)	(329,386)
Investing Activities		
Exploration properties	**(150,232)**	(105,461)
Disposals of / (Additions to) Property, Plant and Equipment	**(1,160)**	(99,464)
	(151,392)	(204,925)
Financing Activities		
Issue of common shares	**95,869**	748,818
Contribution from non-controlling interest	**(19,728)**	8,848
	76,141	757,666
Change in cash and equivalents - For the period	**(91,598)**	223,355
Cash and equivalents - Beginning of period	**201,177**	289,810
Cash and equivalents - End of period	**109,579**	513,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2007 and 2006
(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, 2007, the Company reported an accumulated deficit of $30,452,547 (March 31, 2006: $29,970,474) and cash outflows from operations of $16,347 (2006: $329,386) 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.

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 Company's functional and reporting currency is the US dollar. The Company's subsidiaries are accounted for as integrated foreign operations. Transactions of the Company and its subsidiaries originating in foreign currencies are translated at the rates in effect at the time of the transaction. Monetary items are denominated in foreign currencies are translated to US dollar at exchange rates in effect at the balance sheet dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. 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. Foreign exchange gains and losses are included in the statement of operations.

4. EXPLORATION PROPERTIES

These may be summarized as follows:

	Newdico Botswana	Gcwihaba Botswana	Total
	$	$	$
Balance at December 31, 2005	**1,500,052**	**179,564**	**1,679,616**
Jan. to Dec. 2006 expenditures	693,394	51,108	744,502
Balance at December 31, 2006	**2,193,446**	**230,672**	**2,424,118**
Jan. to Mar. 2007 expenditures	193,540	1,454	194,994
Balance at March 31, 2007	**2,386,986**	**232,126**	**2,619,112**

5 PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	Book value
December 31, 2006			
Vehicles	**887,855**	**132,387**	**755,468**
Furniture and Equipment	**76,484**	**37,609**	**38,875**
	964,339	**169,996**	**794,343**
March 31, 2006			
Vehicles	**887,855**	**172,937**	**714,918**
Furniture and Equipment	**77,644**	**43,118**	**34,526**
	965,499	**216,055**	**749,444**

6. 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 $
Issued and outstanding at December 31, 2005	11,045,045	26,218,172
On private placement for cash (i)	468,776	499,990
On private placement for cash (ii)	319,108	248,828
On private placement for cash (iii)	649,984	405,441
On private placement for cash (iv)	161,586	100,000
On private placement for cash (v)	791,339	485,648
Ascribed to warrants issued (b)	-	(933,515)
Issued and outstanding at December 31, 2006	13,435,838	27,024,564
On private placement for cash (vi)	141,516	95,869
Ascribed to warrants issued (b)	-	(32,233)
Issued and outstanding at March 31, 2007	13,577,354	27,088,200

6. **SHARE CAPITAL (cont'd)**

Private Placements

(i) On January 27, 2006, the Company completed a non-brokered private placement. 468,776 units of the Company (the "Units") were issued at a price of $1.09 (C$1.25) per Unit for proceeds to the Company of $500,000. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of $0.87 (C$1.00) for a period of two years. The common shares, warrants and warrant shares are subject to a negotiated hold period of twelve (12) months, expiring on January 27, 2007 and the certificates evidencing such securities bear a legend to that effect.

(ii) On February 21, 2006, the Company completed a non-brokered private placement. 319,108 units of the Company (the "Units") were issued at a price of $0.78 (C$0.90) per Unit for proceeds to the Company of $250,000. Each Unit consists of one common share of the Company and half a warrant of the Company, each full such warrant entitling the holder to purchase one common share of the Company at a price of $0.87 (C$1.00) for a period of two years. The common shares, warrants and warrant shares are subject to a statutory hold period under securities laws of four (4) months, expiring on June 21, 2006 and the certificates evidencing such securities bear a legend to that effect.

(iii) On May 9, 2006, the Company completed a non-brokered private placement. 649,984 units of the Company (the "Units") were issued at a price of $0.63 (C$0.70) per Unit for proceeds to the Company of $410,943. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of $0.63 (C$0.70) for a period of two years. The common shares, warrants and warrant shares are subject to a negotiated hold period of twelve (12) months, expiring on May 9, 2007 and the certificates evidencing such securities bear a legend to that effect.

6. SHARE CAPITAL (cont'd)

(iv) On July 28, 2006, the Company completed a non-brokered private placement. 161,586 units of the Company (the "Units") were issued at a price of $0.62 (C$0.70) per Unit for proceeds to the Company of $100,000. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of $0.62 (C$0.70) for a period of two years. The common shares, warrants and warrant shares are subject to a negotiated hold period of twelve (12) months, expiring on July 28, 2007 and the certificates evidencing such securities bear a legend to that effect.

(v) On September 28, 2006, the Company completed a non-brokered private placement. 771,518 units of the Company (the "Units") were issued at a price of $0.63 (C$0.70) per Unit for proceeds to the Company of $485,646. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of $0.63 (C$0.70) for a period of two years. The common shares, warrants and warrant shares are subject to a statutory hold period under securities laws of four (4) months, expiring on January 27, 2007 and the certificates evidencing such securities bear a legend to that effect.

(vi) On February 13, 2007, the Company completed a non-brokered private placement. 141,516 units of the Company (the "Units") were issued at a price of $0.68 (C$0.80) per Unit for proceeds to the Company of $95.869. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of $0.68 (C$0.80) for a period of two years. The common shares, warrants and warrant shares are subject to a negotiated hold period of twelve (12) months, expiring on February 13, 2008 and the certificates evidencing such securities bear a legend to that effect.

6. SHARE CAPITAL (cont'd)

On May 18, 2007, the Company completed a non-brokered private placement. 167,146 units of the Company (the "Units") were issued at a price of $0.72 (C$0.80) per Unit for proceeds to the Company of $120,000. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of $0.72 (C$0.80) for a period of two years. The common shares, warrants and warrant shares are subject to a negotiated hold period of twelve (12) months, expiring on May 18, 2008 and the certificates evidencing such securities bear a legend to that effect.

(b) Warrants

As at March 31, 2007, the following warrants were outstanding:

		Number of Warrants			Value		
Expiry	**Exercise Price**	**Opening**	**Issued/ (Exercised) (Expired)**	**Closing**	**Opening (dollars)**	**Issued/ (Exercised) (Expired)**	**Closing (dollars)**
June 1, 2006	C$0.75	65,024	(65,024)	---	14,164	(14,164)	---
October 14, 2006	C$1.12	56,969	(56,969)	---	20,156	(20,156)	---
November 8, 2006	C$2.35	26,668	(26,668)	---	20,622	(20,622)	---
March 4, 2007	C$1.15	230,785	(230,785)	---	85,170	(85,170)	---
January 27, 2008	C$1.25	---	468,776	468,776	---	146,788	146,788
February 21, 2008	C$0.90	---	319,108	319,108	---	109,988	109,988
May 4, 2008	C$0.70	---	649,984	649,984	---	167,886	167,886
July 19, 2008	C$0.70	---	161,586	161,586	---	49,643	49,643
September 21, 2008	C$0.70	---	791,339	791,339	---	459,208	459,208
February 13, 2009	C$0.80	---	141,516	141,516	---	32,233	32,233
		3 79,4346	2,152,863	2,5,32,309	140,112	825,634	965,746

During the period no warrants were exercised.

(c) Contributed Surplus

As at December 31, 2005	6,023,823
Relating to the expiry of warrants	54,942
Relating to issue of stock options	257,439
As at December 31, 2006	6,336,204
Relating to the expiry of warrants	85,170
Relating to issue of stock options	52,000
As at March 31, 2007	6,473,374

(d) Stock Option Plan

Outstanding stock options granted to directors, officers and employees at March 31, 2007 were as follows:

Expiry	Price	Outstanding December 31 2006	Granted	(Cancelled)	Outstanding March 31 2007	
June 24, 2007	C$0.15	100,000	--	--	100,000	(i)
September 18, 2007	C$0.23	100,000	--	--	100,000	(i)
December 31, 2007	C$0.41	50,000	--	--	50,000	(ii)
July 8, 2008	C$0.50	100,000	--	--	100,000	(ii)
January 1, 2009	C$0.75	50,000	--	--	50,000	(ii)
August 31, 2009	C$0.75	250,000	--	--	250,000	(ii)
January 3, 2010	C$1.85	10,000	--	--	10,000	(ii)
August 19, 2010	C$1.25	260,000	--	--	260,000	(ii)
January 3, 2011	C$1.25	60,000	--	--	60,000	(ii)
April 27, 2011	C$0.70	300,000	--	--	300,000	(ii)
August 18, 2011	C$0.70	65,000	--	--	65,000	(ii)
November 1, 2011	C$1.00	50,000	--	--	50,000	(ii)
January 3, 2012	C$1.00	--	85,000	--	85,000	(ii)
		1,395,000	85,000	--	1,480,000	

	December31 2006	March 31 2007
Options exercisable at end of year	873,375	1,187,500
Weighted average exercise price		
- issued	C$0.76	C$0.77
- outstanding	C$0.80	C$0.80
- exercisable	C$0.79	C$0.80

All options have a term of five years.

(i) -These common share purchase options vest as to one-half immediately and one-half on the six-month anniversary of the date granted.

(ii) -These common share purchase options vest as to one-quarter immediately and one-quarter on each of the six-month, 12-month and 18-month anniversaries of the date granted.

- On April 30, 2007, 50,000 options were cancelled.
- On May 9, 2007, 550,000 options were granted to five directors and one employee at an exercise price of $0.80 per share and vested as to one-quarter immediately and one-quarter on each of the six-month, 12-month and 18-month anniversaries of the date granted. These options are valid for five years.
- On May 10, 2007, 100,000 options were exercised for gross proceeds of $17,171.

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 13,577,354 for period ended March 31, 2007 (2006: 10,891,085). 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, 2007 and 2006 is anti-dilutive.

8. 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 ($19,492) and Botswana ($944,857).

9. COMMITMENTS

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

2008	27,216
2009	27,216