TSODILO RESOURCES LIMITED
Management's Discussion and Analysis

FOR THE 3 AND 9 MONTHS ENDED SEPTEMBER 30, 2016

The Management's Discussion and Analysis has been authorized for release by the Company's Board of Directors on November 22, 2016

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements of the Company and the notes thereto for the periods ended September 30, 2016 and 2015. The Company's condensed interim 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 November 22, 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 November 22, 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, 3,346,390 options are outstanding of which 2,583,890 are exercisable at exercise prices ranging from CAD $0.70- $1.25.

Outstanding Options

Expiry Date	No. of Option Shares	Exercise Price (CAD)
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	$0.72
April 8, 2021	450,000	$0.79
Total	3,346,390	

As of November 22, 2016, 2,685,945 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
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	2,685,945	

If all warrants were converted, 2,685,945 common shares of the Company would be issued.

Principal Shareholders of the Company

The principal shareholders (greater than 5%) of the Company as of November 22, 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	3,378,408	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 3rd Q 2016

Subsidiaries

The Company holds a 100% interest in its Botswana subsidiary, Gcwihaba (Pty) Ltd ("Gcwihaba") which to date holds twenty-one (21) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West District of which seven (7) are currently in renewal; and, eight (8) radioactive mineral licenses located in the North-West District.

The Company holds has a 100% interest in its Botswana subsidiary, Bosoto (Pty) Limited ("Bosoto"), 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 Company holds a 100% interest in Newdico (Pty) Ltd ("Newdico") which provides administrative, operational, 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 PROJECT

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 September 30, 2016

PL number	Km ^{2}	Grant Date	Expiry date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term as of 6/30/16	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 9/30/2016
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					3,000		237,885,000#	23,070,600

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 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 (Damshtaa, Debswana); DK01 and DK02 (Letlhakane, Debswana); BK11 (Firestone Diamonds), are currently being or have been mined. Many others have proved to be diamond bearing.

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 in the Quarter

Geotechnical logging.

Geotechnical re-logging of four selected holes from BK16 (BK16_001V_A (119.50m), BK16_001V_B (217.00m), BK16_010V (236.60m) and BK16_ 011V (172.00m)), was completed and all the geotechnical data has now been captured allowing for some preliminary analysis and interpretation of these data.

The purpose of the re-log was to reconcile these holes to the recently modified geotechnical work procedure. These changes were necessary to address issues related to micro-roughness and kimberlites clay alteration. For the latter some of the intervals were given a kimberlite clay alteration rating of 0, which effectively means that there is no clay alteration in the kimberlite in this zone, while in reality there is.

Analysis of Intact Rock Strength (IRS) found that basalts (BST) and basalt large xenoliths (BSTxxx), while still altered, are the hardest materials at BK16. The average IRS for BST is above R3, which relates to an equivalent Uniaxial Compressive Strength (UCS) of >25 Mpa. It also has the lowest variability of all units when comparing the error bars at 1 standard deviation.

Of the kimberlite, VK3 (Volcaniclastic 3) is the hardest material. It is generally fresh and the least altered by serpentinization, and hence the lowest variability of all kimberlite units. In contrast VK2 is a far weaker unit with a larger variability, due mainly to the alteration and serpentinization of this unit. However, it should be noted that the IRS for VK3_W and VK2_W are similar but low. The volumetrically smaller kimberlite units VKxxx, CK1 and CB are generally weak with high variability. The friable CK1 is very weak due to the high degree of alteration, although this unit does contain some isolated stronger areas.

Of the other non-kimberlite units, KAS (Kalahari Sandstone) has a fairly high IRS with high variability, and UKA (Upper Karoo – Ntane Sst) and LKA (Lower Karoo - mudrock) are very weak units and also with a large range. The argillites of the LKA unit is the weakest unit at BK16.

Friability, a measure of the ease of removal of grains from a rock sample, was also analyzed. This is measured on rocks with Intact Rock Strength (IRS) of R2 or lower (i.e. <25 MPa). The following codes were assigned:

- Very Friable (VF) - when the rock crumbles between the fingers
- Fiable (FR) - when only few grains are removed when rubbing with fingers
- Compact (CO) - when grains cannot be removed with a scribe
- Non Friable (R3+) - refers to samples where friability was not measured due to high rock strength being >R3.

Friability relates strongly to the Intact Rock Strength (IRS) generally of a weak rock. From the analysis it was found that BSTxxx has the lowest % of the material was logged as 'friable', with LKA the most friable as it is clay rich and thus swells and disintegrates easily, with 59% being friable however mostly as a secondary alteration. Of the two main kimberlites lithologies, VK2 is a far more friable domain than VK3 and has a considerable proportion of overall friable 44% due to disintegration because of the high clay alteration. Of the sedimentary lithologies, the overall friability trends is as follows; LKA>UKA>KAS>

A more in depth interpretation of these data, including weathering profiles of the basalt and the kimberlite, will be presented in the final Geotechnical report.

Density measurements

Density measurements are an important part of any evaluation project and it important to complete this before embarking on bulk sampling. Some 1868 measurements were taken from the 20 NQ holes drilled in 2015 and this was completed. The following is a summary of the major findings of this work:

1. The varnish coated water immersion method was chosen for BK16 samples as it was determined to be the best method for accurate density determinations of weathered kimberlite.
2. 3,665 meters of core samples from 20 NQ holes drilled in 2015 were measured for density at a spacing of 2m. Between 20 and 30 cm of core was used for each measurement and a total of 1,868 measurements were made including QAQC samples.
3. A procedure to use a permanently submerged metal basket rather than plastic sacks was applied to avoid any bias due to buoyancy caused by the plastic sacks. This procedure resulted in a significant improvement of precision of the technique. It also drastically reduced the total error of the technique nearly tenfold.
4. As a consequence of removing the bias associated with the plastic sacks the average density of the kimberlite lithological units increased by around 2% using the metal basket.
5. The density measurement for each lithological unit has been established in this manner.

It shows that weathered kimberlite has a lower density that it's corresponding fresher unit. The Karoo Stormberg Basalt has the highest measured density of all units measured. The UKA unit (Upper Karoo Sediments), consisting of mainly loosely cemented Ntane Sandstone, has the lowest density values, even lower than the KAS (Kalahari Sandstone) unit which has a high calcrete content.

Histograms showing the density spread per lithological unit have been prepared and the report highlighted the following:

1. The Histogram for VK3 (Vocaniclastic Kimberlite Phase 3) shows a nice simple distribution. Whereas the histograms for VK3_W (Volcaniclastic Kimberlite Phase 3 Weathered), VKxxx (Volcaniclastic Kimberlite with a high percentage of country rock xenoliths), and CB (Contact Breccia) show far more variability and a larger spread of densities.
2. The spread of densities in the VK3_W lithological unit is due to weathering which created less dense material in certain parts of the kimberlite.
3. The variability in densities of the VKxxx and CB units show an almost bimodality which is likely due to the high degree of basalt country rock xenoliths that are contained in these units and the large difference in the densities of the kimberlite and the basalt xenoliths.

Tailing heaps on BK 16 site

The volume of the tailing heaps that have been left behind by the historical evaluation of the BK16 kimberlite have been calculated after these were mapped out using a hand-held GPS. Nine mounds yield an estimated volume of 767 m^3, giving an average mass of 1,534 tons of untreated and tailing material, using a density value of 2 g/cm^3. This is comparable to the 1,115 tons of cumulative treated material which came from the shaft in 1998 taking into account the loss of the minus 1 mm material prior treatment. These tons will be used to commission the plant and recovered diamonds will be added to the parcel of diamonds already in the Company's possession.

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

The Company's twenty-one Prospecting Licences have evolved with time into a package which covers some 8,694.60 km^2 excluding those seven licenses currently in renewal (Table 3).

Table 3
Gcwihaba Metal License Areas as at September 30, 2016

PL numbers	Km²	Grant Date	Expiry / Renewal date	Current Stage	Expenditure		Total Expenditure from Grant date and if held to Full License Term as of 6.30.2016	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 6.30.2016
PL 119/2005	--	--	--	In renewal	TBD	TBD	TBD	TBD
PL 051/2008	273.00	07/01/16	6/30/19	2nd renewal*	1,365	100,000	304,095	29,492
PL 052/2008	194.00	07/01/16	6/30/19	2nd renewal*	970	100,000	302,910	29,377
PL 386/2008	570.00	07/01/16	6/30/19	2nd renewal*	2,850	500,000	1,508,550	146,302
PL 387/2008	964.90	07/01/16	6/30/19	2nd renewal*	4,825	500,000	1,514,475	146,877
PL 388/2008	317.10	07/01/16	6/30/19	2nd renewal*	1,590	500,000	1,504,770	145,936
PL 389/2008	978.60	07/01/16	6/30/19	2nd renewal*	4,895	500,000	1,514,685	146,897
PL 390/2008	807.30	07/01/16	6/30/19	2nd renewal*	4,040	500,000	1,512,120	146,648
PL 391/2008	454.50	07/01/16	6/30/19	2nd renewal*	2,275	500,000	1,506,825	146,135
PL 392/2008	828.10	07/01/16	6/30/19	2nd renewal*	4,145	500,000	1,512,435	146,679
PL 393/2008	937.50	07/01/16	6/30/19	2nd renewal*	4,690	500,000	1,514,070	146,838
PL 394/2008	649.20	07/01/16	6/30/19	2nd renewal*	1,480	500,000	1,504,440	145,904
PL 395/2008	971.40	07/01/16	6/30/19	2nd renewal*	4,860	500,000	1,514,580	146,887

PL 595/2009	296.00	07/01/16	6/30/19	2nd renewal*	592	500,000	1,000,592	74,612
PL 596/2009	453.00	07/01/16	6/30/19	2nd renewal*	906	500,000	1,000,906	74,635
PL 597/2009	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 093/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 094/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 095/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 096/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 097/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
TOTAL	8,694.6				--	--	17,715,453	1,673,219

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" or "FQM"), 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 could 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.

2.2 XAUDUM MAGNETITE BANDED IRON FORMATION (XIF)

This Xaudum BIF is intimately associated with glacial diamictites and is the cause of the large Xaudum Magnetic Anomaly that extends over 35 km in a north-south direction with several magnetite bands that occur over a width of several kilometres. The deposit, which has an exploration target of between 5 and 7 billion tonnes of iron ore at grades ranging between 15 - 40%, was subdivided into several exploration blocks. Drilling on Block 1, at the northern part 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 with an Inferred Mineral Resource of 441 Mt grading 29.4% Fe, 41.0% SiO2, 6.1% Al2O3 and 0.3% P.

Tsodilo initiated drilling on the next exploration area, referred to as Block 2a, but delayed the completion thereof due to current iron-ore market conditions However, once completed, the resource definition of Block 2 will increase the resource to 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.

Discussions on the direct sale of the magnetite have also been undertaken with a South African commodity house which markets super high spec magnetite of over 69.5% Fe. This is used for manufacturing of dense media separation products such as magnetite and ferrosilicon, as well as other magnetite-based uses in the petrochemical market. The very high standard specifications of the magnetite attract a very high premium on normal iron ore sales. The feasibility of creating a small-scale magnetite mine to process the ore for this high-end market is being explored.

Michael Hurth a post-graduate student from the Colorado School of Mines in the USA, supervised by Dr Murray Hitzman, is completing a study on the genetic formation of this magnetite which compares and contrasts the Xaudum Iron Formation with similar age BIF deposits in Zambia and the Democratic Republic of Congo. A more in depth geological study of this deposit will be conducted with Rhodes University in Grahamstown in South Africa.

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.

Xaudum Copper Target generation

The grids of the concentration of the key elements (Cu, Ni, Co, Zn, Mo, Mn) in the metasediment (basalt removed) and proximity of these grids of the shears and shear junctions were normalized, which involves the realignment so that a grid algebra is possible and that the true targets stand out more clearly.

This process created grid stack layers based on the normalized total sums of the elements Cu, Co, Ni, Zn, Mn and Mo, the Sc-ratio, the maximum assay values from the metasediments, and from the overburden respectively. The structural data is important as many of the targets lie on shear junctions. The grid stacks consolidate the impact of controlling variables and have been used to define target outlines.

Target prioritization is based on:

1. The number of times the anomaly is repeated across the four stacks described above. For instance, if the same anomaly is found in all four stacks, it has a high priority; if it is found in only one stack, it has a lower priority.
2. The co-incidence or proximity to shear junction. If it is on a shear junction it has a very high priority. The priority decreases with distance from junction and shear.

Finally, the normalized proximity grids were mirrored so as to enable them to be incorporated into the prioritization process. The Cu distributions were examined per geological lithology and per geodomain, which enabled a prioritization ranking based on geology. Further grids were created for the target prioritization process: (Cu+Ni)/Sc, (Co+Mn)/Sc and (Zn+Mo)/Sc.

Priority indices and scores were set up for the geochemical, structural and geological (based on the percentage geology type in each target) controls. All of this information was processed to prioritize the 66 targets that have been identified through the various normalization methods. The target scores generated were based on - 1) geochemistry anomalies, shear junctions and shears intersected, and 2) all of these with the target geology. The final 22 priority targets can be grouped as follows: 8 priority-1 targets (red colour: P3 score 7.062 – 8.423), 6 priority-2 targets (orange colour: P3 score 6.0 – 6.428) and 9 priority-3 targets (yellow colour: P3 score 3.542 – 5.36). Of the remaining 44 targets, three fall into the priority 3-class. Two high priority targets (T17 and T20) need geological data for a robust P3 score, and geophysics will be used try to try and add this component.

Having finalized the identification and prioritization of the 22 Xaudum targets for future drilling all that remains is to allocate drill position to each of these targets which scheduled for the near future.

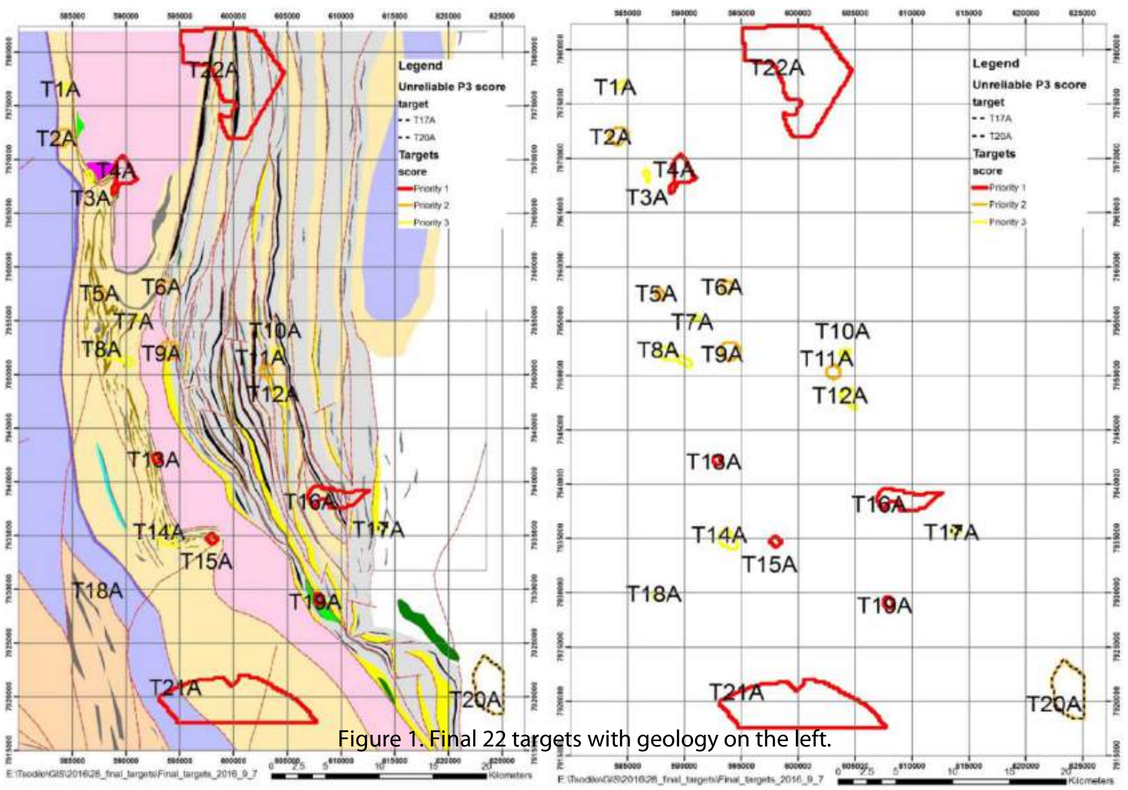

Figure 1. Final 22 targets with geology on the left.

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 6) and overlap some of the Gcwihaba metal permits.

Table 6.

Gcwihaba – Radioactive License Areas as at September 30, 2016

PL numbers	Km^2	Grant Date	Renewal date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term as at 6/30/2016	
					Rental Fee Per Annum (BWP)	Work Program Per Annum* (BWP)	BWP	USD as at 6/30/2016
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	86,435

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 (1,500 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 Khaudum drainages.

All the drill cores of the Nxaunxau kimberlites and surrounding areas were re-logged for studies to outline the extend of the Karoo cover in Ngamiland. Since the new A-cap uranium mine in Botswana is Karoo hosted the extend of the 'Beaufort rocks' is vital especially in areas where uranium has already been found in Karoo sandstone but also in calcretes in Ngamiland and meta-sediments in the Shakawe area. So far the following holes have been re-logged: KPH 1 -7, 1821 C3, B1, B4, B4/4, PD07, PD25, A15, JB-1 JB-7, JEB-1, JEB-2, JEB-3, JEB-7, 2021B10, 2021B11, 21641-A, G1 and L9570-4. Most of these have been converted from graphic logs to coded core description logs.

The interpretative geological cross-section across the KPH holes shows the Damara dolomites (Aha-Hills Formation) are overlain by Mulden Group (not previously recognized in Botswana) and Dwyka Group sediments comprising diamictites, laminated siltstones, massive sandstones and conglomerates. The contact between the dolomite and Dwyka is brecciated in places and areas of karstification represent the major unconformity that exists between the Aha-Hills Fm (Otavi Group equivalent) and the overlying Mulden Group sediments. Many of the Pb-Zn deposits occur in these breccias which are concentrated on the hinge line of the Northern Platform and the slope of the Damara basin.

A sample was collected from a fossil tree on the southern edge of Sua pan which has been described as Cretaceous. However, it is more likely that this belongs to the lower Karoo and the sample has been forwarded to the BPI at the University of Witwatersrand in Johannesburg for identification and stratigraphic correlation as proper identification is necessary if uranium is to be targeted in these areas.

In addition, and further east, the contact between the Motloutse Complex and overlying Dwyka tillites was pinpointed. It was here, along the Motlouse River, where the first diamonds in Botswana were found. The work on the Karoo Supergroup will also be of interest for the diamond work as there is evidence to suggest that kimberlite indicator minerals have been derived from these sediments (Harrison, 2003).

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 2nd Q 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.

Notices have been sent to all surface owners of the 5 farms: Kees Zyn Doorns 708 JT, Lanquedoc 734 JT, Skimmelfontein 748 JT, Winkelhaak 723 JT and Vergelegen 728 Jt. Most of the farms have over time been subdivided and have several owners of portions of the various farms. Over the main anomalous area 3 owners, holding most of the target ground, have denied access. This issue will now be submitted to the Department of Mineral Resources (DMR) for resolution.

A start was made on the Barberton data collation and mapping process. Various open source satellite imagery data sources were examined to obtain the best cloud-cover free open source Landsat and Aster data. This is on-going work and further downloads may be required (hyperspectral data) for the spectral analysis exploration work. Sample gold and other base metal deposit locations (from de Wit's Africa Mineral Database) were plotted up on the imagery and will enable spectral signature mapping for identifying similar areas in the Barberton PL. Currently the focus is on obtaining as much detailed geological data for the PL as possible before starting the imagery analysis and mapping.

Exploration and Evaluation additions for the period ended September 30, 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	--	$ 4,815	$ --	--	$ 7,095	$ 4,833	$ 11,926	$ 12,95816,741
Amortization Drill Rigs, Vehicles & Trucks	--	2,544	--	--	1,141	1,141	2,282	4,826
GIS & Geophysics	--	--	--	--	377	377	755	755
Lab Analyses & Assays	--	577	--	--	--	--	--	577
License Fees	--	--	--	--	1,036	406	1,442	1,442
Office, Maintenance, & Consumables	--	19,598	5,070	--	16,765	15,182	31,946	56,615
Salaries, Wages & Services		211,598	--	--	93,576	89,899	183,475	395,073
Balance at September 30, 2016	**--**	**$239,132**	**$5,070**	**--**	**$119,900**	**$111,835**	**$231,825**	**$476,027**

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 September 30, 2016, the Company had a working capital deficit of ($1,405,824) [2015: ($275,090)], which included cash of $10,134 (2015: $26,787). 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 and $466,534 from the sale of common shares and warrant units as a result of the private placement which closed on August 10, 2015 and April 29, 2016, respectively. As at November 17, 2016, the Company has accepted investor deposits for subscription to a Private Placement for security units in the amount of $1,275,050.

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 September 30, 2016 for those warrants is NIL (2015: NIL). The Company is 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 ($486,953) the period ended September 30, 2015 to (599,823) for the period ended September 30, 2016. Other operating expenses fluctuated but on the whole were increased for the period ended September 30, 2016 by $10,957 compared to 2015. The largest impact on Comprehensive income (loss) for the period was the impairment which resulted in a decrease of ($6,527,013) to zero in 2016. The realized gain on the valuation of warrants was reduced from $159,023 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 $104,903 and the largest increases in amortization going up by approximately $35.317. And Foreign exchange loss decreased by approximately $69,838.

Annual Information (in US Dollars)	Fiscal Period September 30,2016	Fiscal Year December 31, 2015
Net loss for the year	($583,030)	($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)	($95,202)	($1,122,545)
Total comprehensive loss for the year	(678,250)	($10,844,996)
Basic comprehensive loss per share	($0.02)	($0.33)
Diluted comprehensive loss per share	($0.02)	($0.33)
Total assets	$4,635,888	$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 September 30, 2016				
Net income (loss) for the period	($285,854)	($299,277)	($387,742)	
Basic income (loss) per share	($0.01)	($0.01)	($0.01)	
Diluted basic income (loss) per share	($0.01)	($0.01)	($0.01)	
Comprehensive income (loss) for the period	(249,396)	($287,861)	($55,946)	
Basic comprehensive income (loss) for the period	($0.01)	($0.01)	$0.00	
Diluted comprehensive income (loss) per share	($0.01)	($0.01)	$0.00)	
Total assets	$4,412,454	$4,635,888	$5,068,644	
Total long term liabilities	--	--	--	

Investing Activities

Cash flow applied in investing activities decreased to ($470,563) for the period ended September 30 2016, [2015: ($697,149)].

Total expenditures of $468,855 on exploration properties for the period ended September 30, 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 September 30, 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**
April 29,2016	1,008,948	C$0.60	$466,534
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 and April 29, 2016, from which the Company received total proceeds of $934,857 and $466,534 respectively 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 November 17, 2016 $1,275,500 in subscriptions were raised for future private placements. See Subsequent events note 13 in the Financial Statements ending September 30, 2016.

RESULTS OF OPERATIONS

On a consolidated basis, the Company recorded a comprehensive net loss of ($970,772) for the period ended September 30, 2016 ($0.03) per common share] compared to a comprehensive net loss of ($8,096,477) for the period ended September 30, 2015 ($0.24) per common share]. The change in the loss in 2016 was due primarily to the impairment recorded in 2015.

Cumulative exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to $4,799,563 as at September 30, 2016 compared to $6,255,454 as at September 30, 2015. Cumulative exploration expenditures incurred on the Newdico project as at September 30, 2016 and 2015 were NIL. Cumulative exploration expenditures incurred on Gcwihaba's projects as at September 30, 2016 were $4,158,538 compared to $6,364,487 as at September 30, 2015. A net exchange translation difference accounted for a $204,517 increase. Cumulative exploration expenditures incurred on Bosoto's projects as at September 30, 2016 were $632,695 compared to $325,060 as at September 30, 2015. A net exchange translation difference accounted for a $2,790 increase. Cumulative exploration expenditures incurred on Idada's projects as at September 30, 2016 were

$8,330 compared to $2,621 as at September 30, 2015. A net exchange translation difference accounted for a $108 increase. 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 September 30, 2016, the Company and its subsidiaries employed 15 compared to twenty-two (22) at September 30, 2015, including senior officers, administrative and operations personnel including those on a short-term service basis.

PERIOD ENDED SEPTEMBER 30, 2016

The period ended September 30, 2016 was a normal operating period. Operating expenses were at normal levels for the year. 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 condensed interim 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 $734,196 and comprehensive loss of $970,772 during the period ended September 30, 2016 and as of that date the Company had an accumulated deficit of $45,292,111 and negative net working capital of $1,405,824. 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 September 30, 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.

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. The Company received total proceeds of $466,534 from the issuance of common shares and warrant units as a result of the private placement which closed on April 29, 2016. Subscriptions as at November 22, 2016 were $1,275,050 for units to be issued, expected in the third quarter.

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 condensed interim 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	**$322,502**	$ 322,502
Stock based compensation	**91,054**	$181,887
Post employment benefits*	**189,520**	$127,411
Total compensation attributed to key management personnel	**$603,076**	$ 631,800

*Post employment benefits include $79,023 of accrued leave benefits through September 30, 2016.

An individual related to the CEO provided administrative and management services through the third quarter 2016 to the Company in the amount of $27,000 (2015: $24,750).

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

TSODILO RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016

(expressed in United States dollars)

Unaudited – Prepared by Management

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34) using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been authorized for release by the Company's Board of Directors on November 22, 2016.

CONTENTS:

Management's Responsibility for Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Tsodilo Resources Limited, ("Tsodilo" or the "Company") of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed unaudited interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

DATED this 22nd day of November, 2016.

TSODILO RESOURCES LIMITED

"s"	"s"
James M. Bruchs Chairman and Chief Executive Officer November 22, 2016	Gary A. Bojes Chief Financial Officer November 22, 2016

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Financial Position
(In United States dollars)

	September 30 2016	September 30 2015	December 31 2015
ASSETS			
Current			
Cash	**$ 10,134**	$26,787	$ 73,910
Accounts receivable and prepaid expenses	**71,034**	65,786	42,820
	81,168	92,573	116,730
Exploration and Evaluation Assets *(note 3)*	**4,799,563**	6,255,454	4,116,040
Property, Plant and Equipment *(note 4)*	**187,913**	251,808	206,450
Total Assets	**$ 5,068,644**	$6,599,835	$ 4,439,220
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 286,942**	$242,663	$ 273,207
Subscriptions *(note 5a)*	**1,200,050**	125,000	590,050
Warrants *(note 5b)*	**--**	--	--
Total Liabilities	**1,486,992**	367,663	863,257
SHAREHOLDERS' EQUITY			
Share capital *(note 5a)*	**43,360,453**	42,987,530	42,893,919
Contributed surplus *(note 5c)*	**10,943,379**	10,642,949	10,670,028
Foreign translation reserve	**(5,430,069)**	(5,275,465)	(5,666,645)
Deficit	**(45,292,111)**	(42,122,842)	(44,321,339)
Equity attributable to Owners of the Parent	**3,581,652**	6,232,172	3,575,963
Non-controlling Interest *(note 3)*	**--**	--	--
Total Equity	**3,581,652**	6,232,172	3,575,963
Total Liabilities and Equity	**$5,068,644**	6,599,835	$ 4,439,220

Nature of operations *(note 1)*

Commitments and contingencies *(note 11)*

Subsequent events *(note 13)*

See accompanying notes to the condensed interim consolidated financial statements

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"s"
David J. Cushing
Chairman, of the Audit Committee

"s"
James M. Bruchs
Chairman

Tsodilo Resources Limited
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(In United States dollars)

	Three months ended September		Nine months ended September	
	2016	2015	**2016**	2015
Administrative Expenses				
CGS – Exploration & Geophysical	**$ 3,584**	$ 24,125	**$ 69,453**	$ 24,125
Corporate remuneration	**112,464**	122,951	**333,739**	327,831
Corporate travel and subsistence	**1,051**	5,855	**8,190**	14,081
Investor relations	**2,776**	3,814	**10,457**	10,873
Legal and audit	**20,947**	7,585	**22,248**	8,408
Filings and regulatory fees	**5,318**	12,877	**13,330**	27,273
Administrative expenses	**56,477**	31,281	**128,680**	92,663
Amortization	**1,521**	45,166	**81,021**	46,004
Stock-based compensation *(note 5c)*	**153,384**	74,809	**271,393**	376,296
	357,522	$ 328,463	**938,511**	$ 927,554
Other Income (Expense)				
Interest Income	**(2,156)**	--	**753**	**--**
Impairment *(note 3)*	**--**	370,387	**--**	(6,527,013)
Gain on disposal of assets	**--**	(12,523)	**--**	33,284
Realized gain on warrants *(note 5b)*	**--**	--	**--**	159,023
Foreign exchange gain	**(28,064)**	(414,688)	**(33,014)**	(102,852)
	(30,220)	(56,824)	**(32,261)**	(6,437,558
Loss for year	**(387,742)**	(385,287)	**(970,772)**	(7,365,112)
Other Comprehensive Loss				
Foreign currency translation	**331,796**	(469,821)	**236,576**	(731,365)
Total Other Comprehensive Loss	**331,796**	(469,821)	**236,576**	(731,365)
Total Comprehensive Loss for the year	**($ 55,946)**	($855,108)	**($734,196)**	($8,096,477)
Net Loss attributable to shareholders of the parent	**($387,742)**	($227,154)	**($970,772)**	($7,365,112)
Non-controlling interest	**--**	(158,133)	**--**	--
	($387,742)	($385,287)	**($970,772)**	($7,365,112)
Total Comprehensive Loss attributable to owners of the parent	**($55,946)**	($846,433)	**($734,196)**	($7,937,635)
Non-controlling Interest		(8,675)		(158,842)
	($55,946)	($855,108)	**($734,196)**	($8,096,477)
Basic loss per share attributable to owners of the parent *(note 7)*	**($0.01)**	($0.00)	**($0.03)**	($0.23)
Fully diluted loss per share attributable to the owners of the parent *(note 7)*	**($0.01)**	($0.00)	**($0.03)**	($0.23)
Basic comprehensive loss per share attributable to the owners of the parent *(note 7)*	**($0.01)**	($0.02)	**($0.03)**	($0.24)
Fully diluted comprehensive loss per share attributable to the owners of the parent *(note 7)*	**($0.01)**	($0.02)	**($0.03)**	($0.25)

See accompanying notes to the condensed interim consolidated financial statements

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(In United States dollars except for shares)

	Share Capital		Contributed Surplus		Foreign Translation Reserve	Deficit	Total equity attributable to owners of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount	Stock-based compensation & Other	Warrants					
Balance January 1, 2016	**33,542,784**	**$42,893,919**	**$10,471,523**	**$198,505**	**($5,666,645)**	**($44,321,339)**	**$3,575,963**	**$ -**	**$3,575,963**
Units Issued	**1,008,948**	**466,534**	--	--	--	--	**466,534**	--	**466,534**
Exercised Options	--	--	--	--	--	--	--	--	--
Additional Paid in Capital – Subsidiary Purchase, Other	--	--	--	--	--	--	--	--	--
Stock Based Compensation	--	--	**273,351**	--	--	--	**273,351**	--	**273,351**
Comprehensive loss	--	--	--	--	**236,576**	**(970,772)**	**(734,196)**	--	**(734,196)**
Balance September 30, 2016	**34,551,732**	**$43,360,453**	**$10,744,874**	**$198,505**	**($5,430,069)**	**($45,292,111)**	**$3,581,652**	**--**	**$3,581,652**

	Share Capital		Contributed Surplus		Foreign Translation Reserve	Deficit	Total equity attributable to owners of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount	Stock-based compensation & Other	Warrants					
Balance January 1, 2015	**32,389,209**	**$42,019,009**	**$10,200,381**	**$ --**	**($4,544,100)**	**($34,757,730)**	**$12,917,560**	**$158,842**	**$13,076,402**
Units Issued	**1,116,075**	**928,907**	--	--	--	--	**928,907**	--	**928,907**
Exercised Options	**37,500**	**39,614**	**(18,039)**	--	--	--	**21,575**	--	**21,575**
Stock Based Compensation		--	**460,607**	--	--	--	**460,607**	--	**460,607**
Comprehensive loss		--	--	--	**(731,365)**	**(7,365,112)**	**(8,096,477)**	**(158,842)**	**(8,255,319)**
Balance September 30, 2015	**33,542,784**	**$42,987,530**	**$10,642,949**	**$ --**	**($5,275,465**	**($42,122,842)**	**$6,232,172**	**$--**	**$6,232,172**

See accompanying notes to the condensed interim consolidated financial statements.

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Cash Flows

(In United States dollars)

	Periods Ended September 30	
	2016	2015
Cash provided by (used in):		
Operating Activities		
Net Loss for the period	**($970,772)**	($ 7,365,112)
Adjustments for non-cash items:		
Impairment	--	6,527,013
Realized gain on warrants	--	(159,023)
Amortization	**81,021**	46,004
Foreign exchange gain (loss)	**33,014**	102,852
Stock-based compensation	**271,393**	376,296
	(585,344)	(471,970)
Net change in non-cash working capital balances *(note 12)*	**(14,479)**	(14,983)
	(599,823)	(486,953)
Investing Activities		
Additions to exploration properties	**(468,855)**	(567,560)
Additions to property, plant and equipment	**(1,708)**	(129,590)
Proceeds from sale of property, plant and equipment	**--**	--
	(470,563)	(697,149)
Financing Activities		
Shares and warrants issued for cash	**466,534**	922,977
Share issuance cost	**--**	--
Subscriptions received	**610,000**	125,000
	1,076,534	1,047,977
Impact of exchange on cash	**(69,924)**	(69,673)
Change in cash - for the period	**(63,776)**	(205,798)
Cash - beginning of period	**73,910**	232,585
Cash - end of period	**$10,134**	$26,787

See accompanying notes to the condensed interim consolidated financial statements

1. NATURE OF OPERATIONS

Tsodilo Resources Limited ("Tsodilo" or "the Company") 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, have not earned any revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the renewal or extension 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 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 ("TSXV") under the symbol TSD.

These condensed interim 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 $970,772 and comprehensive loss of $734,196 during the period ended September 30, 2016 and as of that date, the Company had an accumulated deficit of $45,292,111 and negative net working capital of $1,405,824. 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 projected levels, and may be insufficient to finance continued operations for the 12 month period subsequent to September 30, 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. 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. 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. The material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the consolidated statement of operations and comprehensive loss, and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

2. Significant Accounting Policies

(a) ***Statement of Compliance with International Financial Reporting Standards***

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been authorized for release by the Company's Board of Directors on August 26, 2016.

(b) ***Basis of Preparation***

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss which are stated at their fair value. These condensed interim consolidated financial statements are presented in United Stated dollars and include the accounts of the Company and the following direct and indirect subsidiaries:

ENTITY	2016	2015
Tsodilo Resources Bermuda Limited ("TRBL") [Bermuda]	**100%**	100%
Bosoto (Proprietary) Limited ("Bosoto") [Botswana]	**100%**	75%
Gcwihaba Resources (Proprietary) Limited ("Gcwihaba") [Botswana]	**100%**	100%
Newdico (Proprietary) Limited ("Newdico") [Botswana]	**100%**	98%
Idada Trading 361 (Pty) Ltd. ("Idada") [South Africa]	**70%**	70%
All intercompany transactions have been eliminated on consolidation		

The accounting policies set out below have been applied consistently to all periods and years presented.

(c) ***Significant Accounting Judgments, Estimates and Assumptions***

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of polices and reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Accounts that require estimates as the basis for determining the stated amounts include warrant liability, contributed surplus, stock-based compensation expense, and amortization expense. The amounts estimated for the warrant liability and stock based compensation is calculated using the Black-Scholes Merton valuation model, which requires significant estimates with respect to the expected life and volatility of such instruments. The estimated depreciation is influenced primarily by the estimated useful life of the Company's Property, Plant and Equipment.

Significant judgments are required with respect to the carrying value of the Company's Exploration and Evaluation Assets, the determination of the functional currency of the Company and its subsidiaries, the recoverability of the Company's deferred tax assets, and potential tax exposures given the company operates in multiple jurisdictions. In particular, the carrying value of the Company's Exploration and Evaluation Assets is dependent upon the Company's determination with respect to the future prospects of its Exploration and Evaluation Assets and the ability of the Company to successfully complete the renewal or extension process for its exploration properties as required. The Company has defined the cash generating units to be Precious Stones, Metals and Radio Active Minerals. The quantification of potential tax exposures is dependent on the relevant tax authorities' acceptance of the Company's positions.

(d) ***Earnings (Loss) per Common Share***

Earnings (loss) per share calculations are based on the net income attributable to common shareholders for the year divided by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings per share calculations are based on the net income attributable to common shareholders for the year divided by the weighted average number of common shares outstanding during the year plus the effects of dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year. The incremental number of common shares that would be issued is included in the calculation of diluted earnings per share.

(e) ***Exploration and Evaluation Assets***

Exploration and Evaluation Assets include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. The amounts shown for Exploration and Evaluation Assets represents all direct and indirect costs relating to the acquisition, exploration and development of exploration properties, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the Exploration and Evaluation Assets are abandoned or sold. The Company has classified Exploration and Evaluation Assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimates of proven and probable reserves.

Ownership of Exploration and Evaluation Assets involves certain inherent risks, including geological, commodity prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for Exploration and Evaluation Assets is dependent upon the delineation of economically recoverable ore reserves, the renewal or extension of exploration licenses, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate the mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its Botswana Exploration and Evaluation Assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of Exploration and Evaluation Assets carrying values. See footnote 3 for additional disclosures related to license commitments and strategic partners commitments and earn-in agreement.

Exploration and Evaluation Assets (Farm-Out)

The Company entered into a farm-out arrangement in 2013, in which the Company is the farmor. Farm-out arrangements will be recorded at cost during the exploration and evaluation phase of the projects. The farmor will not record any exploration costs of the farmee. There are no accruals for future commitments in farm-out agreements in the exploration and evaluation phase, and no profit or loss is recognized by the farmor. In the development phase, a farm-out agreement will be treated as a transaction recorded at fair value as represented by the costs borne by the farmee. The farm-out arrangement cease in the 1st Q 2016.

(f) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost, less accumulated depreciation.

Depreciation is calculated on a straight line basis over the following terms:

Vehicles and drilling equipment	5 Years
Furniture and equipment	3 Years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(g) **Cash**

Cash consists of cash held in banks and petty cash.

(h) ***Foreign Currency Translation***

(i) Functional and presentation currency

The Company's functional and presentation currency is the United States dollar ("U.S. Dollar"). The functional currencies of the Company's subsidiaries are as follows:

Tsodilo Resources Bermuda Limited	("TRBL")	U.S. Dollar
Gcwihaba Resources (Pty) Limited	("Gcwihaba")	Botswana Pula
Newdico (Pty) Limited	("Newdico")	Botswana Pula
Bosoto (Pty) Limited	("Bosoto"')	Botswana Pula
Idada Trading 361 (Pty) Ltd.	("'Idada")	South African Rand

Each subsidiary and the Company's parent entity determine their own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date.

(iii) Translation of foreign operations

As at the reporting date the assets and liabilities of Gcwihaba, Newdico, Bosoto, and Idada are translated into the presentation currency of the Company at the rate of exchange prevailing at the reporting date and their revenue and expenses are translated at the average exchange for the year. On consolidation, the exchange differences arising on the translation are recognized in Other Comprehensive Loss and accumulated in the Foreign Translation Reserve.

If TRBL, Gcwihaba, Newdico, Bosoto, and Idada were sold, the amount recognized in the foreign currency reserve would be realized and reflected in the Statement of Operations and Comprehensive Loss as part of the gain or loss on disposal.

(i) ***Income Taxes***

Current taxes are the expected tax payable or receivable on the local taxable income or loss for the year, using the local tax rate enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet method whereby deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) ***Share-based Compensation***

The Company follows the fair value method of accounting for stock option awards granted to employees, directors and consultants. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the Company's common shares and an expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock. Share-based compensation is amortized to earnings and portions are capitalized for indirect exploration costs over the vesting period of the related option.

The Company uses graded or accelerated amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

(k) Severance Benefits

Under Botswana law, the Company is required to pay severance benefits upon the completion of 5 years of continued service if the employee so elects or upon the termination of employment. Severance is earned at the rate of one day per month for an employee with less than five years of service and two days per month for employees with greater than five years of service. The specifics and benefits of the severance program mandated in Botswana are extended to full-time employees residing and working outside of Botswana. The cost of these severance benefits is accrued over the period of service until the benefit becomes payable. Portions of the severance expenses are capitalized to exploration and evaluation assets.

(l) Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held for maturity, available for sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses, recognized through earnings. The Company does not have any financial assets classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's cash and accounts receivable are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At September 30, 2016 and 2015, the Company has not classified any financial assets as available for sale. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(m) Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, to, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and subscriptions are classified as other financial liabilities. Financial liabilities classified as FVTPL include warrants with exercise prices denominated in a currency other than the Company's functional currency. Derivatives, including separated embedded derivatives are also classified as FVTPL and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. Transaction costs associated with FVTPL liabilities are expensed as incurred.

(n) ***Impairment of Assets***

At the end of each reporting period, the Company assesses each cash-generating unit to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less cost to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk of a specific asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. See note 3 for impairment adjustments in 2015. No adjustments were required in 2016.

(o) ***Related Party Transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities and includes, but is not limited to, key management personnel, directors, affiliated companies, and project partners. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

(p) ***New Standards, Amendments and Interpretations Adopted***

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

(q) ***New Standards, Amendments and Interpretations, Not Yet Adopted***

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 was 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 re-measured 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 did not 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 were applied prospectively and are effective for annual periods beginning on or after 1 January 2016.

These amendments were applied retrospectively and are effective for annual periods beginning on or after January 1, 2016. These amendments did not have any impact on the Company.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets 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	
Balance at December 31, 2014	**$6,520,429**	**$4,911**	**$ --**	**$2,437,770**	**$2,983,065**	**$943,652**	**$ 6,364,487**	**$12,889,827**
Additions	325,937	552,165	3,498	66,716	137,135	114,945	318,795	1,200,069
Net Exchange Differences	(191,750)	(166,403)	(427)	(284,123)	(340,942)	(115,668)	(740,733)	(1,099,213)
Impairment	**(6,654,616)**	**--**	**--**	**(2,220,363)**	**--**	**--**	**(2,220,363)**	**(8,874,979)**
Balance at December 31, 2015	**$ --**	**$390,773**	**$3,071**	**$ --**	**$2,871,803**	**$850,393**	**$3,722,196**	**$4,116,040**
Additions	--	239,132	5,070	--	119,990	111,835	231,825	476,027
Net Exchange Differences	--	2,790	108	--	105,856	98,661	204,517	207,496
Impairment	--	--	--	--	--	--	--	--
Balance at September 30, 2016	**$ --**	**$632,695**	**$8,330**	**$ --**	**$3,097,649**	**$1,060,890**	**$4,158,538**	**$4,799,563**

	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	--	$ 4,815	$ --	--	$ 7,095	$ 4,833	$ 11,926	$ 12,95816,741
Amortization Drill Rigs, Vehicles & Trucks	--	2,544	--	--	1,141	1,141	2,282	4,826
GIS & Geophysics	--	--	--	--	377	377	755	755
Lab Analyses & Assays	--	577	--	--	--	--	--	577
License Fees	--	--	--	--	1,036	406	1,442	1,442
Office, Maintenance, & Consumables	--	19,598	5,070	--	16,765	15,182	31,946	56,615
Salaries, Wages & Services		211,598	--	--	93,576	89,899	183,475	395,073
Balance at September 30, 2016	**--**	**$239,132**	**$5,070**	**--**	**$119,900**	**$111,835**	**$231,825**	**$476,027**

Exploration and evaluation additions for the period ended September 30, 2016 are summarized as follows:

The Company's significant Exploration and Evaluation Assets are summarized as follows:

General

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of permits and the potential for problems arising from government conveyance accuracy, prior unregistered agreements or transfers, native land claims, confirmation of physical boundaries, and title may be affected by undetected defects. The Company does not carry title insurance. The Company has evaluated title to all of its mineral properties and believes, to the best of its knowledge, that evidence of title is adequate and acceptable given the current stage of exploration.

Newdico (Proprietary) Limited ("Newdico") – Botswana

In the fourth quarter of 2015, Tsodilo Resources Bermuda Limited ("TRBL") purchased the two remaining Newdico shares and any associated claims held by Trans Hex Diamonds for $1,000 per share. As a result of the purchase transaction, TRBL owns 100% of Newdico.

Newdico holds no prospecting licenses as of July 1, 2015 and provides exploration, drilling and geophysical services to associated companies on an as needed basis.

Gcwihaba Resources (Proprietary) Ltd ("Gcwihaba") – Botswana

Gcwihaba, a wholly owned subsidiary of the Company, currently holds twenty-one (21) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West district of which seven (7) are currently in renewal; and, eight (8) radioactive mineral licenses located in the North-West district.

Metal Licenses

Gcwihaba holds twenty-one (21) metal (base, precious, platinum group, and rare earth) prospecting licenses inclusive of seven (7) licenses currently in renewal in the North-West District of Botswana. The current licenses, excluding those in renewal cover 8,694.60 square kilometers and collectively have a proposed minimum spending commitment of BWP 17,715,453 ($1,673,219) if held to the furthest out full term to June 30, 2019. The Company initially acquired the various licenses in 2005, 2008, 2009 and 2012. In October 2010, PL's 118 and 119/2005 were relinquished in part and in December 2010, PL's 051 and 052/2008 were relinquished in part. In 2012, PL118 was relinquished in its entirety and PL588 / 2009 was relinquished in the 2nd Q 2016. The relinquishment of the aforementioned licenses or portions thereof did not cause a reduction or change in the continuing overall exploration program nor impact the chances of the overall success of the program.

Strategic Exploration and Evaluation Partner

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 licenses 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 could 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 $6 million by November 20, 2015 (the "Tranche 1 Funding Commitment");
- ◊ funding an additional S$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.

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 copper related companies to select a new joint venture partner for the development of its metals projects in Tsodilo's license holdings.

Radioactive Minerals

As at September 30, 2016, Gcwihaba held prospecting permits for eight (8) radioactive mineral licenses in the North-West District of Botswana. In general, these licenses overlap or are contiguous to the Company's metal licenses. All eight (8) licenses were renewed for a two year period effective April 1, 2015 and collectively have a have a proposed minimum expenditure inclusive of license fees of 1,159,150 BWP ($86,435 converted as at September 30, 2016) if held to the furthest out full term of March 31, 2017.

Bosoto (Pty) Limited ("Bosoto") – Botswana

Tsodilo was granted a prospecting license (PL369/2014) over the BK16 kimberlite pipe through its 100% 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). Tsodilo has a 100% interest in Bosoto

The Company estimates that it would take approximately $23.5M (BWP 237,885,000) in expenditures, goods and services over a three year period to sufficiently evaluate the BK16 kimberlite's economic potential and if warranted the preparation of a compliant NI 43-101 Bankable Feasibility Study (BFS). This estimate is based on the agreed work plan with the MMEWR. At any point the work plan may be amended and a new work plan agreed to with the MMEWR.

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.

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4. PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment

Cost	Vehicles	Furniture and Equipment	Total
As at December 31, 2014	$1,396,777	$222,479	$1,619,256
Additions	--	116,357	116,357
Disposals	(40,209)	--	(40,209)
Net Exchange Difference	(203,288)	(25,594)	(228,882)
As at December 31, 2015	$ 1,153,280	$ 313,242	$ 1,466,522

	Vehicles	Furniture and Equipment	Total
As at December 31, 2015	$1,153,280	$ 313,242	$ 1,466,522
Additions	--	1,708	1,708
Disposals	--	--	--
Net Exchange Difference	80,118	18,468	98,586
As at September 30, 2016	$ 1,233,398	$ 333,418	$ 1,566,816

Accumulated Depreciation

	Vehicles	Furniture and Equipment	Total
As at December 31, 2014	$1,011,566	$203,559	$1,314,384
Depreciation	142,626	12,154	154,780
Disposals	(23,672)	--	(23,672)
Net Exchange Difference	(161,670)	(23,750)	(185,420)
As at December 31, 2015	$ 1,068,109	$ 191,963	$ 1,260,072

	Vehicles	Furniture and Equipment	Total
As at December 31, 2015	$ 1,068,109	$ 191,963	$ 1,260,072
Depreciation	80,222	6,488	86,710
Disposals	--	--	
Net Exchange Difference	74,202	10,819	85,021
As at September 30, 2016	$ 1,222,533	$ 209,270	$ 1,431,803

Net book value

As at December 31, 2015	$ 85,171	$ 121,279	$ 206,450
As at September 30, 2016	$ 10,865	$ 124,148	$ 135,013
September 30, 2016 Deposits on Equipment			$52,900

For the period ended September 30, 2016, an amount of $6,265 (2015: $143,250) of amortization has been capitalized under exploration properties.

5. SHARE CAPITAL

(a) Common Shares

Authorized, Issued and outstanding

The authorized capital stock of the Company comprises an unlimited number of common shares with no par value.

Issued and outstanding: 34,551,732 Common Shares as at September 30, 2016 (December 31, 2015: 33,542,784 and September 30, 2015:33,542,784)

1) During the period-ended September 30, 2016:

i. On April 29, 2016, 1,008,948 Units were issued at a price of C$0.60 for proceeds to the Company of $466,534 (C$605,370). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a period until the close of business on April 29, 2018 at USD $0.60. $3,396 (C$4,268) of issuance costs were netted against the proceeds.

ii. During the quarter, $196,389 in subscriptions were raised for a third quarter private placement.

2) During the year ending December 31, 2015:

i. On April 2, 2015, 37,500 options were exercised at a price of C$0.75 for proceeds to the Company of $21,575 (C$28,215). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $18,039.

ii. On August 10, 2015, 1,116,075 Units were issued at a price of C$1.10 for proceeds to the Company of $934,837 (C$1,227,682). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a period until the close of business on August 10, 2017 at $1.10. $5,930 (C$7,784) of issuance costs were netted against the proceeds.

iii. As at December 31, 2015 the Company raised $590,050.

(b) Warrants

As at September 30, 2016, the following warrants were outstanding:

		Number of Warrants - Units				
Expiry	**Exercise Price**	**December 31, 2015**	**Issued**	**Exercised**	**Expired**	**September 30, 2016**
May 29, 2016	USD$1.40	306,183	--	--	306,183	--
July 29, 2016	USD$1.40	634,116	--	--	634,116	--
December 30, 2016	USD$1.21	560,922	--	--	--	560,922
August 10, 2017	USD$1.10	1,116,075	--	--	--	1,116,075
April 29, 2018	USD$0.60		1,008,948			1,008,948
		2,617,296	1,008,948	--	940,299	2,685,945

On May 29, 2014, the Company issued 306,183 warrants with an exercise price of USD$1.40, expiring on May 29, 2016. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is less than value of the Common Shares, and no amount was allocated to the warrants. This warrant has expired.

On July 29, 2014, the Company issued 634,116 warrants with an exercise price of $1.40, expiring on July 29, 2016. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is less than value of the Common Shares, and no amount was allocated to the warrants.

On December 30, 2014, the Company issued 560,922 warrants with an exercise price of $1.21, expiring on December 30, 2016. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is greater than value of the Common Shares at the issuance date. The amount allocated to Common Shares is $0.79 (C$0.89) or total $444,552 and allocated to Additional Paid in Capital for Warrants is $0.19 (C$0.21) or total $104,894.

On August 10, 2015, the Company issued 1,116,075 warrants with an exercise price of $1.10, expiring on August 10, 2017. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is greater than the value of the Common Shares at the issuance date. The amount allocated to Common Shares is $0.75 (C$0.99) or total $835,296 and allocated to Additional Paid in Capital for warrants is $0.08 (C$0.11) or total $93,611.

On April 29, 2016, the Company issued 1,008,948 warrants with an exercise price of $0.60, expiring on April 29, 2018. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units is equal to the value of the Common Shares at the issuance date.

Unexercised warrants of 306,183 expired on May 29, 2016, and 634,116 expired on July 29, 2016.

Under IFRS, warrants having a strike price other that the functional currency of the issuer are a derivative liability and are marked to market as the end of each reporting period. For the year ended December 31, 2015 the Company recorded a mark to market loss of $159,023 (2014 –$25,240) on the revaluation of warrants. As at December 31, 2015, the outstanding liability portion of the warrants, have a fair value of nil (2014: $159,023), as all the warrants remaining in Canadian currency expired during the year ended 2015.

	Warrant Liability	
	Number of Units in $CAD	Value of Warrants
Balance December 31, 2014	2,702,702	**$ 159,023**
Additions	--	**--**
Exercise	--	**--**
Expiry	(2,702,702)	**(159,023)**
Balance December 31, 2015	--	**$ --**

For the period ended September 30, 2016 the Company no longer has any derivative liability, as all outstanding warrants are issued in the functional currency U.S. Dollars.

c) Stock Option Plan

The Company has a stock option plan ("SOP") providing for the issuance of options that cannot exceed 5,629,830 shares of common stock. The Company may grant options to directors, officers, employees, and contractors, and other personnel of the Company or its subsidiaries. The exercise price of each option cannot be lower than the market price of the shares being the closing price of the Company's common shares on the Toronto Stock Exchange the day before the grant date. Options generally vest ratably over an eighteen-month period, beginning with the date of issuance and every 6 months thereafter, and expire in five years from the date of grant as determined by the Board of Directors.

The following Table summarizes the Company's stock option activity for the period ended September 30, 2016 and the year ended December 31, 2015

	Number of Options	**Weighted average exercise price (C$)**
Outstanding as at December 31, 2014	3,128,890	C$1.25
Granted	760,000	C$0.89
Exercised	(37,500)	C$0.75
Cancelled	--	--
Expired	(630,000)	C$1.98
Outstanding as at December 31, 2015	3,221,390	C$1.03
Granted	710,000	C$0.76
Exercised	--	--
Expired	(585,000)	C$ 1.14
Outstanding as at September 30, 2016	3,346,390	C$0.96

2016

On January 4, 2016, the Company issued 260,000 options at C$0.72 under its SOP to persons who are officers and employees of the Company.

On January 3 2016, 285,000 stock options issued at C$1.25 expired.

On April 8, 2016, the Company issued 450,000 options at C$0.79 under its SOP to persons who are officers and employees of the Company.

On April 17, 2016, 300,000 stock options issued at C$1.03 expired.

2015

On January 2, 2015, the Company issued 260,000 options at C$1.05 under its SOP to persons who are officers and employees of the Company.

On January 11, 2015, 130,000 options at C$1.00 expired.

On March 27, 2015, the Company issued 400,000 options at C$0.83 under its SOP to persons who are directors and an employee of the Company.

On September 1, 2015, the Company issued 100,000 options at C$0.70 under its SOP to a person who is a director of the Company.

On May 4, 2015, 500,000 options at C$2.23 expired.

The following table summarizes the stock based compensation expense and capitalized stock based compensation for the periods ended September 30, 2016 and 2015.

	2016	2015
Stock-based compensation expense	**$271,393**	$ 360,724
Capitalized Stock-based compensation expense	--	99,903
	$271,393	$ 460,627

The following assumptions were used in the Black Scholes option pricing model to fair value the stock options granted during the periods ended September 30, 2016 and 2015:

	2016	2015
Expected lives	**3.99 years**	**3.92 years**
Expected volatilities (based on Company's historical prices)	**105.6%-106.2%%**	**99.3% - 100.6%**
Expected dividend yield	**0%**	**0%**
Risk free rates	**1.00-1.51%**	**1.15– 1.31%**
Weighted average fair value of option	**$0.54**	**$0.68**

The following table summarizes stock options outstanding as at September 30, 2016:

Options Outstanding				**Options Exercisable**		
Exercise Price (C$)	Number of Outstanding Options	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life (Years)	Number of Exercisable Options	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life (Years)
C$0.90	210,000	C$0.90	0.26	210,000	C$0.90	0.26
C$1.00	328,890	C$1.00	0.50	328,890	C$1.00	0.50
C$1.20	235,000	C$1.20	1.25	235,000	C$1.20	1.25
C$1.04	400,000	C$1.04	1.47	400,000	C$1.04	1.47
C$0.75	222,500	C$0.75	2.26	222,500	C$0.75	2.26
C$1.25	480,000	C$1.25	2.47	480,000	C$1.25	2.47
C$1.05	260,000	C$1.05	3.26	260,000	C$1.05	3.26
C$0.83	400,000	C$0.83	3.49	400,000	C$0.83	3.49
C$0.70	100,000	C$0.70	3.92	75,000	C$0.70	3.92
C$0.72	260,000	C$0.72	4.26	130,000	C$0.72	4.26
C$0.79	450,000	C$0.79	4.52	112,500	C$0.79	4.52
	3,346,390	C$0.96	2.56	2,853.890	C$0.99	2.24

6. INCOME TAXES

The recovery of income taxes varies from the amounts that would be computed by applying the Canadian federal and provincial statutory rate for 2015 of approximately 26.5% (2014: 26.5%) to loss before income taxes as follows:

	December 31, 2015	December 31, 2014
Loss for the year	**(9,722,451)**	(1,031,117)
Income tax rate	**26.50%**	26.50%
Income tax recovery	**(2,576,450)**	(273,246)
Foreign operation taxed at lower rates	**405,485**	5,193
Permanent differences	**67,186**	92,596
Benefits not recognized	**1,795,228**	17,644
Expiry of tax losses carried forward	**72,868**	153,697
Changes in estimate and foreign exchange	**235,681**	4,116
Provision for income taxes	$ --	$ --

As of December 31,2015 the following Deferred tax assets and liabilities have been recognized:

	December 31, 2015	December 31, 2014
Property, Plant and Equipment	$ --	($ 21,000)
Exploration & Evaluation Assets	**(995,000)**	(2,564,000)
Deferred tax liabilities	**(995,000)**	($ 2,585,000)
Tax losses carried forward	**995,000**	$ 2,585,000
Net future income tax asset recorded	$ --	$ --

As at December 31, 2015 the Company has unrecognized deductible temporary differences aggregating to $12,359,000 (2014: $5,873,000), that are available to offset future taxable income. However these temporary differences relate to companies with a history of losses, and they may not be utilized to offset taxable income.

	December 31, 2015	December 31, 2014
Losses carried forward - Botswana	**7,540,000**	$ 1,190,000
Losses carried forward - Canada	**4,138,000**	3,843,000
Intangible Assets	**137,000**	137,000
Other	**544,000**	703,000
	12,359,000	$ 5,873,000

The Canadian tax losses carried forward expire from 2026 thru to 2035. The Botswana losses can be carried forward indefinitely.

	December 31, 2015	December 31, 2014
Total assessable losses relating to the activity in Botswana	**12,065,873**	$12,937,504

7. LOSS PER SHARE

Net loss per share was calculated based on the following:

Period ended September 30	**2016**	2015
Net loss for the period	**($970,772)**	($ 7,365,112)
Effect of Dilutive Securities		
Stock options and warrants	**--**	--
Diluted net earnings (loss) for the period	**($970,772)**	($ 7,365,112)

The diluted loss per share is the same as the basic loss per share for the period ended September 30, 2016 because the stock options and warrants were anti-dilutive and had no impact on the EPS calculation. In addition, the number of stock options and warrants outstanding as at the period ended September 30, 2016, was 6,032,335 (2015: 5,876,816), of which 6,031,051 (2015: 5,756,278) were anti-dilutive.

8. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2016	2015
Short term employee remuneration and benefits	**$322,502**	**$ 322,502**
Stock based compensation	**91,054**	**$181,887**
Post employment benefits*	**189,520**	**$127,411**
Total compensation attributed to key management personnel	**$603,076**	**$ 631,800**

*Post employment benefits include $79,023 of accrued leave benefits through September 30, 2016.

An individual related to the CEO provided administrative and management services to the Company in 2016 and was remunerated in 2016 in the amount of $27,000 (2015: $24,750).

There are no other related party transactions.

9. SEGMENTED INFORMATION

The Company is operating in one industry. As at September 30, 2016 the Company's Property, Plant, and Equipment in the United States was $534 (2015: $0) and in Botswana was $134,479 (2015: $251,808). No revenues were realized for Exploration and Evaluation Properties that are detailed in note 3 above. Segment long term Exploration and Evaluations properties in Botswana were $4,791,233 (2015: $6,255,454) and South Africa were $8,330 (2015: nill).

10. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, subscriptions and accrued warrants liabilities. The carrying value of cash, accounts receivable, accounts payable and accrued liabilities as presented in the condensed interim consolidated financial statements are reasonable estimates of fair values due to the relatively short periods to maturity and the terms of these instruments.

The Company's financial instruments have been classified as follows:

Financial Instrument	**Classification**	**Fair Value Hierarchy**
Cash	Loans and receivables	n/a
Accounts receivable	Loans and receivables	n/a
Accounts payable and accrued liabilities	Other financial liabilities	n/a
Subscriptions	Other financial liabilities	n/a
Warrants	Fair value through Profit or Loss	Level 3

See the Company's consolidated statement of financial position for financial instrument balances.

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other that quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices): and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobserved inputs).

Risk Exposure and Management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign exchange risk, and interest rate risk. Where material these risks are reviewed and monitored by the Board of Directors.

(a) Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash on hand. In 2016 and 2015 the Company raised cash capital as shown in note 5(a) in the amount of $466,534 and $696,565 respectively. Subscriptions on deposit for fourth quarter 2016 offerings were 1,200,050 as at September 30, 2016. Subsequent to September 30, 2016 an additional $75,000 was also deposited. See Subsequent events footnote 13.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company anticipates continuing to access equity markets to fund continued exploration of its mineral properties and the future growth of the business. However, there is no guarantee that such financing will be available when required.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

(c) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet it contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and accounts receivable; there are no amounts at risk. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. There are no allowances for doubtful accounts required.

The majority of the Company's cash is held with a major Canadian based financial institution.

(d) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. Because the cash is held on deposit at financial institutions and may be withdrawn at any time, the Company's exposure to interest rate risk is not significant.

(e) Foreign Exchange Risk

The Company is exposed to currency risks on its Canadian dollar denominated working capital balances due to changes in the USD/CAD exchange rate and the functional currency of the parent company. As at September 30, 2016, a ten percentage change in the exchange rate would result in a $63,665 impact to the Company's net income (loss).

The Company issues equity in Canadian dollars and the majority of its expenditures are in U.S. dollars. The Company purchases U.S. dollars based on its near term forecast expenditures and does not hedge its exposure to currency fluctuations.

Based on the net Pula denominated asset and liability exposures as at September 30, 2016, a ten percentage change in the exchange rate would result in a $96,679 impact the Company's net income (loss).

11. COMMITMENTS AND CONTINGENCIES

Generally, operating leases are prepaid in one year increments.

Currently, the aggregate minimum lease payments inclusive of VAT are as follows:

Year	Term	BWP	USD *
2017	2/01/2016 – 1/31/2018	102,720	$9,425
	Total	102,720	$9,425

* converted at lease effective date

The lease commitment is for office space in Gaborone, Botswana. The lease period is for two years; year one is a firm commitment and year two has a 3 month opt out rental penalty clause.

The Company holds prospecting licenses which require the Company to spend a specified minimum amount on prospecting over the period of the terms as outlined in note 3.

12. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

	September 30 2016	September 30 2015
Net change in non-cash working capital balances		
(Increase) decrease in accounts receivable and prepaid expenses	**($28,215)**	($23,145)
Increase (decrease)in accounts payable and accrued liabilities	**13,735**	8,162
Total	**($14,479)**	$14,983

13. SUBSEQUENT EVENTS

In November 2016, the Company raised additional subscription deposits of $75,000 for a fourth quarter private placement offering.