

Tsodilo

SUMMARY OF PROPOSED INVESTMENT

This Summary of Proposed Investment is prepared and distributed to the public in advance of the IFC Board of Directors' consideration of the proposed transaction. Its purpose is to enhance the transparency of IFC's activities, and this document should not be construed as presuming the outcome of the Board decision. Board dates are estimates only.

Project number	29378
Company name	Tsodilo Resource Limited
Country	Botswana
Sector	Oil, Gas and Mining
Environmental category	B
Date SPI disclosed	May 10, 2010
Projected board date	June 22, 2010
Department	Oil, Gas, Mining And Chemicals
Status	Pend FAP

Overview

Project description

Tsodilo Resources Limited (the "Company" or "Tsodilo") is a Toronto Stock Venture Exchange listed exploration company that is currently exploring for diamonds, base and precious metals ("the Project") in the northwestern part of Botswana. Tsodilo started off exploring for diamonds but has recently discovered what appears to be a promising copper/nickel deposit. Exploration of the diamond licenses is centered on an area where a previous exploration program discovered 19 kimberlites, four of which contained micro-diamonds. Tsodilo has discovered a further 9 kimberlites, bringing the total number of known kimberlites in this field to 28.

Tsodilo is seeking IFC's engagement (i) to assist in funding the continued exploration of the Project to reach a scoping study stage within the next two years; and (ii) to provide environmental and social technical assistance to help develop the Project in line with industry best practices.

Sponsor/Cost/Location

Project sponsor and major shareholders of project company

Tsodilo has a market capitalization of approximately C\$43 million (US\$40 million, as of April 30, 2010). The Company was formed in 1995 as Trans Hex International and changed its name to Tsodilo Resources in 2002 after a restructuring. The stock is held by a few individuals and firms but with no shareholder holding greater than 20% of the outstanding shares. The single largest shareholder is the Preston Trust, which holds a 19.9% interest. Management and Directors hold approximately 30% of the Company.

Total project cost and amount and nature of IFC's investment

The Company plans to spend approximately C\$5.2 million on exploration on the Project over the next two years. The exploration program includes initiation of a National Instruments 43-101 compliant scoping study to achieve an inferred resource, micro-diamond analysis, bulk sampling and drilling up to 20 targets in a potentially new kimberlite field. The Company's cash at hand together with the proposed IFC investment of C\$5.0 million in equity is sufficient complete this program of activities.

Location of project and description of site

The Project is located in the northwestern part of Botswana, about 350 kilometers north of Maun, the regional capital. The base metal license covers an area of approximately 13,500 km² and the diamond licenses cover a total area of approximately 16,250 km². There is however a substantial overlap of the two licenses. Tarrred roads provide year-round access to the property. In addition, there are two airstrips

near the project site that can handle light aircraft.

Development Impact

Anticipated development impact of the project

The development impact at the exploration stage will be limited to the provision of local employment opportunities and support for community development activities. We expect the Project, if it advances to a mine, to have the following notable impacts: i) Direct employment and the implementation of programs to improve livelihoods of the local population in a region with very limited employment opportunities other than cattle farming; ii) generation of revenues for government in the form of royalties and corporate taxes. Assuming the base metal discovery is confirmed, the Project will also support the effort by the Government to diversify the mining sector from dependence on diamond mining.

Governance risks assessment

The Project is at early exploration stage and its developmental impacts are limited at this stage. In evaluating this investment, IFC took into account governance and other risks to these potential benefits. Botswana regularly ranks at the top of countries in the African continent in terms of governance and transparency. The country scores very favorably in all major indicators of governance. For example, Botswana ranked 37 out of 180 according to Transparency International's Corruption Perceptions Index and is ranked by Fraser Institute as having one of the best mining investment climates worldwide. In addition, the World Bank Institute's Governance Indicators place Botswana ahead of the global average for upper middle income countries with particularly high marks for political stability and control of corruption.

Having considered the potential benefits and governance risks, IFC believes that the project should be supported. The Company has agreed to make material payments to Government public as per IFC's requirements.

IFC's expected development contribution

Environmental and Social Expertise: IFC would help the Company to implement appropriate E&S management systems to ensure that the Project is developed in accordance with international best practice.

Mobilization: IFC partnering with the Company to manage the Project will improve its ability to attract future investors to support the continued development of the Project.

Environmental and social issues - Category B

The key social and environmental issues to address in this exploration project currently include: i) control of erosion, rehabilitation of drill roads and drill sites; ii) safe disposal of oils, waste materials and dust control; iii) water and effluent management; iv) occupational health and safety and community safety; v) hazardous materials handling and management; vi) emergency preparedness & response; vii) management of community relations and expectations during ongoing consultation and disclosure, and, viii) maximizing benefits of the project for local communities (including preferential employment; assistance with community development initiatives where feasible); ix) Environmental, Health, Safety and Social Policy commitments to ensure the compliance with IFC Performance Standards of any future mining activities.

To view the environmental documents for this project, [click here](#)

Contacts

For inquiries about the project, contact:

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Website access: http://www.tsodiloresources.com/i/pdf/2010-05-11_IFCTSDSPI29374.pdf