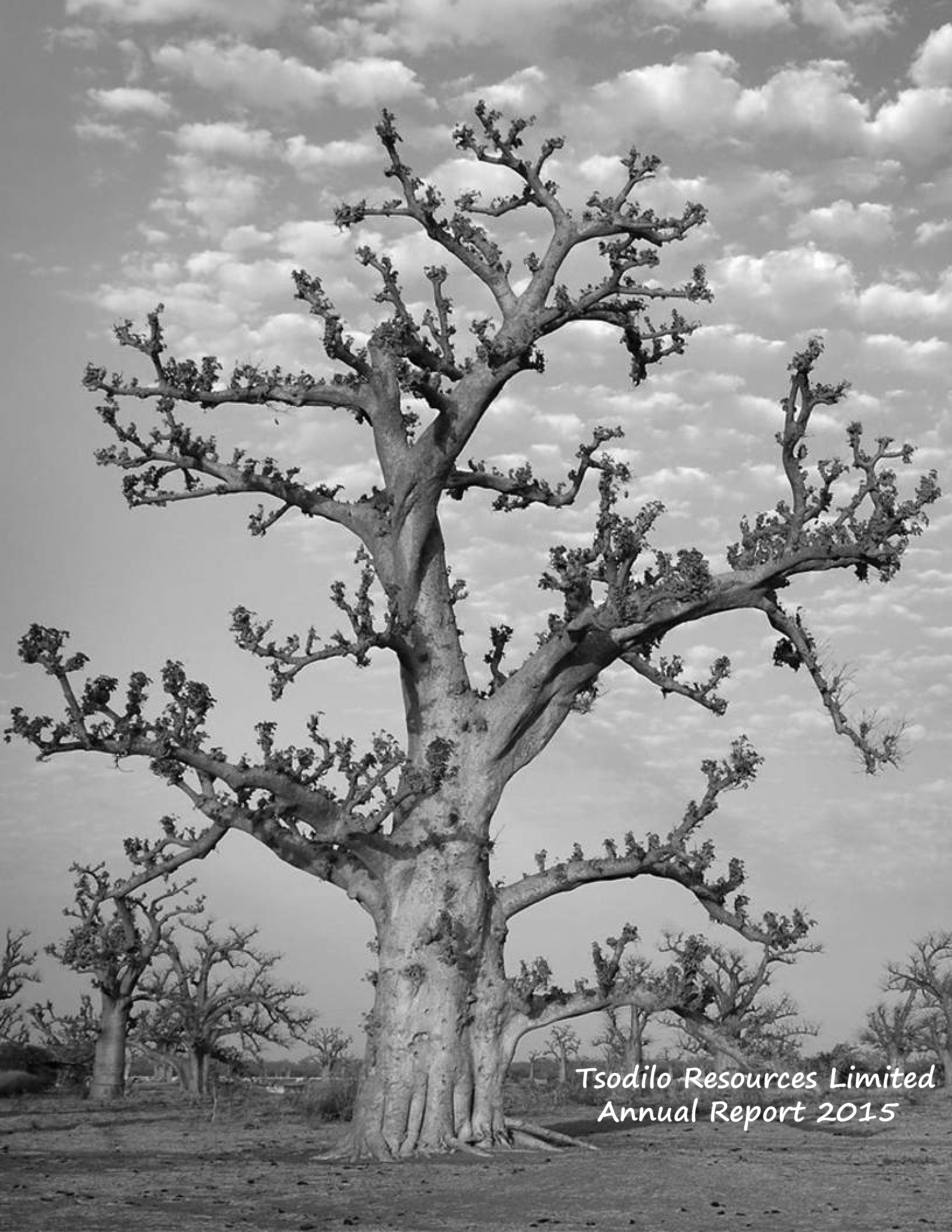

Tsodilo Resources Limited
Annual Report 2015

President's Message

2015 was a challenging year for the mining industry, with a significant decline in metals and rough diamond prices resulting in a decrease of global funding for development and exploration projects. All segments of the mining industry were affected from international mining conglomerates to junior mining companies

The Company has pursued a number of measures in 2015 to address the business challenges it faced and continues to deal with lower resource prices resulting in a decrease of capital available for our activities. A focus on even more efficiency across our activities in 2015 resulted in lower costs compared to 2014 while still allowing us to advance our main projects. The Company made difficult decisions in 2015 by relinquishing licenses that no longer met the Company's investment criteria in light of the current economic realities.

Fortunately, as a result of decisions made almost a decade earlier, the Company was able to carry on its activities on a limited budget by utilizing its own drill rigs and geophysical equipment. We were able to conduct our exploration program without interruption throughout the year.

During the past year, the Company supported exploration activity by raising funds in the capital markets through the successful issuance of stock by way of private placements. This process will continue in the coming year. Our current share base consists of 33,542,784 issued and outstanding 39,393,970 on a fully diluted basis) common shares.

Tsodilo has a 75% interest in its Botswana Bosoto (Pty) Ltd BK16 kimberlite diamond project; a 100% interest in its Botswana Gcwihaba Resources (Pty) Limited metal projects; and a 70% interest in the Barberton, South Africa gold and silver project.

The world's economies will recover as equity and credit markets strengthen. The price of commodities including diamond will rise from their recent lows as market conditions improve and demand increases. The Company is well positioned to meet the challenges in the upcoming year and for the years' thereafter.

We are looking forward to an exciting and challenging year ahead as we make progress in the development of an economic kimberlite and the further development of our iron; base and precious metal projects. Please follow our progress carefully and remain informed by regular visits to our website, **www.TsodiloResources.com.**

Dr Michiel CJ de Wit
President
February 29, 2016

Contents

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements of the Company and the notes thereto for the years ended December 31, 2015 and 2014. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Company's functional and reporting currency is United States dollars and all amounts stated are in United States dollar unless otherwise noted. In addition, the Company has three operating subsidiaries, Newdico, Gcwihaba and Bosoto which have a functional currency of the Botswana Pula. This management's discussion and analysis has been prepared as at February 29, 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 February 29, 2016, 33,542,784 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, 3,221,390 options remain outstanding of which 2,816,390 are exercisable at exercise prices ranging from CAD $0.70 - $1.25.

Outstanding Options

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

As of February 29, 2016, 2,617,296 warrants are outstanding. The warrants were issued by way of private placements utilized by the Company for financing purposes. Each warrant entitles the holder thereof to purchase one common share of the Company and the specifics with expiry date, number, exercise price and currency are as follows:

Outstanding Warrants

Expiry Date	No. of Warrant Shares	Exercise Price & Currency
May 29, 2016	306,183	$1.40 USD
July 29, 2016	634,116	$1.40 USD
December 30, 2016	560,922	$1.21 USD
August 10, 2017	1,116,075	$1.10 USD
Total	2,617,296	

If all warrants were converted, 2,617,296 common shares of the Company would be issued.

Principal Shareholders of the Company

The principal shareholders (greater than 5%) of the Company as of February 29, 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	14.89%
International Finance Corporation	Member of the World Bank Group	4,520,883	13.47%
David J. Cushing	Director	2,880,096	8.61%
James M. Bruchs	Director and CEO	2,285,619	6.81%
First Quantum Minerals	Global Mining Company	2,272,727	6.77%

Exploration Activities for 2015

Subsidiaries

The Company currently has a 100% operating interest in its Botswana subsidiary, Newdico (Proprietary) Limited ("Newdico"), which held one prospecting license covering approximately 851 km² in northwest Botswana during the year. This license was relinquished effective June 30, 2015.

Gcwihaba, a wholly owned subsidiary of the Company, holds one (1) prospecting license for precious stone in the Kgalagadi District; twenty-two (22) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West district of which twenty (20) are currently in renewal; and, eight (8) radioactive mineral licenses located in the North-West district.

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

The Company holds a 70% interest in its South African subsidiary, Idada Trading 361(Pty) Limited ("Idada"). Idada filed an 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, and REMDEC) in September 2013. During the second quarter of 2015, notice was received from the Department of Mineral Resources, South Africa which granted the Company the prospecting rights for gold and silver in the applied for area subject to certain subsequent conditions being met. The Company fulfilled those requirements in the third quarter of 2015 and is awaiting the Execution of the Right documents.

The Company holds a 100% interest in Tsodilo Resources Bermuda Limited to which the shares of its operating subsidiaries are registered.

1. DIAMOND PROJECTS

During all or part of 2015, the Company held 3 Prospecting Licences for precious stones, one registered each to Newdico, Gcwihaba and Bosoto. These licenses are summarized in Table 1. The Gcwihaba license PL 195/2012 covered 494 square kilometers; the Newdico license (PL 64/2005) covered 851 square kilometres; and 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 December 31, 2015

PL number	Km^2	Grant Date	Expiry date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 12.31.15
PL 195/2012	250.7	7/01/15	6/30/17	Relinquished 12/31/2015	--	--	--	--
PL 064/2005	851	4/01/14	3/31/16	Relinquished 6/30/2015	--	--	--	--
PL 369/2014	1.02	10/01/14	9/30/17	Initial Grant	1,000	35,407,000# 138,275,000# 64,200,000#	237,885,000#	25,254,100
Total	1,346.02						238,600,920	26,132,451

PL 195/2012

This license was initially granted in 2012. An application for a 50% renewal was successful and the license was renewed in 2015 for two years. A target drilling program commenced and completed in 2015 failed to intersect any kimberlite the license was relinquished in its entirety.

Soil sampling and a detailed ground geophysical program was completed in 2014, and the work in 2015 focused on target drilling on four kimberlite-looking targets. Five vertical diamond holes were drilled (NQ) to a cumulative depth of 491 meters and 261 meters of core were extracted (Table 2). Four of the holes intersected mafic lavas of the Molopo Farms complex and a fifth hole sampled the top of a highly silicified banded iron stone formation. The Molopo Farms complex is a 2 billion year old igneous layered intrusion complex similar in age to the Bushveld Igneous complex. Minor sulphide mineralization was observed in the form of pyrite and chalcopyrite in carbonate veins.

Table 2

Boreholes drilled on PL195-2012

Hole number	Depth (m)	Core (m)	Main rock type	Drill	Azimuth	Dip
PL195_001V	122.60	88.26	Kalahari cover (sand, silcrete, calcrete) 0 – 33 m; Bedded siltstones/Chert (Transvaal?) 33- 62.6 m; Mafic lavas with minor mineralization (Molopo Farms complex) 62.7 – 122.6 m.	D1	0°	-90°
PL195_002V	92.40	53.93	Kalahari cover 0 – 43 m; Mafic lavas, massive and vesicular 43 – 92.4 m, with carbonate veins with minor sulphides.	D1	0°	-90°
PL195_003V	110.70	55.66	Kalahari cover (sand) 0 – 35 m; Mafic lavas, massive and vesicular 35 – 110.7 m.	D1	0°	-90°
PL195_004V	92.60	52.88	Kalahari sand 0 - 33 m; Dark green mafic volcanics – massive and vesicular 33 – 92.6 m.	D1	0°	-90°
PL195_005V	45.32	10.29	Kalahari cover (sand, calcrete) 0 – 27.4 m; BIF (goethite and hematite) with lighter cherty layers.	D1	0°	-90°
Total	**463.62**	**261.02**				

Samples were submitted for petrographic studies. This suite of volcanic rocks is dominated by leuco-andesite with a high percentage of amygdales. One hole intersected hornfelses, altered shales, of the Transvaal Supergroup that had been thermally metamorphosed by the intrusion. The intrusion varied in composition from fine-grained volcanic breccias (leuco-andesitic in composition), thermally altered felsic volcanic rock and amygdale-rich fine-grained basic to intermediate volcanic rock. Sulphide mineralization, mainly in the form of pyrite and minor chalcopyrite, are associated with bands of epidote-chlorite-quartz-albite and calcite.

No kimberlite was intersected and remodeling of the geophysical data with the drill information suggests that kimberlites might still be present in the area but that these are going to be small and possibly only as dykes. The sulphide mineralization is limited and although the Molopo Farms complex has been targeted by many companies in the past no ore body have ever been discovered within the complex. Based on these negative results the license has been relinquished.

PL 64/2005

Interest in the kimberlites located on PL 64/2005 was based on four main factors which makes this area prospective. Firstly, there are two unexplained surface concentrations of both diamonds and high-interest (G10) garnets across the border in Namibia the *Tsumkwe* and the *Omatoko* targets. Based on the local geomorphology it was suggested that the diamonds and garnets from these targets have been derived from one of the diamond-bearing kimberlites or an undiscovered kimberlite in and around the Nxau Nxau field. The whole Nxau Nxau kimberlite field now comprises 40 bodies that occur on both sides of the border. Although not all of these kimberlite occurrences have mineral chemistry data, those that have data do not match that of the garnets recovered from the *Tsumkwe* or *Omatoko* anomalies.

Secondly, the geophysical interpretation of the Southern African Magnetotelluric Experiment (SAMTEX) project shows, among others, that PL 064/2005 lies within the southern edge of the Congo Craton (Khoza et al., 2013; Muller and Jones, 2007).

Thirdly, Archaean ages obtained from granite/gneiss samples from two boreholes drilled by the Company in the general area - L9590/7 (2,641 Ma) and L9660/5 (2,548 Ma) - confirm that the basement rocks are indeed Archaean in age, satisfying one of the most important exploration criteria for diamonds. This means that those kimberlites occurring in these prospecting licences and within the Congo Craton should be the most interesting from a diamond perspective.

Fourthly, microdiamond work on K10 produced 14 stones from 229 kg of kimberlite core (61.23 stones per ton). This is the highest number of microdiamonds that have been recovered from any of the 40 kimberlites in the Nxau Nxau cluster indicating that, like any other kimberlite province in the world, some kimberlites are more interesting than others. Because of the relative limited number of stones a grade curve with some level of confidence cannot be produced and hence more microdiamonds were required from K10. K11's mineral chemistry signature is similar to K10 and this body is approximately 2.5 ha in size. Following the two year extension of PL 64/2005 and based on the positive micro-diamond results of K10 a detailed ground magnetic survey was completed over the K10/K11/B7 cluster and over target A16 which occurs 1 km to the SE of the K10 cluster. A total of 228 line km were surveyed covering an area of 5 km^2. B7 was never drilled and A16 has been drilled in the past but kimberlite was never intersected. This survey was able to define the sizes of K10 and K11 more accurately and provide accurate drill targets for B7 and A16. Target B7 (K29) and A16 (K30) were drilled and both proved to be kimberlite. A total of 262.70 m was drilled resulting in 101.30 m (k29) and 119.20 m of core from K29 and K30 respectively. Petrographically K29 has been interpreted as a coherent poorly-macrocrystic kimberlite and K30 as an air-fall pyroclastic kimberlite. Both the coherent and the pyroclastic kimberlite specimens are petrographically rated as low interest with respect to diamond potential due the relatively large grain size of groundmass spinels and the scarcity of olivine macrocrysts.

Microdiamond sample residues from the original K10 microdiamond sample were forwarded to the C.F Mineral Research laboratory in Kelowna (BC). No additional stones were recovered from the +75 micron fraction. In April, 99.1 kg of kimberlite from K10 was sent to Ekapa Minerals in South Africa. The material was soaked in water and after a number of days was wet sieved to remove the plus 2mm material and the minus 5 micron material. After sieving 20% of the material remained as +2mm which was crushed using a lab sized jaw crusher. The screened material was treated in a Mountain Goat reverse helix trommel, and then fed into a Desert Fox Spiral Concentrating Machine, at a rate of approximately 30Kg/hour and 156 grams of concentrate were recovered. The concentrate was dried and sieved into 6 fractions: +2mm, +850μ, +420μ, +250μ, +150μ, and <150μ total. The magnetic material was removed from each fraction with a hand Fe magnet and the non-magnetic material of less than 2mm was separated using a heavy liquid approximately 2.9 SG. Abundant ilmenite, garnet and rare chromites and one diamond in the +0.450 mm fraction were recovered. An additional 50 kg sample from the K11 core was prepared and sent to the Ekapa Minerals recovery unit in Kimberley in March (2015) for diamond analysis but no diamonds were recovered.

During the second quarter of 2015, the Company performed an extensive and exhaustive review of its' Nxau Nxau kimberlite project and concluded that the project no longer met the Company's investment criteria. The decision to relinquish the license effective June 30, 2015 was filed with the Ministry of Minerals, Energy and Water Resources (MMEWR). The Company's decision to cease exploration resulted in a charge of $6,897,401, which is included in other expenses and reflects a write-down of the Company's carrying value of the Newdico Nxau Nxau project.

PL 369/2014 (BK 16)

Tsodilo was granted a prospecting license (PL369/2014) over the BK16 kimberlite pipe through its 75% owned Botswana subsidiary, Bosoto Pty (Ltd) effective October 1, 2014. The diamondiferous BK16 kimberlite pipe is located within the Orapa Kimberlite Field ("OKF") in Botswana and covered by 25 meters of Kalahari Group sediments. BK16 is located 37 km east-southeast of the Orapa Diamond Mine AK01, 25 km southeast of the Damshtaa Diamond Mine, and 13 km north-northeast of the Letlhakane Diamond Mine, all operated by Debswana and 28 km east-northeast from Lucara Diamond Corporation's Karowe mine (F/K/A AK6).

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

The BK16 kimberlite was initially discovered by De Beers in the 1970's using soil sampling techniques, airborne magnetics, and ground magnetic surveys. This initial work was followed up by some initial drilling and the sinking of a shallow shaft to 36 meters in the central part of the pipe. Initial indications were that the kimberlite was diamondiferous albeit low grade and no further work was done by De Beers.

Over the period 1994 to 2010, several companies held the prospecting rights over the area containing the BK16 kimberlite and various forms of surveying and sampling were employed all in an attempt to ascertain whether BK16 was economically viable. However, none of those efforts systematically evaluated the kimberlite to answer the question as to BK16's merits. Tsodilo believes that much of the above described sampling was done in the upper part of the kimberlite which is characterized by a basalt breccia. Like several of the other Orapa kimberlites, this upper zone of basalt diluted kimberlite is of low grade but the underlying 'cleaner' kimberlite, as is the case at BK16, is known to be of higher grade.

Summary of Work Performed in 2015

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

The following measurements were taken of the drill core:

1. Magnetic susceptibility readings taken every 20 cm. Density measurement were completed on every 2 m of core and 2,100 density measurements, using both the standard rapid emersion technique and the varnish coating method, have been entered into the Company's database. These also include repeats and standards. After some experimentation it was decided that all core in the BK16 project will be measured for dry bulk density using the varnish coating method as it has been demonstrated to give superior dry bulk density results over the standard rapid emersion technique, particularly when dealing with the weathered kimberlite which is friable and highly porous. The standard procedure now is to sample between 20 and 30 cm of solid core every two meters. This core is then coated with a thin coat of varnish, weighted and the volume established by water displacement.
2. Detailed geological logs are prepared for each hole and converted into an electronic format. Both hand drawn logs and the electronic logs are kept in the Company's database. Dilution logging is an important part of the geological logs and will be used in the geological model in order to locate areas with higher volumes of xenoliths inclusions, which are either crustal (basalt, sandstone) or mantle (peridotite, eclogite), and hence areas with potentially diluted grades.
3. A first pass geotechnical log is prepared for each hole in terms of Rock Quality Designation (RQD), which is a rough measure of the degree of jointing or fracture in a rock mass, measured as a percentage of the drill core in lengths of 10 cm or more. High-quality rock has an RQD of more than 75%, low quality of less than 50%. It is therefore logical that there would be a strong correlation between core recovery and RQD.

The Company's geologists were assisted by Dr. Jock Robey with the detailed logging of the cores. During this work, three major phases and one minor phase were mapped:

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

These data sets were entered into the GIS database and used for the geological model of the kimberlite. The BK16 geological model defined some 13 to 14.5 million tonnes of exploration target for the VK2 and VK3 phases with estimated grade of 13 to 19 carat per hundred ton ("cpht") with low confidence but based on previous bulk sampling. During the year all the density work was completed and the geotechnical studies will be completed in the first quarter of 2016.

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

In anticipation of this drilling program which is scheduled to start during in 2016, the Company purchased a DMS mobile plant from De Beers Botswana. This plant is capable of handling a 10 tons/hour head feed throughput and was used in the evaluation of AK06 (Karowe Diamond Mine) owned by Lucara Diamond Corp. It is set up and located just outside the Letlhakane village approximately 15 km directly WNW from the BK16 kimberlite pipe.

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

Summary of work to be performed in 2016

The program for 2016 will focus on the LDD work. Because of the cost of each LDD hole (24 inch diameter), it is required to drill a NQ core pilot hole at each LDD site in order to maximize the kimberlite recovery of each hole and to correlate the geology with the sample results from the LDD program. The cumulative depth of the LDD holes is 3,460 m so the pilot hole drilling program should take under two months to complete. This drilling is scheduled to start during the 1st quarter of 2016. The LDD meterage is based to recover at least 200 carats for first stage evaluation using a conservative grade of 10 cpht and will generate some 2,000 tons for processing.

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

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

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

Table 3. Gcwihaba Metal License Areas as at December 31, 2015

PL numbers	Km²	Grant Date	Expiry / Renewal date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 12.31.2015
PL 119/2005	831.80	07/01/14	07/01/16	Extension	4,160	125,000	258,320	23,400
PL 051/2008	TBD	07/01/11	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 052/2008	TBD	07/01/11	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 386/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 387/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 388/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 389/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 390/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 391/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 392/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 393/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 394/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 395/2008	TBD	01/01/12	12/31/14	in renewal	TBD	TBD	TBD	TBD
PL 595/2009	TBD	07/01/09	07/01/12	in renewal	TBD	TBD	TBD	TBD
PL 596/2009	TBD	07/01/09	07/01/12	in renewal	TBD	TBD	TBD	TBD
PL 597/2009	TBD	07/01/09	07/01/12	in renewal	TBD	TBD	TBD	TBD
PL 588/2009	413.00	07/01/14	07/01/16	2nd renewal	2,065	125,000	254,130	23,020
PL 093/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD

PL 094/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD
PL 095/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD
PL 096/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD
PL 097/2012	TBD	04/01/12	04/01/15	Initial Grant	TBD	TBD	TBD	TBD
TOTAL	1,244.80						512,450	46,420

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 which the Company is presently evaluating (Table 4).

Table 4

Main mineralogical domains identified during the Phase 1 drill program		
Sedimentary Cu/Co (Katanga type sediments) in the central shale belt	Central African Copper Belt-style sedimentary rock-hosted copper showings at multiple stratigraphic levels, spatially associated with faults	Copper (cobalt)
Sepopa Cu/Au Skarn deposit (IOCG?)	Iron-copper skarns associated with ~535 Ma basic intrusions	Copper-gold-iron
Xaudum Magnetite Banded Iron Formation (XIF)	Layered and massive BIF Rapitan type Fe Formation closely associated with the Grand Conglomerate	Iron

2.1 STRATEGIC PARTNERSHIP

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

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

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

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

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

2.2 XAUDUM MAGNETITE BANDED IRON FORMATION (XIF)

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

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

Drilling on Block 1 of the Xaudum XIF deposit was completed and in 2014 SRK Consulting (U.K.) presented Gcwihaba's maiden National Instrument 43-101 Resource report of this Block which forms the northern part of this large XIF deposit. For this block SRK has derived an Inferred Mineral Resource of 441 Mt grading 29.4% Fe, 41.0% SiO2, 6.1% Al2O3 and 0.3% P.

Tsodilo subsequently started drilling the next exploration area within the Xaudum XIF deposit, referred to as Block 2a. Here the company expects to define a significant Inferred Mineral Resource in due course which will significantly increase the Xaudum Iron Project total Mineral Resource. The first holes of this block were drilled between August and November 2014, and the Company aims to complete the resource definition of Block 2 in order to prove at least a +1Bt resource.

The Company continues its investigating how to progress this deposit with aspects of local beneficiation. New technology is available to transform the magnetite iron concentrate on site to produce Iron Pellets (heat and fuse), briquettes or supa-scrap (IMBS non-conventional DRI process) or even pig iron (ESS Prodilux furnace). For this the thermal coal in eastern Botswana is considered most appropriate but issues surrounding the infra-structure need to be resolved.

2.3 KATANGAN-LIKE META-SEDIMENTS

General geology

Southeast and east of the XIF Iron project are north-north-west to north-north-east trending mineralized metasediments in what is referred to as the Central Shale Basin. The latter meta-sedimentary sequence is very similar to the parts of the stratiform Cu-Co (Copper-Cobalt) province of the Central African Copper Belt and is identical to the host rocks of the Kalumbila Cu-Ni-Co deposit in western Zambia. The black shales, meta-pelites, meta-arenites, dolomites, with evidence of evaporate minerals, in particular bear strong resemblance to the Mwashya rocks in Zambia. Most lithologies are mineralized with pyrite, pyrrhotite, and chalcopyrite.

The majority of Katangan metasediments intersected in drilling are interpreted to belong to the Mwashya Group (shale, carbonate), or the Grand Conglomerate (diamictite) units, occurring on each side of the 'basement high'. Most of the FQM and Tsodilo Resources drilling have taken place within these two stratigraphic Groups. Much of the drilling has shown diamictite to alternate with carbonate-shale packages and this is attributed to repetition by bedding-parallel thrust faults. The distribution of magnetite-facies BIF is restricted to the diamictite on the western side of the basement-high, and this probably reflects differences in seawater chemistry across the 'basement high' during the Sturtian Glaciation.

The understanding of the upper Katangan stratigraphy in the Shakawe area is poor. The diamictite of the Grand Conglomerate typically transitions abruptly into a clean dolomite referred to as the *Kakontwe*. This change reflects an abrupt global warming event at the end of the Sturtian glaciation and it is a feature observed in some drill cores from the Shakawe area. However, at the western end of FQM's Stratigraphic Section Line the diamictite is conformably overlain by calcareous sandstone.

The rocks at the extreme western end of the east- west sections contain zircon populations of ≈1.1 Ga and ≈2.0 Ga, but contain no 2.5 Ga zircons. The rocks are interpreted to be of the Ghanzi-Chobe Supergroup. The Kgwebe Volcanics are the most likely source of these ≈1.1 Ga zircons, implying significant differences in the provenance of the Katangan Supergroup and the Ghanzi-Chobe Supergroup meta-sediments.

Summary of Prospecting Activities during 2015

Target Drilling

Four diamond drill holes were completed during 2015. BWADD0034 targeted an extension of the *Laharpo East* target, where weak copper mineralisation is associated with albite and and/or chlorite-amphibole alteration over an area of several square kilometres. The hole intersected shale, siltstone and schist with local chlorite alteration, but no copper mineralisation or albite alteration. Drill holes BWADD0035 and 36 intersected the *Middle Earth* target, identified by the Kalahari Geochemistry Program (KGP) as containing anomalous metals in the bedrock, Kalahari sand, and at the interface between the two. The drill holes intersected a thrust-repeated package of shale and sandstone. Pyrrhotite was present in variable quantities throughout the sequence, hosted in shales and schists containing garnet and kyanite porphyroblasts.

Metal anomalism at the *School* target was identifiable in both hydrogeochemistry and KGP data. BWADD0037 intersected steeply dipping, highly strained schists and carbonaceous shale. The borehole contained minor amounts of garnet, kyanite and chlorite alteration.

Hydrogeochemistry

Analyses for a large set of hydrogeochemistry samples were received during the year. The distribution of samples was constrained by the location of boreholes that intersected a water table. This erratic distribution of samples determined that additional samples were collected later in the year; the analyses for which are pending.

The initial data show a wide variation in baseline chemistry, i.e. Total Dissolved Solids, pH, and oxygen level, all of which impart a non-linear control on the solubility of copper in the groundwater.

The only large, multi-point anomaly was the *School* target which appeared to show a natural plume of groundwater anomalous in metals flowing down hydraulic-head towards the Okavango River. The data also identified large mafic intrusive rocks, which provided additional support for the validity of the technique.

The results from hydrogeochemistry samples collected late in the year are anticipated early 2016. This includes the copper isotope data, the analytical method for which has proven to be problematic.

Kalahari Geochemistry Program (KGP)

Low-detection limit, multi-element assay results for the KGP were received in late 2014 and interpreted in early 2015. Lithogeochemistry samples from the Katangan bedrock mapped rock type as well as alteration and trace amounts of mineralisation. The interface between the Katangan rocks and the Kalahari sand contained transported detritus including heavy minerals such as iron oxides and sulphides. Weak metal anomalism was detected in some of the more iron-rich samples of Kalahari sand.

Two high priority targets were identified from the KGP data: the *Middle Earth* and *School* targets. Both targets had several KGP holes reporting multi-element anomalies in multiple sample media (bedrock, interface and Kalahari).

CSIRO study

Dr Ravi Anand of CSIRO conducted an FQM-sponsored research project into exploration through the Kalahari cover. The short project was designed to increase our knowledge of the mechanisms for metal transport in the Kalahari, enabling existing data to be used more intelligently and for subsequent exploration to be conducted more effectively.

Key outcomes were the recognition of the vertical movement of metals in the Kalahari profile by groundwater and biological mechanism, the lateral dispersion of several heavy mineral species along the unconformity and optimal size fractions and digestion methods for identifying trace amounts of metal anomalism in sand.

Geophysics

Downhole density and conductivity logging of 10 KGP boreholes was conducted. The data are to be used to enhance the processing of airborne gravity and EM data respectively.

CSIRO remodelled the Spectrem airborne EM data to determine whether reprocessing with geological constraints could improve the accuracy of the technique as a means of mapping the paleotopography of the Katangan bedrock.

Passive seismic was trialled at the end of 2015. The technique has the potentially to be a very quick and low-cost means of mapping the paleotopography of the Katangan bedrock. Results are pending.

General Geology

Sulphur isotope samples were collected from variety of locations on the project. The analyses show that the predominant origin of sulphur in sulphide minerals such as pyrite, pyrrhotite and chalcopyrite, is diagenetic. One sample returned heavy sulphur indicative of evaporite-derived brines. Whilst sulphur isotopes are not an indicator of prospectivity, the technique elucidates a part of the basin's history.

The Pre-Kalahari geological map was updated using lithogeochemistry from the KGP drill holes, airborne gravity data and drill hole data. Differences in the structural style across the north-south oriented basement high were noted, with significant thrust repetition and the absence of BIF to the east of the basement high.

Several regional-scale cross sections were constructed to enhance the understanding of the terrane. A variety of geophysical techniques were employed along with drilling data and geochronology data.

Summary of Work Performed in 2015

DRILLING			
	Samples submitted	**No. of holes**	**Meters drilled**
Diamond Drilling	1,382	4	1,395.50
GEOCHEMISTRY			
	Surface samples	**Borehole samples**	**Total**
Cu-isotopes		9	9
DOWNHOLE GEOPHYSICS			
	Meters	**No. of Holes**	
Downhole logging	577.40	10	

3. Radioactive Licenses

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

Table 5.

Gcwihaba – Radioactive License Areas as at December 31, 2015

PL numbers	Km²	Grant Date	Renewal date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum* (BWP)	BWP	USD as at 12.31.2015
PL 150/2010	411.30	04/01/15	03/31/17	2nd Renewal	2,060	70,000	--	--
PL 151/2010	311.40	04/01/15	03/31/17	2nd Renewal	1,560	70,000	--	--
PL045/2011	547.80	04/01/15	03/31/17	2nd Renewal	2,740	70,000	--	--
PL 046/2011	372.00	04/01/15	03/31/17	2nd Renewal	1,860	70,000	--	--
PL 047/2011	478.00	04/01/15	03/31/17	2nd Renewal	2,390	70,000	--	--
PL 048/2011	404.20	04/01/15	03/31/17	2nd Renewal	2,025	70,000	--	--
PL 049/2011	973.40	04/01/15	03/31/17	2nd Renewal	4,870	70,000	--	--
PL 050/2011	413.70	04/01/15	03/31/17	2nd Renewal	2,070	70,000	--	--
Total	3,911.80				19,575	560,000	1,159,150	105,002

The Company has reviewed the exploration results from Union Carbide Exploration Corporation which had secured many prospecting licences in west and northwest Botswana for uranium. Of particular interest are their findings of anomalous uranium within what they called the Khaudum and Chadum paleo-drainages. High counts of uranium in both calcrete and water samples and anomalous counts of vanadium from the water samples were obtained. Up to 30 meters thick valley calcrete (the target calcrete) was drilled with geochemical anomalous concentration of uranium in certain trap environments. However at the time, no ore-bodies were delineated, but Union Carbide concluded that based on the high uranium concentrations in the water samples the area is anomalous with respect to uranium.

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

Summary of Work Performed in 2015

Water samples were collected over most of northern Ngamiland as part of the regional base metal exploration program. Many were taken from holes drilled by FQM but others were collected from water wells at cattle posts and other previously drilled holes. Although not all samples have been analyzed there were 8 samples with values higher than 25 ppb U believed to be the anomalous cut-off for these types of samples in this area. Several of those positive samples were proximal to the U targets that Union Carbide had generated in the past and again highlighted the Khaudum and Chadum drainages as being very prospective for secondary uranium. As new geological models have been developed over uranium deposits in Namibia, that are hosted in secondary environments such as calcretes and alluvium, like the Trek Kopje and Langer Heinrich deposits also located in the Damara Belt, the Company will be looking to apply some of those models to the uranium anomalies in Ngamiland over the next quarter, also hoping that all water results would have been received by then.

In addition and during the drilling of the Kalahari Geochemistry Program (KGP) five holes (KGPDD0054, 0061, 0093, 0096, 0097 and 0098), of which KGPDD0054 and KGPDD0063 intersected lower Karoo Group sediments, returned encouraging uranium assay results. Interestingly borehole BBWA0014, drilled on a conceptual base metal target to over 600 m deep, also intersected Lower Karoo (Dwyka and possibly Lower Ecca) sediments from below the Kalahari to the end of the hole (still in Karoo), and also reported uranium in one of the units. Karoo hosted uranium deposits occur in eastern Botswana and also in the Karoo in South Africa at Beaufort West. Clearly this model will also be considered in the review of the geological settings of uranium deposits in Ngamiland.

Interestingly, most of the boreholes with uranium spikes and drilled in the metasediments of the Katanga Group as part of the Xaudum Ironstone project are all found adjacent to the north-south orientated basement granitic high. In addition, some of the positive results from the Union Carbide work in southern Ngamiland around 1980 also seem to be associated with basement rocks. A re-look at the granite type as a primary source for uranium is also been planned.

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

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**

Exploration and Evaluation additions for the year ended December 31, 2014 are summarized as follows:

	Newdico Botswana	Bosoto Botswana		Gcwihaba Botswana			Total
	Precious Stones	Precious Stones	Precious Stones	Metals	Radio-Active Minerals	Subtotal	
Drilling Expenditures	$ 66,619	$ 770	$ 33,475	$ 130,593	$ 38,801	$ 202,869	$ 270,258
Amortization Drill Rigs, Vehicles & Trucks	36,279	--	26,801	125,042	26,832	178,675	214,954
GIS & Geophysics	605	--	2,177	78,270	988	81,435	82,040
Lab Analyses & Assays	4,804	--	305	154,137	344	154,786	159,590
License Fees	710	28	279	5,109	--	5,388	6,126
Office, Maintenance, & Consumables	55,736	4,165	17,899	76,838	19,126	113,863	173,764
Salaries, Wages & Services	168,119	409	188,323	489,288	186,073	863,684	1,032,212
Balance at Dec. 31, 2014	$ 332,872	$ 5,372	$ 269,259	$1,059,277	$ 272,164	$1,600,700	$1,938,944

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2015, the Company had a working capital deficit of ($746,529) [December 2014: ($118,928)], which included cash of $73,910 (December 2014: $232,585). 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 1st and 2nd Quarter of 2014, the Company received proceeds of $238,780 from the exercise of options. During the year ended December 31, 2014, the Company received net proceeds of $1,636,574 from the issuance of units (common shares and warrants). In the 2nd quarter of 2015, security options were exercises for proceeds of $21,575. The Company received total proceeds of $934,837 from the sale of common shares and warrant units as a result of the private placement which closed on August 10, 2015. Post August 10, 2015 and to date, the Company has accepted investor deposits for subscription to a Private Placement for security units in the amount of $800,050.

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 December 31 2015 for those warrants is NIL (2014: $159,023). The Company was not required to pay cash to the holders of the warrants to settle this liability. Due to the nature of the Company's operations, there is no significant credit or interest rate risk.

Operating Activities

Cash outflow used in operating activities before working capital adjustment increased from ($706,862) for the period year ended December 31, 2014 to ($725,988) for the year ended December 31, 2015. Other operating expenses fluctuated but on the whole were increased for the period ended December 31, 2015 by $5,109 compared to 2014. The largest impact on Comprehensive income (loss) for the period was the impairment on evaluation and exploration of $8,874,979 (2014: NIL). The realized gain on the valuation of warrants was reduced from $25,240 in 2014 to $159,023, 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. A gain on the disposal of fixed assets was $25,492 (2014: NIL). Stock based compensation expense decreased by approximately $12,000. Expense increases were throughout the other expense categories with the largest decreases in legal and audit fees expenses going down by approximately $9,000 and the largest increases in corporate remuneration going up by approximately $29,000.

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Annual Information (in US Dollars)	**Fiscal Year December 31, 2015**	**Fiscal Year December 31, 2014**
Net loss for the year	($9,722,451)	($1,031,117)
Basic loss per share	($0.30)	($0.03)
Basic diluted loss per share	($0.30)	($0.03)
Total other comprehensive income (loss)	($1,122,545)	($1,221,106)
Total comprehensive loss for the year	($10,844,996)	($2,252,223)
Basic comprehensive loss per share	($0.33)	($0.07)
Diluted comprehensive loss per share	($0.33)	($0.07)
Total assets	$4,439,220	$13,469,926
Total long term liabilities	--	--
Cash dividend	--	--

Quarterly Information (in US Dollar)	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**
Fiscal Year ended December 31, 2014				
Net income (loss for the period	($1,173,718)	($241,830)	$310,979	$73,452
Basic income (loss) per share	($0.04)	($0.01)	$0.01	$0.01
Diluted basic income (loss per share	($0.04)	($0.01)	$0.01	$0.01
Comprehensive income (loss) for the period	($1,191,417)	($316,273)	($360,705)	($383,828)
Basic comprehensive income (loss) for the period	($0.04)	($0.01)	($0.01)	($0.01)
Diluted comprehensive income (loss) per share	($0.04)	($0.01)	($0.01)	($0.01)
Total assets	$13,346,846	$13,593,216	$13,504,247	$13,469,926
Total long term liabilities				

Quarterly Information (in US Dollars)	**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	--	--	--	--

Investing Activities

Cash flow applied in investing activities decreased to ($1,039,742) for the period ended December 31, 2015 (2014: ($1,612,480)).

Total expenditures of $1,200,405 on exploration properties for the period ended December 31, 2015 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.

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**
May 29, 2014	306,183	C$1.28	$ 355,507
July 29, 2014	634,116	C$1.28	$751,621
December 24, 2014	560,922	C$1.10	$529,446
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**
March 4, 2014	50,000	C$0.70	$31,649
March 13, 2014	75,000	50,000 : C$0.70 25,000 : C$0.90	$51,725
March 21, 2014	40,000	C$1.00	$35,564
March 25, 2014	72,110	50,000 : C$0.70 22,110 : C$1.00	$49,985
April 24, 2014	110,000	C$0.70	$69,857
April 2, 2015	37,500	C$0.75	$21,575

During the year ended December 31, 2014, the Company received proceeds of $238,780 from the exercise of Stock Options and $1,636,574 from the issuance of Units in private placements. In the 2nd quarter of 2015, security options were exercises for proceeds of $21,575. A private placement took place on August 10, 2015, from which the Company received total proceeds of $934,857 from the sale of common shares and warrant units.

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

RESULTS OF OPERATIONS

On a consolidated basis, the Company recorded a comprehensive net loss of ($10,844,996) for the year ended December 31, 2015 [($0.33) per common share] compared to a comprehensive net loss of ($2,252,223) for the year ended December 31, 2014 [($0.07) per common share]. The change in the loss in 2015 was due primarily to the impairment of exploration and evaluation assets.

Cumulative exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to $4,116,040 as at December 31, 2015 compared to $12,889,827 as at December 31, 2014. Cumulative exploration expenditures incurred on the Newdico project as at December 31, 2015 was $0 compared to $6,520,429 as at December 31, 2014. A net negative exchange translation difference accounted for a ($191,750) reduction. Cumulative exploration expenditures incurred on Gcwihaba's projects as at December 31, 2015 were $3,722,196 compared to $6,364,487 as at December 31, 2014. A net exchange translation difference accounted for a ($740,733) reduction. Cumulative exploration expenditures incurred on Bosoto's projects as at December 31, 2015 were $390,773 compared to $4,911 as at December 31, 2014. A net exchange translation difference accounted for a ($166,303) reduction. Cumulative exploration expenditures incurred on Idada's projects as at December 31, 2015 $3,071 were ($nil: December 31, 2014). A net exchange translation difference accounted for a ($427) reduction. 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 December 31, 2015, the Company and its subsidiaries employed twenty-two (22) compared to twenty-six (26) at December 31, 2014, including senior officers, administrative and operations personnel including those on a short-term service basis.

YEAR ENDED DECEMBER 31, 2015

The year ended December 31, 2015 was a normal operating year. Operating expenses were at normal levels for the year. Impairment charges were significant in 2015. See discussion under operating activities above.

RISKS AND UNCERTAINTIES

Operations of the Company are speculative due to the high risk nature of its business which includes acquisition, financing, exploration and development of diamond and metal properties (collectively "mineral"). Material risk factors and uncertainties, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set below. Any one or more of these risks and others could have a material adverse effect on the Company.

Additional Funding Requirements

Further development and exploration of the various mineral projects in which the Company holds an interest depends upon the Company's ability to obtain financing through equity or debt financing, joint ventures or other means. While the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be successful in obtaining additional financing in the amount and at the time required and, if available, that it can be obtained on terms satisfactory to the Company.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a loss of $9,722,451 and comprehensive loss of $10,844,996 during the year ended December 31, 2015 and as of that date the Company had an accumulated deficit of $44,321,339 and negative net working capital of $746,527. 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 December 31, 2015. The continuity of the Company's operations is dependent on raising future financing for working capital, the continued exploration and development of its properties and for acquisition and development costs of new projects. The Company's failure to raise additional funds could result in the delay in the work performed on the Company's exploration properties and may lead to an impairment charge on the Company's exploration and evaluation assets. Since August 10, 2015 and to date, the Company has accepted investor deposits in the amount of $800,050 for subscription to a Private Placement for security units. Of this amount, $210,000 was deposited in the first quarter of 2016.

Management believes that it will be able to secure the necessary financing through a combination of the issue of new equity or debt instruments, the entering into of joint venture arrangements or the exercise of warrants and options for the purchase of common shares. However there is no assurance the Company will be successful in these actions. There can be no assurance that adequate financing will be available, or available under terms favorable to the Company. During the year ended December 31, 2015, the Company received proceeds of $21,575 from the exercise of Stock Options. The Company received total proceeds of $928,907 from the issuance of common shares and warrant units as a result of the private placement which closed on August 10, 2015. Since August 10, 2015 and to date, the Company has accepted investor deposits in the amount of $800,050 for subscription to a Private Placement for security units. Of this amount, $210,000 was deposited in the first quarter of 2016.

Should it be determined that the Company is no longer a going concern, adjustments, which could be significant, would be required to the carrying value of assets and liabilities. These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the consolidated statement of operation and comprehensive income (loss), and consolidated statement of financial position classifications that would be necessary were the going concern assumption not appropriate.

Failure to obtain equity or debt financing on a timely basis may cause the Company to postpone its exploration and development plans or forfeit rights in some of its projects.

Uncertainties Related to Mineral Resource Estimates

There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on mineral prices. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there is no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a mineral project is complicated and involves a number of variables.

Commodity Prices and Marketability

The mining industry, in general, is intensely competitive and there is no assurance that, even if commercial quantities of minerals are discovered, a profitable market will exist for the sale of minerals produced. Factors beyond the control of the Company may affect the marketability of any minerals produced and which cannot be accurately predicted, such as market fluctuations, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, any combination of which factors may result in the Company not receiving an adequate return on investment capital. Prices received for minerals produced and sold are also affected by numerous factors beyond the Company's control such as international economic and political trends, global or regional consumption and demand and supply patterns. There is no assurance that the sale price of minerals produced from any deposit will be such that they can be mined at a profit.

Currency Risk

The Company's business is mainly transacted in Botswana Pula and U.S. dollar currencies. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating results of the Company in either a positive or negative direction.

Foreign Operations Risk

The Company's current significant projects are located in Botswana. This exposes the Company to risks that may not otherwise be experienced if its operations were domestic. The risks include, but are not limited to, environmental protection, land use, water use, health safety, labor, restrictions on production, price controls, currency remittance, and maintenance of mineral tenure and expropriation of property. There is no assurance that future changes in taxes or such regulation in the various jurisdictions in which the Company operates will not adversely affect the Company's operations. Although the operating environments in Botswana are considered favorable compared to those in other developing countries, there are still political risks. These risks include, but are not limited to terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business.

Mineral Exploration and Development

The business of exploring for minerals and mining is highly, speculative in nature and involves significant financial and other risks which even careful evaluation, experience and knowledge may not eliminate. There is no certainty that expenditures made or to be made by the Company in exploring and developing mineral properties in which it has an interest will result in the discovery of commercially mineable deposits. Most exploration projects do not result in the discovery of commercially mineable deposit. While discovery of a mineral deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There can be no guarantee that exploration programs carried out by the Company will result in the development of profitable mining operations.

Title Matters

Any changes in the laws of Botswana relating to mining could have a material adverse effect to the rights and title to the interests held in those countries by the Company. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

Infrastructure

Exploration, development, mining and processing activities depend on the availability of adequate infrastructure. Reliable roads, bridges, sewer and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance of provision of such infrastructure could adversely affect activities and profitability of the Company.

Uninsured Risks

The mining business is subject to a number of risks and hazards including, but not limited to, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave~ ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to mineral properties or facilities, personal injury or death, environmental damage, delays in exploration, development or mining, monetary losses and possible legal liability. The Company maintains insurance against certain risks that are associated with its business in amounts that it believes to be reasonable at the current stage of operations. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim.

Competition

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

Key Personnel

The Company is dependent upon on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company currently does not have key personal insurance on these individuals.

ADOPTION OF NEW ACCOUNTING STANDARDS

New Accounting Standards, Amendments and interpretations

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9, *Financial Instruments*

IFRS 9 covers the classification and measurement, impairment and hedge accounting of financial assets and financial liabilities and the effective date is for annual periods on or after January 1, 2018, with an earlier application permitted. The Company is still assessing the impact of adopting IFRS 9. Amendments to IFRS 9 also provide relief from the requirement to restate comparative financial statement for the effect of applying IFRS 9. Instead, additional transition disclosure will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

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

RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2015	2014
Short term employee remuneration and benefits	**$430,002**	$430,002
Stock based compensation	**$142,029**	$185,551
Post employment benefits*	**$142,938**	$106,503
Total compensation attributed to key management personnel	**$714,969**	$722,056

*Post employment benefits include $57,471 of accrued leave benefits through 2015.

An individual related to the CEO provided administrative and management services in 2015 to the Company in the amount of $33,000 ($33,000: 2014). An elective five (5) year severance payment in the amount of $7,586 (NIL: 2013) was paid to this individual in 2014. In 2015, the Company's President elected to receive his 5 year severance in the amount of $17,590 (NIL: 2014).

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.

James M. Bruchs	Gary A. Bojes
Chairman and Chief Executive Officer	Chief Financial Officer

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Financial Reporting Responsibility of Management

The annual report and consolidated financial statements have been prepared by management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts that are based on informed judgments and best estimates. The financial information presented in this annual report is consistent with the consolidated financial statements. Management acknowledges responsibility for the fairness, integrity and objectivity of all information contained in the annual report including the consolidated financial statements. Management is also responsible for the maintenance of financial and operating systems, which include effective controls to provide reasonable assurance that assets are properly protected and that relevant and reliable financial information is produced. Our independent auditors have the responsibility of auditing the consolidated financial statements and expressing an opinion on them.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors, all of whom qualify as unrelated directors and are independent of management and free from any interest or business relationship which could, or could be perceived to materially interfere with their ability to act in the best interests of the Company. This committee meets periodically with management and the external auditors to review accounting, auditing, internal control and financial reporting matters. The Audit Committee reviews the annual financial statements before they are presented to the Board of Directors for approval and considers the independence of the auditors.

The consolidated financial statements for the years ended December 31, 2015 and 2014 have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Their report follows hereafter.

James M. Bruchs
Chairman and Chief Executive Officer
February 29, 2016

Gary A. Bojes
Chief Financial Officer
February 29, 2016

Independent auditors' report

To the Shareholders of
Tsodilo Resources Limited

We have audited the accompanying consolidated financial statements of **Tsodilo Resources Limited**, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Tsodilo Resources Limited** as at December 31, 2015 and 2014, and the results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter – going concern

Without modifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that the Company incurred a loss of $9,722,451 and a comprehensive loss of $10,844,996 during the year ended December 31, 2015, and as of that date, the Company had an accumulated deficit of $44,321,339 and a negative working capital of $746,527. These conditions, along with other matters as set forth in note 1, indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

Ernst & Young LLP

Vancouver, Canada
February 29, 2016

Chartered Professional Accountants

Tsodilo Resources Limited

Consolidated Statements of Financial Position
(In United States dollars)

	December 31 2015	December 31 2014
ASSETS		
Current		
Cash	**$ 73,910**	**$ 232,585**
Accounts receivable and prepaid expenses	**42,820**	**42,641**
	116,730	**275,226**
Exploration and Evaluation Assets *(note 3)*	**4,116,040**	**12,889,827**
Property, Plant and Equipment *(note 4)*	**206,450**	**304,873**
Total Assets	**$ 4,439,220**	**$ 13,469,926**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 273,207**	**$ 234,501**
Subscriptions *(note 5a)*	**590,050**	**--**
Warrants *(note 5b)*	**--**	**159,023**
Total Liabilities	**863,257**	**393,524**
SHAREHOLDERS' EQUITY		
Share capital *(note 5a)*	**42,893,919**	**42,019,009**
Contributed surplus *(note 5c)*	**10,670,028**	**10,200,381**
Foreign translation reserve	**(5,666,645)**	**(4,544,100)**
Deficit	**(44,321,339)**	**(34,757,730)**
Equity attributable to Owners of the Parent	**3,575,963**	**12,917,560**
Non-controlling Interest *(note 3)*	**--**	**158,842**
Total Equity	**3,575,963**	**13,076,402**
Total Liabilities and Equity	**$ 4,439,220**	**$ 13,469,926**

Nature of operations *(note 1)*

Commitments and contingencies *(note 11)*

Subsequent events *(note 13)*

See accompanying notes to the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

David J. Cushing
Chairman, of the Audit Committee

James M. Bruchs
Chairman

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

	Years Ended December 31	
	2015	2014
Administrative Expenses		
Corporate remuneration	**$ 444,030**	**$ 415,071**
Corporate travel and subsistence	**26,073**	**24,184**
Investor relations	**17,873**	**24,037**
Legal and audit	**65,052**	**76,897**
Filings and regulatory fees	**34,937**	**28,336**
Administrative expenses	**138,023**	**138,363**
Amortization	**1,300**	**2,875**
Stock-based compensation *(note 5c)*	**337,004**	**349,420**
	1,064,292	**1,059,183**
Other Income (Expense)		
Interest Income	**--**	**26**
Impairment *(note 3)*	**(8,874,979)**	**--**
Gain on disposal of assets	**25,492**	**--**
Realized gain on warrants *(note 5b)*	**159,023**	**25,240**
Foreign exchange gain	**32,305**	**2,800**
	(8,658,159)	**28,066**
Loss for year	**(9,722,451)**	**(1,031,117)**
Other Comprehensive Loss		
Foreign currency translation	**(1,122,545)**	**(1,221,106)**
Total Other Comprehensive Loss	**(1,122,545)**	**(1,221,106)**
Total Comprehensive Loss for the year	**($ 10,844,996)**	**($ 2,252,223)**
Net Loss attributable to shareholders of the parent	**($ 9,563,609)**	**($ 1,033,147)**
Non-controlling interest	**(158,842)**	**2,030**
	($ 9,722,451)	**($ 1,031,117)**
Total Comprehensive Loss attributable to owners of the parent	**($ 10,686,154)**	**($ 2,236,732)**
Non-controlling Interest	**(158,842)**	**(15,491)**
	($10,844,996)	**($ 2,252,223)**
Basic loss per share attributable to owners of the parent *(note 7)*	**($0.30)**	**($0.03)**
Fully diluted loss per share attributable to the owners of the parent *(note 7)*	**($0.30)**	**($0.03)**
Basic comprehensive loss per share attributable to the owners of the parent *(note 7)*	**($0.33)**	**($0.07)**
Fully diluted comprehensive loss per share attributable to the owners of the parent *(note 7)*	**($0.33)**	**($0.07)**

See accompanying notes to the consolidated financial statements

Tsodilo Resources Limited

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, 2015	**32,389,209**	**$42,019,009**	**$10,095,487**	**$104,894**	**($4,544,100)**	**($34,757,730)**	**$12,917,560**	**$158,842**	**$13,076,402**
Units Issued	**1,116,075**	**835,296**	**--**	**93,611**	**--**	**--**	**928,907**	**--**	**928,907**
Exercised Options	**37,500**	**39,614**	**(18,039)**	**--**	**--**	**--**	**21,575**	**--**	**21,575**
Additional Paid in Capital – Subsidiary Purchase, Other	**--**	**--**	**(1,764)**	**--**	**--**	**--**	**(1,764)**	**--**	**(1,764)**
Stock Based Compensation	**--**	**--**	**395,839**	**--**	**--**	**--**	**395,839**	**--**	**395,839**
Comprehensive loss	**--**	**--**	**--**	**--**	**(1,122,545)**	**(9,563,609)**	**(10,686,154)**	**(158,842)**	**(10,844,996)**
Balance December 31, 2015	**33,542,784**	**$42,893,919**	**$10,471,523**	**$198,505**	**($5,666,645)**	**($44,321,339)**	**$3,575,963**	**$ -**	**$3,575,963**

	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, 2014	**30,541,878**	**$40,094,987**	**$9,765,939**	**$ --**	**($3,340,515)**	**($33,724,583)**	**$12,795,828**	**$174,333**	**$12,970,161**
Units Issued	**1,501,221**	**1,531,680**	**--**	**104,894**	**--**	**--**	**1,636,574**	**--**	**1,636,574**
Exercised Options	**346,110**	**392,342**	**(153,562)**	**--**	**--**	**--**	**238,780**	**--**	**238,780**
Stock Based Compensation	**--**	**--**	**483,110**	**--**	**--**	**--**	**483,110**	**--**	**483,110**
Comprehensive loss	**--**	**--**	**--**	**--**	**(1,203,585)**	**(1,033,147)**	**(2,236,732)**	**(15,491)**	**(2,252,223)**
Balance December 31, 2014	**32,389,209**	**$42,019,009**	**$10,095,487**	**$104,894**	**($4,544,100)**	**($34,757,730)**	**$12,917,560**	**$158,842**	**$13,076,402**

See accompanying notes to the consolidated financial statements.

Tsodilo Resources Limited

Consolidated Statements of Cash Flows

(In United States dollars)

	Years Ended December 31	
	2015	2014
Cash provided by (used in):		
Operating Activities		
Net Loss for the year	**($ 9,722,451)**	**($ 1,031,117)**
Adjustments for non-cash items:		
Impairment	**8,874,979**	**--**
Realized gain on warrants	**(159,023)**	**(25,240)**
Amortization	**1,300**	**2,875**
Amortization on disposal of property, plant and equipment	**(25,492)**	**--**
Foreign exchange loss	**(32,305)**	**(2,800)**
Stock-based compensation	**337,004**	**349,420**
	(725,988)	**(706,862)**
Net change in non-cash working capital balances *(note 12)*	**38,529**	**66,100**
	(687,459)	**(640,762)**
Investing Activities		
Additions to exploration properties	**(967,709)**	**(1,608,773)**
Additions to property, plant and equipment	**(116,357)**	**(3,707)**
Proceeds from sale of property, plant and equipment	**44,324**	**--**
	(1,039,742)	**(1,612,480)**
Financing Activities		
Shares and warrants issued for cash	**950,482**	**1,890,250**
Share issuance cost	**(5,930)**	**(14,894)**
Subscriptions received	**590,050**	**--**
	1,534,602	**1,875,356**
Impact of exchange on cash	**33,924**	**(151)**
Change in cash - for the year	**(158,675)**	**(378,037)**
Cash - beginning of year	**232,585**	**610,622**
Cash - end of year	**$ 73,910**	**$ 232,585**

See accompanying notes to the 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 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 $9,722,451 and comprehensive loss of $10,844,996 during the year ended December 31, 2015, and as of that date, the Company had an accumulated deficit of $44,321,339 and negative net working capital of $746,527. 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 December 31, 2015. 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 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 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 consolidated financial statements have been authorized for release by the Company's Board of Directors on February 29, 2016.

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

These 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 consolidated financial statements are presented in United Stated dollars and include the accounts of the Company and the following direct and indirect subsidiaries:

ENTITY	2015	2014
Tsodilo Resources Bermuda Limited ("TRBL") [Bermuda]	**100%**	100%
Bosoto (Proprietary) Limited ("Bosoto") [Botswana]	**75%**	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 years presented.

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

The preparation of the 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.

(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) ***<u>Income Taxes</u>***

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) ***<u>Share-based Compensation</u>***

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 December 31, 2015 and 2014, 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.

(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 year.

(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 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.

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, 2013	**$6,779,575**	**$ --**	**$ --**	**$2,266,380**	**$2,308,807**	**$770,412**	**$ 5,345,599**	**$12,125,174**
Additions	332,872	5,372	--	269,259	1,059,277	272,164	1,600,700	1,938,944
Net Exchange Differences	(592,018)	(461)	--	(97,869)	(385,019)	(98,924)	(581,812)	(1,174,291)
Balance at December 31, 2014	**$6,520,429**	**$4,911**	**$ --**	**$2,437,770**	**$2,983,065**	**$943,652**	**$6,364,487**	**$12,889,827**
Additions	325,937	552,165	3,498	66,716	137,145	114,944	318,805	1,200,405
Net Exchange Differences	(191,750)	(166,303)	(427)	(284,123)	(340,942)	(115,668)	(740,733)	(1,099,213)
Impairment	(6,654,616)	--	--	(2,220,363)	--	--	(2,220,363)	(8,874,979)
Balance at December 31, 2015	**$ --**	**$390,773**	**$3,071**	**$ --**	**$2,779,268**	**$942,928**	**$3,722,196**	**$4,116,040**

	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	173,861
GIS & Geophysics	--	17,079	--	2,430	156	--	2,586	19,665
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**

Exploration and evaluation additions for the year ended December 31, 2015 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

Newdico's Prospecting License ("PL") is located in the North-West District of Botswana. PL64/2005 was issued for an initial term of three years expiring June 30, 2008, renewable for 2 additional two year periods upon application and which have a final expiry of June 2012.

A two year extension application for PL64/2005 covering 851 square kilometres was submitted in order to continue and complete the first stage exploration and evaluation program. The application was made in April 2012 and a two year exploration extension license was granted on February 27, 2014. The term of the license commences as of April 1, 2014 and may continue to March 31, 2016.

In the first and second quarters of 2015, additional drilling was performed on known kimberlites to collect additional samples for petrography and micro-diamond processing.

During the second quarter of 2015, the Company performed an extensive and exhaustive review of its' Nxau Nxau kimberlite project and concluded that the project no longer met the Company's investment criteria. The decision to relinquish the license effective June 30, 2015 was filed with the Ministry of Minerals, Energy and Water Resources ("MMEWR"). The Company's decision to cease exploration resulted in a charge of $6,654,616, which is included in impairment expenses and reflects a write-down of the Company's carrying value of the Newdico Nxau Nxau project.

Originally, as a result of an agreement completed on June 30, 2002, Newdico was owned 75% by Tsodilo and 25% by Trans Hex Group Limited ("THG"); with Tsodilo being the operator. Both Tsodilo and THG funded their initial investments in Newdico through a combination of an equity and debt interest. Based on the terms of the equity and debt interests, THG's equity and debt interest in Newdico has been accounted for as a non-controlling interest.

Starting in 2005, THG decided not to fund its proportionate share of expenditures on certain cash calls. Accordingly, the Company's interest in Newdico has increased from 75% to 98% at December 31, 2015.

Prior to year-end, Tsodilo Resources Bermuda Limited ("TRBL") purchased the two 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.

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

In 2015, Gcwihaba, a wholly owned subsidiary of the Company, held one (1) prospecting license for precious stones in the Kgalagadi District; twenty-two (22) metal (base, precious, platinum group, and rare earth) prospecting licenses in the North-West district of which twenty (20) are currently in renewal; and, eight (8) radioactive mineral licenses located in the North-West district.

Diamond License

The precious stone license held by Gcwihaba was relinquished during the fourth quarter of 2015. Work performed concluded that the project no longer met the Company's investment criteria. The decision to relinquish the license was filed with the MMEWR in the fourth quarter 2015. The Company's decision to cease exploration resulted is a charge to $2,220,363, which is included in impairment expenses and reflects a write-down of the Company's carrying value of Gcwihaba's diamond project.

Metal Licenses

Gcwihaba holds twenty-two (22) metal (base, precious, platinum group, and rare earth) prospecting licenses inclusive of twenty (20) licenses currently in renewal in the North-West District of Botswana. The current licenses, those not presently in renewal, cover 1,244.80 square kilometers and collectively have a proposed minimum spending commitment of BWP 512,450 ($46,420) if held to their full term. 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. 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.

Subsequent to year end, specifically 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.

Radioactive Minerals

As at December 31, 2015, 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. PL's 150 and 151/2013 had an initial grant expiration date of September 30, 2013 and first renewal applications were duly filed. PL's 045/2011 - 050/2011 had an initial grant expiration date of December 31, 2013 and first renewal applications were also filed. All eight (8) licenses were renewed for a two year period effective April 1, 2015 and each have a proposed minimum expenditure of 70,000 BWP ($6,341 converted as at 12/31/2015) per annum.

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

Tsodilo was granted a prospecting license (PL369/2014) over the BK16 kimberlite pipe through its 75% owned Botswana subsidiary, Bosoto Pty (Ltd) effective October 1, 2014. The diamondiferous BK16 kimberlite pipe is located within the Orapa Kimberlite Field ("OKF") in Botswana and covered by 25 meters of Kalahari Group sediments. BK16 is located 37 km east-southeast of the Orapa Diamond Mine AK01, 25 km southeast of the Damshtaa Diamond Mine, and 13 km north-northeast of the Letlhakane Diamond Mine, all operated by Debswana and 28 km east-northeast from Lucara Diamond Corporation's Karowe mine (F/K/A AK6). Tsodilo has a 75% interest in Bosoto.

The Company estimates that it would take approximately $21.5M (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 fulfilled those requirements in the third quarter and await the Execution of the Right documents.

4. PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment

Cost	Vehicles	Furniture and Equipment	Total
As at December 31, 2013	$1,523,375	$233,249	$1,756,624
Additions	--	3,707	3,707
Net Exchange Difference	(126,598)	(14,477)	(141,075)
As at December 31, 2014	$ 1,396,777	$ 222,479	$ 1,619,256

	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

Accumulated Depreciation

	Vehicles	Furniture and Equipment	Total
As at December 31, 2013	$1,011,566	$200,670	$1,212,236
Depreciation	183,324	16,032	199,356
Net Exchange Difference	(84,065)	(13,144)	(97,209)
As at December 31, 2014	$ 1,110,825	$ 203,558	$ 1,314,383

	Vehicles	Furniture and Equipment	Total
As at December 31, 2014	$ 1,110,825	$ 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

Net book value

As at December 31, 2014	$ 285,952	$ 18,921	$ 304,873
As at December 31, 2015	$ 85,171	$ 121,279	$ 206,450

For the year ended December 31, 2015, an amount of $234,289 (2014: $196,481) 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: 33,542,784 Common Shares as at December 31, 2015 (December 31, 2014: 32,389,209)

1) **During the year-ended 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 and subsequent thereto $210,000 for private placements to take place in 2016. See footnote 13 – Subsequent events.

2) **During the year ending December 31, 2014:**

   i. On March 4, 2014, 50,000 options were exercised at a price of C$0.70 for proceeds to the Company of $31,649 (C$35,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $16,072.

   ii. On March 13, 2014, 75,000 options were exercised, 50,000 at a price of C$0.70 and 25,000 at a price of C$0.90 for proceeds to the Company of $51,725 (C$57,500). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $34,983.

   iii. On March 21, 2014, 40,000 options were exercised at a price of C$1.00 for proceeds to the Company of $35,564 (C$40,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $33,431.

   iv. On March 25, 2014, 71,110 options were exercised, 50,000 at a price of C$0.70 and 21,110 were exercised at a price of C$1.00 for proceeds to the Company of $49,985 (C$56,111). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $33,716.

   v. On April 24, 2014, 110,000 options were exercised at a price of C$0.70 for proceeds to the company of $69,857 (C$77,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $35,360.

   vi. On May 29, 2014 306,183 Units were issued at a price of C$1.28 for proceeds to the Company of $355,507 (C$391,914). 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 May 29, 2016 at $1.40. $6,145 (C$6,389) of issuance costs were netted against the proceeds.

vii. On July 29, 2014, 634,116 Units were issued at a price of C$1.28 for proceeds to the Company of $751,621 (C$811,668). 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 July 29, 2016 at $1.40. $5,022 (C$5,433) of issuance costs were netted against the proceeds.

viii. On December 30, 2014, 560,922 Units were issued at a price of C$1.10 for proceeds to the Company of $529,446 (C$617,014). 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 December 30, 2016 at $1.21. $3,727 (C$4,334) of issuance costs were netted against the proceeds. 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.

(b) Warrants

As at December 31, 2015, the following warrants were outstanding:

		Number of Warrants - Units				
Expiry	**Exercise Price**	**December 31, 2014**	**Issued**	**Exercised**	**Expired**	**December 31, 2015**
June 29, 2015	C$2.17	2,702,702	--	--	2,702,702	--
June 29, 2015	USD$1.21	1,818,181	--	--	1,818,181	--
April 22, 2015	USD$1.21	2,272,727	--	--	2,272,727	--
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
		8,294,831	1,116,075	--	6,793,610	2,617,296

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.

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.

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 they expired during the year.

For the year ended December 31, 2015 the Company no longer has any derivative liability, as all outstanding warrants are issued in the functional currency U.S. Dollars.

	Warrant Liability	
	Number of Units in $CAD	**Value of Warrants**
Balance December 31, 2013	2,702,702	**$ 184,264**
Additions	--	**--**
Exercise	--	**--**
Expiry	--	**--**
Valuation Change	--	(25,241)
Balance December 31, 2014	2,702,702	**$ 159,023**
Additions	--	**--**
Exercise	--	**--**
Expiry	(2,702,702)	**(159,023)**
Balance December 31, 2015	--	**$ --**

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 ended December 31, 2014 and the year ended December 31, 2015:

	Number of Options	Weighted average exercise price (C$)
Outstanding as at December 31, 2013	3,175,000	C$1.19
Granted	740,000	C$1.07
Exercised	(346,110)	C$0.77
Cancelled	(210,000)	C$1.10
Expired	(230,000)	C$0.65
Outstanding as at December 31, 2014	3,128,890	C$1.25
Granted	760,000	C$0.89
Exercised	(37,500)	C$0.75
Expired	(630,000)	C$ 1.98
Outstanding as at December 31, 2015	3,221,390	C$1.03

2014

On January 2, 2014, the Company issued 260,000 options at C$0.75 under its SOP to persons who are officers and employees of the Company.

On January 2, 2014, 230,000 stock options issued at C$0.70 expired.

On March 4 2014, 50,000 options granted under its SOP were exercised pursuant to the SOP at C$0.70 for total proceeds of C$35,000 (USD $31,648).

On March 13, 2014, 75,000 options granted under its SOP were exercised pursuant to the SOP at 50,000: C$0.70 and 25,000: C$0.90 for total proceeds of C$57,500 (USD $51,725).

On March 21, 2014, the Company issued 480,000 options at C$1.25 under its SOP to persons who are officers and employees of the Company.

On March 21, 2014, 40,000 options granted under its SOP were exercised pursuant to the SOP at C$1.00 for total proceeds of C$40,000 (USD $35,564).

On March 22, 2014, 210,000 stock options at 50,000 at C$1.04, 100,000 at C$1.19 and 60,000 at C$1.00 were cancelled.

On March 25, 2014, 71,110 options granted under its SOP were exercised pursuant to the SOP at 50,000: C$0.70 and 21,110: C$1.00: for total proceeds of C$57,111(USD $49,985).

On April 24, 2014, 110,000 options granted under its SOP were exercised pursuant to the SOP at C$0.70 for total proceeds of C$77,000 (USD $69,864).

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 years ended December 31, 2015 and 2014.

	2015	2014
Stock-based compensation expense	**$ 337,004**	$ 349,420
Capitalized Stock-based compensation expense	**58,385**	133,688
	$ 395,839	$ 483,108

The following assumptions were used in the Black Scholes option pricing model to fair value the stock options granted during the years ended December 31, 2015 and 2014:

	2015	2014
Expected lives	**3.9 years**	3.2 to 4.7 years
Expected volatilities (based on Company's historical prices)	**99.3% - 103.0%**	95.5% - 108.0%
Expected dividend yield	**0%**	0%
Risk free rates	**1.15% - 1.31%**	0.87– 1.60%
Weighted average fair value of option	**$0.52**	$0.78

The following table summarizes stock options outstanding as at December 31, 2015:

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$1.25	285,000	C$1.25	0.01	285,000	C$1.25	0.01
C$1.03	300,000	C$1.03	0.30	300,000	C$1.03	0.30
C$0.90	210,000	C$0.90	1.01	210,000	C$0.90	1.01
C$1.00	328,890	C$1.00	1.25	328,890	C$1.00	1.25
C$1.20	235,000	C$1.20	2.01	235,000	C$1.20	2.01
C$1.04	400,000	C$1.04	2.22	400,000	C$1.04	2.22
C$0.75	222,500	C$0.75	3.01	222,500	C$0.75	3.01
C$1.25	480,000	C$1.25	3.22	480,000	C$1.25	3.22
C$1.05	260,000	C$1.05	4.01	130,000	C$1.05	4.01
C$0.83	400,000	C$0.83	4.24	200,000	C$0.83	4.24
C$0.70	100,000	C$0.70	4.67	25,000	C$0.70	4.67
	3,221,390	C$1.03	2.33	2,816,390	C$1.05	2.05

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:

Year ended December 31	**2015**	2014
Net loss for the year	**($9,722,451)**	($ 1,031,117)
Effect of Dilutive Securities		
Stock options and warrants	**--**	--
Diluted net earnings (loss) for the year	**($9,722,451)**	($ 1,031,117)

The diluted loss per share is the same as the basic loss per share for the year ended December 31, 2015 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 year ended December 31, 2015, was 5,838,686, of which 5,553,294 were anti-dilutive.

8. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2015	2014
Short term employee remuneration and benefits	**$430,002**	$430,002
Stock based compensation	**142,029**	185,551
Post employment benefits*	**142,938**	106,503
Total compensation attributed to key management personnel	**$714,969**	$722,056

*Post employment benefits include $57,471of accrued leave benefits through 2015.

An individual related to the CEO provided administrative and management services in 2015 to the Company in the amount of $33,000 ($33,000: 2014). An elective five (5) year severance payment in the amount of $7,586 (NIL: 2013) was paid to this individual in 2014. In 2015, the Company's President elected to receive his 5 year severance in the amount of $17,590 (NIL: 2014).

There are no other related party transactions.

9. SEGMENTED INFORMATION

The Company is operating in one industry. As at December 31, 2015 the Company's Property, Plant, and Equipment in the United States was $726 (2014: $1,256) and in Botswana was $205,724 (2014: $303,617). 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 $4,112,969 (2014: $12,889,827).

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 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 2015 and 2014 the Company raised cash capital as shown in note 5(a) in the amount of $950,482 and $1,875,356, respectively.

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 December 31, 2015, a ten percentage change in the exchange rate would result in a $51,620 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 December 31, 2015, a ten percentage change in the exchange rate would result in a $19,315 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 *
2016	2/01/2016 – 1/31/2017	102,720	$9,004
2017	2/01/2016 – 1/31/2018	102,720	$9,004
	Total	205,440	$18,008

* 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

	December 31 2015	December 31 2014
Net change in non-cash working capital balances		
(Increase) decrease in accounts receivable and prepaid expenses	**($177)**	$42,405
Increase in accounts payable and accrued liabilities	**38,706**	23,696
Total	**$38,529**	$66,101

13. SUBSEQUENT EVENTS

On January 3, 2016, 310,000 options at C$1.25 expired.

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.

Since August 25, 2015 and to date, the Company has accepted investors' deposits in the amount of $800,050 for subscriptions to a Private Placement for security units. $210,000 of this amount was deposited subsequent to December 31, 2015.

Corporate Information

DIRECTORS

James M. Bruchs, Chairman
McLean, Virginia
Appointed as director in 2002

Patrick C. McGinley
Washington, D.C.
Appointed as director in 2002

Jonathan R. Kelafant
Arlington, Virginia
Appointed as director in 2007

David J. Cushing
Chevy Chase, Maryland
Appointed as director in 2008

Michiel C. J. de Wit
Cape Town, South Africa
Appointed as director in 2009

Thomas S. Bruington
Vancouver, British Columbia
Appointed as director in 2013

Mark Scowcroft
Cape Town, South Africa
Appointed as director in 2015

OFFICERS

James M. Bruchs, B.Sc., J.D.
Chairman and Chief Executive Officer
Appointed in 2002

Michiel C. J. de Wit, Ph.D.
Irene, South Africa
President and Chief Operating Officer
Appointed in 2010

Gary A. Bojes, CPA, Ph.D.
Chief Financial Officer
Appointed in 2007

Gail McGinley
Corporate Secretary
Appointed in 2005

CORPORATE HEAD OFFICE

TD Canada Trust Tower
Suite 2700
161 Bay Street, Box 508
Toronto, Ontario M5J 2S1

Telephone: (416) 572-2033
Facsimile: (416) 987-4369

Website: **www.TsodiloResources.com**
E-Mail: **info@TsodiloResources.com**

AUDITORS

Ernst & Young, LLP
Vancouver, Canada

LEGAL COUNSEL

Norton Rose Fulbright, LLP
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Toronto, Ontario

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol: TSD