



TSODILO RESOURCES LIMITED

Management's Discussion and Analysis

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

**The Management's Discussion and Analysis has been authorized for
release by the Company's Board of Directors on February 27, 2017**

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, 2016 and 2015. 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 Botswana operating subsidiaries, Newdico (Pty) Ltd, Gcwihaba Resources (Pty) Ltd and Bosoto (Pty) Ltd which have a functional currency of the Botswana Pula, and a South African subsidiary, Idada 361 (Pty) Ltd. which has a functional currency of South African Rand. This management's discussion and analysis has been prepared as at February 27, 2017.

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 27, 2017, 45,347,310 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, 3,396,390 options are outstanding of which 2,886,390 are exercisable at exercise prices ranging from CAD \$0.69 - \$1.25.

Outstanding Options

Expiry Date	No. of Option Shares	Exercisable	Exercise Price (CAD)
April 2, 2017	328,890	328,890	\$1.00
January 3, 2018	235,000	235,000	\$1.20
March 22, 2018	400,000	400,000	\$1.04
January 2, 2019	222,500	222,500	\$0.75
March 21, 2019	480,000	480,000	\$1.25
January 2, 2020	260,000	260,000	\$1.05
March 27, 2020	400,000	400,000	\$0.83
September 1, 2020	100,000	75,000	\$0.70
January 4, 2021	260,000	195,000	\$0.72
April 8, 2021	450,000	225,000	\$0.79
January 2, 2022	260,000	65,000	\$0.69
Total	3,396,390	2,886,390	

As of February 27, 2017, 12,920,601 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
August 10, 2017	1,116,075	\$1.10 USD
April 29, 2018	1,008,948	\$0.60 USD
December 12, 2018	10,795,578	\$0.75 USD
Total	12,920,601	

If all warrants were converted, 12,920,601 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 27, 2017, are as follows:

Name	Description	Shares Owns, Controls or Directs	% of the Issued and Outstanding Shares
Azur LLC	Private Investment Vehicle	4,996,065	11.01%
International Finance Corporation	Member of the World Bank Group	4,520,883	9.96%
Lucara Diamond Corporation	Diamond Mining Company	4,476,773	9.87%
David J. Cushing	Director	4,426,027	9.76%
JP Morgan Asset Management	Global Investment Advisors and Managers	3,581,413	7.89%
James M. Bruchs	Chairman and CEO	2,285,619	5.04%
First Quantum Minerals	Global Mining Company	2,272,727	5.01%

Exploration Activities for 2016

Subsidiaries

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

The Company holds a 100% interest in its Botswana subsidiary, Bosoto (Pty) Limited ("Bosoto"), which holds the precious stone prospecting license for the area which contains the BK16 kimberlite.

The Company holds a 70% interest in its South African subsidiary, Idada Trading 361(Pty) Limited ("Idada"), which holds a gold and silver exploration license (Ref: MP30/5/1/1/2/1047PR) in the Barberton area.

The Company holds a 100% interest in Newdico (Pty) Ltd ("Newdico") which provides administrative, operational, exploration, geophysical and drilling services to the company's other subsidiaries.

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

1. DIAMOND PROJECT

The Company holds one prospecting licence for precious stones, registered Bosoto. This license is summarized in Table 1. The Bosoto license (PL369/2014) covers 1.02 square kilometres (km²) 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, 2016

PL number	Km ²	Grant Date	Expiry date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term as of 12/31/2016	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 12/31/2016
PL 369/2014	1.02	10/01/14	9/30/17	Initial Grant	1,000	35,407,000 138,275,000 64,200,000	237,882,000	
Total					3,000		237,885,000 [#]	22,593,100

Amounts include services provided by Tsodilo and its subsidiaries and all expenditure amounts are incremental in nature and qualified by positive results in the evaluation process throughout the license term.

PL369/2014 (BK 16)

Tsodilo was granted a prospecting license (PL369/2014) over the BK16 kimberlite pipe through its Botswana subsidiary, Bosoto Pty (Ltd) effective October 1, 2014. The diamondiferous BK16 kimberlite pipe is located within the Orapa Kimberlite Field ("OKF") in Botswana and covered by 25 meters (m) of Kalahari Group sediments. BK16 is located 37 kilometers (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 hectares (ha) AK01 kimberlite pipe. The AK01 pipe has been dated at 93.1 Ma and it is presumed that all the kimberlite intrusions in the OKF are of similar and post-Karoo age. Of the 83 known kimberlite bodies, nine (9), AK01 (Orapa, Debswana); AK06 (Karowe, Lucara Diamond Corporation); BK01, BK09, BK12 and BK15 (Damshtaa, Debswana); DK01 and DK02 (Letlhakane, Debswana); BK11 (Firestone Diamonds), are currently being or have been mined. Many others have proved to be diamond bearing.

The BK16 kimberlite was initially discovered by De Beers in the 1970's using soil sampling techniques, airborne magnetics, and ground magnetic surveys. This initial work was followed up by some initial drilling and the sinking of a shallow shaft to 36 m 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.

In July 2016, Tsodilo Resources Bermuda Limited completed a share repurchase and royalty fee agreement with its Bosoto (Pty) Ltd minority shareholders. The minority shareholders' 25% equity interest has been purchased for a 2% gross proceeds royalty derived from the sale of diamonds mined from Bosoto's BK16 kimberlite project. The result of this transaction is that Tsodilo now has a 100% interest in Bosoto and its BK16 exploration project.

Summary of Work Performed as at December 31, 2016

2014

- ◇ Application for a prospecting license over BK16 was submitted in July 2014 and was processed as part of a tendering process by the Department of Mines.
- ◇ The Company obtained the Prospecting License over BK16 (PL369/2014) effective October 2014 and valid for an initial period of three years.
- ◇ Desktop study was undertaken of all the historical exploration work that was conducted by several companies from 1970s to 2008.
- ◇ The company completed a high-resolution ground magnetic survey (73 line km, 20 m line spacing and readings every 5 seconds) and a detailed gravity survey (21 line km, 50 m line spacing and 441 survey stations) over the kimberlite for modelling purposes.

2015

- ◇ Drilling of 20 core holes to cumulative depth of 3,662 m was completed to assist in the geological model and in the process recovered 3,050 m of core. A 3-D geological model was completed based on the ground geophysics and these drill cores.
- ◇ Modelling of the cores and the ground geophysics suggest that the pipe is 5.9 ha at surface.
- ◇ Detailed mapping of the core as well as petrographic studies were conducted under guidance of Dr. J Robey. This program identified five different kimberlite facies: four volcanoclastic phases (Red VK1, Black VK2, Grey VK3 and VK27x) and one coherent kimberlite phase (CK1). The Black VK2 and Grey VK3 are the main facies and make up more than 95% of the pipe.
- ◇ A density study was begun with measurements of the different kimberlite phases initiated as well as a geotechnical study of the cores from this intrusion.

- ◇ A 10 ton-per-hour (tph) mobile Dense Media Separation plant was purchased from De Beers which was previously used in the evaluation the AK6 kimberlite (Karowe Mine) and is located in Letlhakane.
- ◇ An agreement was also reached with De Beers to lease the plant site as well as a neighboring site that houses a prospecting camp and which will be used during the evaluation program.
- ◇ The Company took possession of two parcels of diamonds, 25 (4.93 ct) and 83 stones (16.98 ct), which were produced by Auridiam in their evaluation programs in 1998 and 2000 respectively.
- ◇ The diamonds were acid cleaned which reduced their collective weight to 21.88 ct. The diamonds were then valued and classified using a Yehunda colorimeter at the offices of I. Hennig Co. in Gaborone. Eight of these stones were identified as Type Ila diamonds and all of them are D, E or F colors.
- ◇ Z-Star Mineral Resource Consultants (Pty) Ltd were retained to assist in the planning and positioning of the Large Diameter Drill (LDD) holes that will be used to evaluate the kimberlite to 225 m depth. In total 17 holes were planned and ranked in terms of priority.

2016

- ◇ The geological logging of the cores was supplemented by dilution logging which records the amount of crustal (basalt and sandstone) and mantle xenoliths present in the kimberlite. Dilution by these xenoliths has a dampening effect on the diamond grades. The basalt inclusions are particularly important since most of the original evaluation historical work was conducted in zones with a high concentration of basalt inclusions (VKxxx).
- ◇ The core drilling conducted by the Company has established that the distribution of the VKxxx facies is limited to the central and upper part of the pipe.
- ◇ The density work was completed with measurements taken every 2 m of core, which produced a database of some 2,100 density measurements. These measurements are utilized when converting volumes to tons in the evaluation phase.
- ◇ An environmental assessment, in line with the requirements of the Department of Environmental Affairs (DEA), of both the BK16 site and the plant/camp area, was initiated.
- ◇ Rock-quality designation (RQD) which is a rough measure of the degree of jointing or fracture in a rock mass and measured as a percentage of the drill core in lengths of 10 cm or more has been completed. It showed that VK3 is generally fresh and least altered compared to VK2 which is also much more friable.
- ◇ From this work, a geotechnical weathering profile of the kimberlite has been completed and distinguishes between, a slightly weathered calcrete/silcrete, a highly weathered zone and a moderately weathered zone which is immediately above the fresh and slightly weathered kimberlite.
- ◇ Volume measurements of the waste heaps from historic evaluation, some untreated, and left behind on surface came to approximately 756 m³ (1,534 tons). This material has been moved from the kimberlite to the plant area, a distance of some 15 km. This material will be used to commission the plant and to also add additional carats to the valuation parcel.
- ◇ A historic exploration borehole, now used by a local farmer for water, will be converted to the company's use in order to accommodate the equipment required by the LDD drilling and a new hole has been sighted outside of the PL for the farmer's use.

Summary of Work to be Performed in 2017

- ◇ Drilling of a new borehole for the local farmer outside the perimeter of the PL.
- ◇ The first phase LDD drilling, using 24-inch diameter holes, will consist of 14 holes to a cumulative depth of 3,085 m, of which 2,735 m will be in kimberlite, and will return approximately 2,016 tons. This material will be treated through the plant as samples of 12 m drilled material (some 168 samples) in line with opencast mine benches of that dimension.
- ◇ Before the LDD work starts, NQ pilot holes will be drilled at each LDD site using the Company's diamond drill rigs to confirm the presence and facies of kimberlite in each hole for quantifying purposes when results become available.

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

The Company's twenty-one Prospecting Licences have evolved with time into a package which covers some 8,694.60 km² excluding those seven licenses currently in renewal (Table 3).

Table 3
Gcwihaba Metal License Areas as at December 31, 2016

PL numbers	Km ²	Grant Date	Expiry / Renewal date	Current Stage	Expenditure		Total Expenditure from Grant date and if held to Full License Term as of 12.31.2016	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 12.31.2016
PL 119/2005	--	--	--	In renewal	TBD	TBD	TBD	TBD
PL 051/2008	273.00	07/01/16	6/30/19	2 nd renewal*	1,365	100,000	304,095	28,882
PL 052/2008	194.00	07/01/16	6/30/19	2 nd renewal*	970	100,000	302,910	28,769
PL 386/2008	570.00	07/01/16	6/30/19	2 nd renewal*	2,850	500,000	1,508,550	143,275
PL 387/2008	964.90	07/01/16	6/30/19	2 nd renewal*	4,825	500,000	1,514,475	143,837
PL 388/2008	317.10	07/01/16	6/30/19	2 nd renewal*	1,590	500,000	1,504,770	142,916
PL 389/2008	978.60	07/01/16	6/30/19	2 nd renewal*	4,895	500,000	1,514,685	143,857
PL 390/2008	807.30	07/01/16	6/30/19	2 nd renewal*	4,040	500,000	1,512,120	143,614
PL 391/2008	454.50	07/01/16	6/30/19	2 nd renewal*	2,275	500,000	1,506,825	143,111
PL 392/2008	828.10	07/01/16	6/30/19	2 nd renewal*	4,145	500,000	1,512,435	143,644
PL 393/2008	937.50	07/01/16	6/30/19	2 nd renewal*	4,690	500,000	1,514,070	143,799
PL 394/2008	649.20	07/01/16	6/30/19	2 nd renewal*	1,480	500,000	1,504,440	142,844
PL 395/2008	971.40	07/01/16	6/30/19	2 nd renewal*	4,860	500,000	1,514,580	143,847
PL 595/2009	296.00	07/01/16	6/30/19	2 nd renewal*	592	500,000	1,000,592	95,031
PL 596/2009	453.00	07/01/16	6/30/19	2 nd renewal*	906	500,000	1,000,906	95,061
PL 597/2009	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 093/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 094/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 095/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 096/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
PL 097/2012	TBD	TBD	TBD	In renewal	TBD	TBD	TBD	TBD
TOTAL	8,694.6				--	--	17,715,453	1,682,487

The Company's exploration work had initially indicated that the sulphide-rich Matchless Amphibolite Belt ('MAB') traverse the Company's southern licences in northwest Botswana in an area where the Damara Belt connects with the Lufilian Arc. Petrology, geochemistry and geochronology work was conducted by AEON's (Africa Earth Observatory Network) research group located at the NMMU (Nelson Mandela Metropolitan University) in Port Elizabeth, South Africa. This work has identified Archaean granite-gneisses between 2.548 and 2.641 Ma in age in Ngamiland, whilst paleoproterozoic granites (ca. 2,000 Ma) seem to have been tectonically interlayered with Copper Belt (Lufilian Arc)-equivalent metasediments (including graphitic schist, carbonates and diamictites), and metabasites and gabbros (535 Ma), all of which were intersected during the initial drilling program by the Company.

During the initial drilling campaign by the Company, three separate mineralization domains were identified in the various licences. These are, (1) sulphide mineralization associated with Neoproterozoic metasediments, (2) base and precious metals and REE showings associated with skarns linked to the 535 Ma age basic intrusions, and (3) a large magnetite deposit (Xaudum Iron deposit) which the Company is presently evaluating (Table 4).

Table 4**Main mineralogical domains identified during the Phase 1 drill program**

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

2.1 STRATEGIC PARTNERSHIP

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

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

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

The Tranche 1 Funding Commitment was a firm commitment by First Quantum and was to be satisfied irrespective of whether First Quantum elects to pursue the other requirements to earn an interest in Gcwihaba's licenses. Tranche 1 funding obligations have been met. As of December 31, 2015, First Quantum has reported that the total expenditures spent on Prospecting Licenses covered by the MOU amounted to \$14,732,922.

On January 6, 2016, First Quantum notified the Company that they did not intend to continue with the Tranche 2 Expenditure terminating the Earn-in-Option Agreement.

2.2 XAUDUM MAGNETITE BANDED IRON FORMATION (XIF)

This Xaudum XIF is intimately associated with glacial diamictites and is the cause of the large Xaudum Magnetic Anomaly that extends over 35 km in a north-south direction with several magnetite bands that occur over a width of several kilometres. The deposit, which has an exploration target of between 5 and 7 billion tonnes of iron ore at grades ranging between 15 - 40%, was subdivided into several exploration blocks. Drilling on Block 1, at the northern part of the Xaudum XIF deposit, was completed and in 2014 SRK Consulting (U.K.) presented Gcwihaba's maiden National Instrument 43-101 Resource report of this Block with an Inferred Mineral Resource of 441 Mt grading 29.4% Fe, 41.0% SiO₂, 6.1% Al₂O₃ and 0.3% P.

Tsodilo initiated drilling on the next exploration area, referred to as Block 2, but delayed the completion thereof due to current iron-ore market conditions. However, once completed, the resource definition of Block 2 will increase the resource to at least a +1Bt resource.

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

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

Summary of Work Performed as at December 31, 2016

2014

- ◇ Due to the large size of the Xaudum Iron Formation (XIF) deposit, which has an exploration target of between 5 and 7 billion tons of iron ore grading between 15 – 40%, it was decided to subdivide the target into several exploration blocks.
- ◇ Drilling continued on the XIF Project and during the year all the planned holes over the most northerly block of the magnetite occurrence, Block 1, were completed. Some 33 holes, totaling 5,854 m were drilled into the magnetite body and 4,478 m of core were recovered
- ◇ Drilling on Block 2 was begun with nine holes drilled in this section to a cumulative depth of 1,490 m extracting some 1,223 m of core.
- ◇ All the cores were orientated with a Reflex Act II and down-the-hole drill directions were measured with the Reflex Gyro instrument. All cores are subjected to magnetic susceptibility (every 20 cm) measurements.
- ◇ The deposit was subdivided into four geodomains: MBA – Magnetite Banded Iron Formation, MBW – Partially oxidized (weathered) BIF, DIM – Magnetite schist or magnetite diamictite and MDS – Magnetic amphibole Schist.
- ◇ During the year, 2,867 samples were consigned for analyses and 4,574 assay results were received.
- ◇ SRK Consulting (UK) Ltd was contracted as independent consultants and completed a National Instrument 43-101 resource report for Block 1, which covers only a small part of this large XIF deposit, and derived at 441 Mt grading 29.4% Fe, 41.0% SiO₂, 6.1% Al₂O₃ and 0.3% P.

- ◇ The ground magnetic survey over the entire XIF has been completed by filling in some data gaps. In total 1,780 km² was covered representing 22,749 line km on both 20 and 50 m line spacing.

2015

- ◇ The Company started an investigation of how to progress with the project looking at potential mining and beneficiation aspects especially on a local scale. 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 these processes the thermal coal is eastern and southwest Botswana are considered most appropriate but issues around the infra-structure need to be resolved.
- ◇ The iron ore price decrease in the middle of the year to 40US\$/t result in the company adopting a longer term view the projects development.

2016

- ◇ The feasibility of possible local beneficiation continued but with iron prices still low the outlook remains long term.

Summary of Work to be Performed in 2017

- ◇ Iron ore prices have recovered to some extent and more focus will be on the feasibility of a local iron industry will be explored with a concerted push to involve Government. This involves the assessment of small scale plants that are currently in production in several projects in South Africa.

2.3 KATANGAN-LIKE META-SEDIMENTS

General geology

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

The majority of Katangan metasediments intersected in drilling are interpreted to belong to the Mwashya Group (shale, carbonate), or the Grand Conglomerate (diamictite) units, occurring on each side of the 'basement high'. Most of the FQM and Tsodilo Resources drilling have taken place within these two stratigraphic Groups. Much of the drilling has shown diamictite alternating 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 Work Performed as at December 31, 2016

2013

- ◇ First Quantum Minerals Ltd (FQM) signed a Memorandum of Understanding with Tsodilo Resources Ltd (Tsodilo) in April.
- ◇ First Quantum Minerals (FQM) re-logged 157 Tsodilo drill holes stored in the company's Maun hangar, which represents some 34,750 m of core.
- ◇ Soil samples for geochemistry were collected over two grids in the Shakawe and Sepupa areas from shallow hand-dug pits. 584 samples were sieved (180 microns) and analyzed for Cu, Co, Pb, Zn, Au and other selected elements. The results were very poor, possibly due to the coarse sieve size, but the conclusion was that soil sampling was not an effective tool for metals exploration in this environment.
- ◇ FQM initiated a diamond drilling program across the area to assess its stratigraphy and drilled 5 holes to a cumulative depth of 3,987 m.
- ◇ The Kalahari Geochemistry Program (KGP) was initiated with the objective to sample the Kalahari/Bedrock interface by drilling 220 holes on a 2 x 2 km grid, using a combination of reverse circulation (24 holes), Sonic (5 holes) and diamond drilling (193 holes). In 2013, 54 holes were drilled to a depth of 2,552 m. Samples were collected every 2 m and screened to 80 mesh for ICP-MS (As, Au, Bi, Co, Pb) and ICP-OES (Al, Ca, Cu, Mg, Ni, Zn) analyses.
- ◇ Water samples (500 ml) were also collected from the KGP holes for hydro-geochemistry and sent for ICP-MS analysis in Canada.
- ◇ Rock samples were collected for U/Pb geochronology (26 samples) and petrology (30 samples).
- ◇ An airborne electro-magnetic survey (Spectrem) was flown over the project area and 16,934 line km were covered at 200 m, 500 m and 1000 m line interval depending on the distance of the areas of interest. During this survey, magnetic and radiometric data were also collected.
- ◇ An airborne gravity survey started initially to cover the same area as the Spectrem survey. However, due to technical problems the area was reduced to 14,078 line km and in the end only 10,392 line kms were completed at a 500 m flight line interval.
- ◇ The Company signed an 'Earn-in Option Agreement' with First Quantum Minerals (FQM) in November for FQM to earn up to 70% interest in Gcwihaba's metals prospecting licenses. It excluded any rights to iron also held by Gcwihaba.
- ◇ Mineralization associated with 'skarn' (possible IOCG) deposits, such as targets 1822C26, - C27 and -C10, are related to massive magnetite, metabasites, meta-mafic units and granofels in contact with Mwashya-type metasediments and carbonates. Elevated values of Cu, Ni, Ti, V, Co and Fe and La and Ce (both rare earth elements) have been obtained from core samples and anomalous levels of Au and Ag have also been reported from these targets. The assessment of these targets is ongoing.
- ◇ Three airborne magnetic targets in the northwestern corner of Botswana were covered by ground magnetic surveys. These targets are associated with Ni and Zn/Cr soil anomalies from the Government Ngamiland Geochemical soil sampling program in 1999.

2014

- ◇ The KGP program was completed and in total 13,689 meters was drilled to an average depth of 62.2 meters.
- ◇ Samples from the KGP program were also sent for Ultra-Low Detection Au analyses.
- ◇ The FQM stratigraphic drilling program was also completed and in the end 8 holes (BWADD 0001 to 0008) were drilled to a cumulative depth of 5,695 m. This provided the basis for the development of a robust geological model and facilitating a stratigraphic comparison to the Central African Copper Belt.
- ◇ A down-the-hole Electromagnetic probe was tested in boreholes to characterize the different lithologies, with measurements taken for density, conductivity, resistivity and Full Wave Sonic. It showed that it was possible to characterize the different lithologies and to distinguish between them.
- ◇ CSIRO in Australia was retained to assist in overburden regolith research primarily to assist in the sampling of areas of Kalahari cover. Some 230 samples were collected from areas of (weak) bedrock mineralization and areas of barren bedrock for comparison, and other regolith types.
- ◇ Targets TOD17, -29, -30 were drilled during the year (330 m drilled and 208 m core recovered). The siltstones and shales from TOD17 contained traces of chalcopyrite while TOD30 intersected basement, and TOD29 was abandoned in Kalahari sediment.

2015

- ◇ The diamond drilling on structural targets interpreted from the Spectrem airborne survey started in 2013 and was completed with the last hole (BWADD0034, 351 m) being drilled in Q1 2015 and thereby finishing this phase with a total of 11,266 m of drilling.
- ◇ Interpretation of the KGP data identified four targets – Middle East, School, Banana and Northern Swell. The Middle East target is definable by two coincident KGP drill holes containing anomalous copper at both the Kalahari interface and in the bedrock. No diamond drill holes existed along the length of the target and the potential for mineralization exists along nine km of untested strike. Two holes were drilled (BWADD0035, -0036; 640 m) and no significant mineralization was found, leaving this target unresolved. The School target was drill tested with one hole (BWADD0037; 405 m) and intersected phyllite/shale with abundant sulphides, mainly pyrite. The alteration suite included garnets, retrograde kyanite and chlorite. This target is unresolved and warrants further work.
- ◇ Interpretation of the hydrogeochemistry indicates that anomalies identified within the KGP grid remained anomalous even when saturation indexes were applied. Additional anomalous samples were identified down flow of the 'School' target. This target shows an increased footprint for both the KGP and hydrogeochemistry dataset. Additional targets were identified of which the Nxamasere West remains of interest.
- ◇ Dr Murray Hitzman updated the pre-Kalahari geological map with different structural styles across the north-south orientated basement high, and contributed to a new and evolving theory on a link between iron formation and copper mineralization.
- ◇ The CSIRO (Dr Ravi Anand) research suggests that mineralization in the bedrock is transmitted to the Kalahari surface and can be detected using surface sampling provided that smaller sieve sizes are used.
- ◇ Ten sulphide samples were collected of which two yielded heavy sulfur isotope values likely the product of sulfate – bearing brines. While sulphur isotopes are not an indicator of prospectivity, the technique elucidates a part of the basin's history.
- ◇ Passive seismic was tested to assess the usefulness to map the Kalahari-Katangan unconformity surface.

2016

- ◇ In January FQM notified Tsodilo Resources that it was to terminate the Earn-in Agreement on the back of a major drop of the global copper price.
- ◇ Tsodilo initiated a review of all data collected over the area (sources: historic, published, FQM and Tsodilo) with the objective to highlight targets that have either been superficially examined or investigated at all. All the FQM data (drillholes, geophysics, geochemistry, and geology) was checked and validated and outstanding results have been incorporated.
- ◇ Four different media types were sampled and each were plotted separately into four different result types, Recce 1 (metasediments including basement), Recce 2 (metasediments excluding the Kalahari cover and basement lithologies), Recce 3 (Kalahari cover only – KGP results) and Recce 4 (assay results from the hydro-geochemistry). Grids of four different data types were produced and normalized.
- ◇ These assay data were gridded and presented for major element (Cu, Ni, Co, Zn, Mo, Mn) and some other elements where found necessary including Sc-ratios in map form.
- ◇ These maps were then overlain on geology (favorable lithologies, faults, thrusts etc.), geophysics (particular magnetics and electromagnetics), alteration and mineralization. The grid stacks consolidate the impact of controlling variables and have been used to define target outlines.
- ◇ Some 22 priority targets were generated some of which coincides with those that FQM had highlighted. The prioritization of these targets is based on the number of times the anomaly is repeated across the four stacks and its coincidence or proximity to shear junctions.
- ◇ This has identified eight targets as priority -1, six as priority -2, and nine as priority -3.
- ◇ The Company's two drill rigs have had a major overhaul and refurbishment.

Summary of Work to be Performed in 2017

- ◇ Having identified and prioritized the base metal target areas, the next step is to verify the process of the target definition by an independent expert and to define actual drill targets within the target areas, mostly based on geophysics.
- ◇ Priority targets will be drilled mostly likely in the 2nd or 3rd quarter.
- ◇ If appropriate, core sections will be sent for assaying.

3. Radioactive Licenses

The Company held through the 4th quarter 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 km² (Table 6) and overlap some of the Gcwihaba metal permits.

Table 6.

Gcwihaba – Radioactive License Areas as at December 31, 2016 *

PL numbers	Km ²	Grant Date	Renewal date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term as at 12/31/2016	
					Rental Fee Per Annum (BWP)	Work Program Per Annum* (BWP)	BWP	USD as at 12/31/2016
PL 150/2010	411.30	04/01/15	03/31/17	2 nd Renewal	2,060	70,000	--	--
PL 151/2010	311.40	04/01/15	03/31/17	2 nd Renewal	1,560	70,000	--	--
PL 045/2011	547.80	04/01/15	03/31/17	2 nd Renewal	2,740	70,000	--	--
PL 046/2011	372.00	04/01/15	03/31/17	2 nd Renewal	1,860	70,000	--	--
PL 047/2011	478.00	04/01/15	03/31/17	2 nd Renewal	2,390	70,000	--	--
PL 048/2011	404.20	04/01/15	03/31/17	2 nd Renewal	2,025	70,000	--	--
PL 049/2011	973.40	04/01/15	03/31/17	2 nd Renewal	4,870	70,000	--	--
PL 050/2011	413.70	04/01/15	03/31/17	2 nd Renewal	2,070	70,000	--	--
Total	3,911.80				19,575	560,000	1,159,150	110,090

* Licenses were relinquished effective 12/31/2016

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

The age and origin of these types of calcretes further south has been incorporated in a research project conducted by AEON and the following field observations indicated the presence of two types of duricrust both slightly radioactive (1,500 cpm). These represent good potential hosts for uranium, similarly to the well-known Langer Heinrich and Klein Trekkopje uranium deposits in Namibia that developed within Tertiary paleo-channel systems of the Namid Desert (Liluende, 2012). In addition Uranium-rich soils (3,000-6,000 cpm) were identified in the Chadum and Khaudum drainages.

Summary of Work Performed as at December 31, 2016

2014

- ◇ Assay results of recent drilling conducted by Gcwihaba on overlapping metal licenses returned anomalous uranium assay results in some of the Proterozoic meta-sediments and values of up to 100 and 40 ppm U in some parts of the cores have been measured.
- ◇ The results of the radiometric data that was captured during the airborne Spectrem survey, flown in 2013, was levelled and analyzed. The radiometric data include Uranium (U), Thorium (Th) and Technetium (Tc). Interestingly there is some overlap of the Xaudum Ironstones and the Tc and Th data. Elevated values over the fine-grained fluvial sediments of the panhandle are also apparent from the U values.
- ◇ Borehole BWADD0014 drilled on a geophysical target with a low magnetic and anomalous electromagnetic response intersected a thick succession (minimum 615 m) of Lower Karoo Supergroup sediments. A section

between 162 and 168 m depth gave readings between 3,800 and 4,100 cpm, which is four times the background, using a Ludlum Model 3 Survey meter (an analog ratemeter to measure external radiation).

- ◇ Assay results over this intersection varied from 20 to 80 ppm with associated anomalous values in K and Mo.
- ◇ Results from water samples from the KGP hydrogeochemistry program has highlighted six holes (KGPDD0054, -0061, -0093, -0096, -0097, -0098) with anomalous U results varying from 35.9 to 283 U ug/l. The area around -0054 and -0061 intersected basal Karoo suggesting that the Karoo is acting as an intermediate source of U as also indicated by borehole BWADD0014. The other holes are over the central part of the Xaudum Ironstones.

2015

- ◇ Results from the regional hydrogeochemistry analysis have highlighted the upper reaches of the Chadum drainage. This is an area that Union Carbide Exploration Corporation had highlighted in the 1908s. They found high counts of U in both the calcretes by drilling and ground water but no ore bodies were delineated.
- ◇ In cooperation with AEON in South Africa a study of the calcretes indicated the presence of two types of duricrust both radioactive (up to 1,500 cpm). These duricretes are similar to the well-known Langer Heinrich and Klein Trekkopje U deposits in neighboring Namibia that developed within Tertiary paleo-channel systems. In addition, U-rich soils (3,000 – 6,000 cpm) were identified in the Chadum and Kkhaudum drainages.
- ◇ Based on these results a review was conducted by Prof. Maarten de Wit (AEON at the NMMU in South Africa) of the geology of the NW corner of Botswana. Boreholes drilled by the Company were reviewed (TOD017, -030 and 1821C3). The rocks of the former two, siltstones and black shales, are part of the Mulden Group of the Owambo Basin in Namibia and have probably been thrust over the Tsodilo Hills Group in Botswana. The sulphides-rich (mainly pyrite and pyrrhotite) black shales do not contain any U and the U in the surficial sediments is most likely derived from the underlying basement, with Karoo Supergroup sediments acting as secondary hosts.

2016

- ◇ Cross-border work was initiated to try and follow uranium targets from Namibia into Botswana. Geological and structural information was used from published reports and various image datasets from Drs R Miller and B Corner.
- ◇ Since the A-Cap U project in eastern Botswana is hosted in flat lying sedimentary rocks of the Karoo Supergroup as roll-front deposits within the more permeable sandstones, a major effort was made to re-log the Company's boreholes and map out the extend of the Karoo in Ngamiland.
- ◇ Holes with Karoo (KPH 1-7, 1821C3, B1, B1/1, B2, B4, B4/2, -4, PD07, PD25/01, -02.A15, JB-1, -07, JEB01, -02, -03, -07, 2021B10, 2021B11, 21641-A, G1, L9570-4, A41/1, -2, 1821C11/1) have been re-logged and a more accurate map of these outliers has been compiled incorporating also the airborne geophysical data.
- ◇ It is the opinion of the Company that based on the work performed that no major U ore bodies exist in its existing prospecting licenses. Accordingly, it was decided to relinquish the radioactive licenses as of the 31st December 2016

4. Idada Trading 361 (Pty) Limited ("Idada") – South Africa

The Company holds a 70% interest in its South African subsidiary, Idada. Idada made application for an exploration license (Ref: MP30/5/1/1/2/1047PR) in the Barberton area in February 2012. This application was accepted in February 2013 and consultation was conducted with interested and affected parties in April and June 2013. An Environmental Management Plan (EMP) was submitted in April 2013 and a site visit was made by various governmental departments (DMR, EWT, REMDEC) in September 2013. During the 2nd Q 2015, notice was received from the Department of Mineral

Resources, South Africa which granted the Company the prospecting rights for gold and silver in the applied for area subject to certain subsequent conditions being met. The Company has fulfilled those requirements and the Prospecting Right, together with the EMP, was executed and became effective on April 7, 2016. The Prospecting Right has been granted for a term of five years effective May 2015.

Notices have been sent to all surface owners of the 5 farms informing the owners of our intent to access the property to commence exploration activities. . 3 owners, holding most of the target ground, have denied access. This issue has been submitted to the Department of Mineral Resources (DMR) for resolution.

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

2012

- ◇ The Company made an application for a Prospecting Right (PR) over a prospective area for gold and silver near Barberton in South Africa (Ref:MP30/5/1/1/2/1047PR).

2013

- ◇ The application was accepted by the Department of Mineral Resources (DMR).
- ◇ Consultation was conducted with interested and affected parties
- ◇ An Environmental Management Plan (EMP) was submitted followed by a site visit by various governmental departments (DMR, EWT, REMDEC).

2015

- ◇ The DMR issued the PR subject to certain subsequent conditions being met.

2016

- ◇ The Company fulfilled all those requirements and the PR together with the EMP became effective as at May 2015 for a period of five years.
- ◇ Notices were sent to the surface owners of all the subdivisions of the five farms that are covered by the PR of the intention of the Company to start work. Three owners, holding most of this target ground, subsequently denied access. This issue has been submitted to the DMR for resolution.
- ◇ A detailed study of all available remote sensing data (satellite, spectral and other available images) was initiated to study the geomorphology, with special attention to soil types and thicknesses and the drainage network, but also to map the major structural and geological features. The ASTER data was useful in particular for mapping areas of alteration, and the radar data Sentinel 1-A provided some useful images of existing lineaments. The northwesterly extension of the Moodies (Komatie) shear zone is of particular interest.
- ◇ Depth estimates from the detailed airborne magnetic data was restricted because the Total Magnetic Intensity (TMI) was an unconstrained model. However, other information such as the dip of the structure was obtained from these data. Utilizing an Extended Euler Deconvolution (EED) routine suggests that the depth to fresh rock is between 185 to 329 m below surface.
- ◇ All the gold and base metal occurrences in the immediate area, in the public and academic domain, have been plotted in relation to the PR. Other available maps were georeferenced and added to the database.

Summary of Work to be Performed in 2017.

- ◇ Once the issues with the surface owners have been resolved the Company hopes to start a mapping exercise based on the remote sensing information verifying various geological features and soil types. Some soil and/or stream samples are planned which is to be followed by a ground magnetic survey to cover the major shear zone which will provide drill targets to intersect this structural feature.

Exploration and Evaluation additions for the period ended December 31, 2016 are summarized as follows:

	Newdico Botswana	Bosoto Botswana	Idada So. Africa		Gcwihaba Botswana			Total
	Precious Stones	Precious Stones	Precious Metals	Precious Stones	Metals	Radio- Active Minerals	Subtotal	TOTAL
Drilling Expenditures	--	\$ 47,964	\$ --	--	\$ 37,318	\$ 29,051	\$ 66,369	\$ 114,333
Amortization Drill Rigs, Vehicles & Trucks	--	48,410	--	--	20,904	20,904	41,808	90,218
GIS & Geophysics	--	--	--	--	373	373	746	746
Lab Analyses & Assays	--	570	--	--	90	90	180	750
License Fees	--	--	--	--	2,044	401	2,445	2,445
Office, Maintenance, & Consumables	--	31,905	5,731	--	26,671	25,098	51,769	89,405
Salaries, Wages & Services	--	298,423	--	--	136,113	106,652	242,765	541,188
Balance at December 31, 2016	--	\$427,272	\$5,731	--	\$223,513	\$182,569	\$406,082	\$839,085

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	Radioactive Minerals	Subtotal	TOTAL
Drilling Expenditures	\$ 49,362	\$ 72,611	\$ --	\$ 7,024	\$ 27,156	\$ 27,183	\$ 61,363	\$ 183,336
Amortization Drill Rigs, Vehicles & Trucks	91,005	41,503	--	196	20,579	20,578	41,353	173,961
GIS & Geophysics	--	17,079	--	2,430	156	--	2,576	19,655
Lab Analyses & Assays	2,088	3,039	--	325	4,778	--	5,103	10,230
License Fees	846	--	--	250	353	1,297	1,900	2,746
Office, Maintenance, & Consumables	20,258	40,105	3,498	13,240	13,219	13,095	39,554	103,415
Salaries, Wages & Services	162,378	377,828	--	43,251	70,904	52,791	166,946	707,152
Balance at December 31, 2015	\$325,937	\$552,165	\$3,498	\$66,716	\$137,145	\$114,944	\$318,805	\$1,200,405

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had a working capital of \$3,989,993 [2015: (\$746,529)], which included cash of \$4,215,333 (2015: \$73,910). These funds are managed in-house in accordance with specific investment criteria approved by the board of directors, the primary objective being the preservation of capital to assure funding for exploration activities. In the 2nd quarter of 2015, security options were exercised for proceeds of \$21,575. The Company received net proceeds of \$934,837, \$466,534 and \$5,921,437, from the sale of common shares and warrant units as a result of the private placement which closed on August 10, 2015, April 29, 2016, and December 12, 2016, respectively.

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, 2016 for those warrants is NIL (2015: NIL). The Company is not required to pay cash to the holders of the warrants to settle this liability. Due to the nature of the Company's operations, there is no significant credit or interest rate risk.

Operating Activities

Cash outflow used in operating activities before working capital adjustment decreased from \$725,988 the period ended December 31, 2015 to (\$791,487) for the year ended December 31, 2016. Other operating expenses fluctuated but on the whole were decreased for the year ended December 31, 2016 by \$7,513,289 compared to 2015. The largest impact on Comprehensive income (loss) for the period was the impairment which resulted in a decrease of (\$8,874,979) in 2015 to (\$1,178,363) in 2016. The realized gain on the valuation of warrants was reduced from \$159,023 in 2015 to \$nil in 2016, which is a non-cash item that varies with market valuation and was recorded as a liability under IFRS, but this liability does not require an outlay of cash and was primarily for disclosure on warrants expressed in Canadian dollars. Expense variances were throughout the other expense categories with the largest decreases in stock-based compensation expenses going down by approximately \$30,029 and the largest increases in administration expenses going up by approximately \$34,950.

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Annual Information
(in US Dollars)**Fiscal Period**
December 31, 2016**Fiscal Year**
December 31, 2015

Net loss for the year	(\$2,243,671)	(\$9,722,451)
Basic loss per share	(\$0.06)	(\$0.30)
Basic diluted loss per share	(\$0.06)	(\$0.30)
Total other comprehensive income (loss)	186,002	(\$1,122,545)
Total comprehensive loss for the year	(2,057,669)	(\$10,844,996)
Basic comprehensive loss per share	(\$0.06)	(\$0.33)
Diluted comprehensive loss per share	(\$0.06)	(\$0.33)
Total assets	\$8,539,876	\$4,439,220
Total long term liabilities		--
Cash dividend		--

Quarterly Information
(in US Dollar)**Quarter 1 Quarter 2 Quarter 3 Quarter 4****Fiscal Year ended December 31, 2015**

Net income (loss) for the period	(\$212,347)	(\$6,767,478)	(\$385,287)	(\$2,357,299)
Basic income (loss) per share	(\$0.01)	(\$0.21)	(\$0.00)	(\$0.30)
Diluted basic income (loss) per share	(\$0.01)	(\$0.21)	(\$0.00)	(\$0.30)
Comprehensive income (loss) for the period	(\$695,675)	(\$6,545,694)	(\$855,108)	(\$2,748,519)
Basic comprehensive income (loss) for the period	(\$0.02)	(\$0.21)	(\$0.02)	(\$0.33)
Diluted comprehensive income (loss) per share	(\$0.02)	(\$0.21)	(\$0.02)	(\$0.33)
Total assets	\$13,121,763	\$7,289,616	\$6,599,835	\$4,439,220
Total long term liabilities	--	--	--	--

Quarterly Information
(in US Dollars)**Quarter 1 Quarter 2 Quarter 3 Quarter 4****Fiscal Period ended December 31, 2016**

Net income (loss) for the period	(\$285,854)	(\$299,277)	(\$387,742)	(\$1,270,798)
Basic income (loss) per share	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.03)
Diluted basic income (loss) per share	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.03)
Comprehensive income (loss) for the period	(249,396)	(\$287,861)	(\$55,946)	(\$1,464,466)
Basic comprehensive income (loss) for the period	(\$0.01)	(\$0.01)	\$0.00	(\$0.04)
Diluted comprehensive income (loss) per share	(\$0.01)	(\$0.01)	\$0.00	(\$0.04)
Total assets	\$4,412,454	\$4,635,888	\$5,068,644	\$8,539,876
Total long term liabilities	--	--	--	--

Investing Activities

Cash flow applied in investing activities decreased to (\$836,838) for the period ended December 31, 2016, [2015: (\$1,039,742)].

Total expenditures of \$832,185 on exploration properties for the period ended December 31, 2016 were attributable to the Newdico, Gcwihaba and Bosoto projects in northwest Botswana and the Idada project in Barberton, South Africa. 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 and its radio active operations of \$1,178,363 in 2016.

Financing Activities

The Company finances its corporate and exploration activities through the issuance of equity 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
December 12, 2016	10,795,578	C\$0.75	\$5,921,437
April 29, 2016	1,008,948	C\$0.60	\$466,534
August 17, 2015	1,116,075	C\$1.10	\$934,857
Warrant Exercise Date	No. of Shares	Price per Share	Proceeds USD
None	--	--	--
Options Exercised Date	No. of Shares	Price per Share	Proceeds USD
April 2, 2015	37,500	C\$0.75	\$21,575

In the 2nd quarter of 2015, security options were exercised for proceeds of \$21,575. A private placement took place on August 10, 2015, April 29, 2016 and December 12, 2016, from which the Company received net proceeds of \$934,857, \$466,534 and \$5,921,437 respectively from the sale of common shares and warrant units.

Tsodilo expects to raise the amounts required to fund the Gcwihaba, Bosoto and Idada projects 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 (\$2,057,669) for the period ended December 31, 2016 (\$0.06 per common share) compared to a comprehensive net loss of (\$10,844,996) for the period ended December 31, 2015 (\$0.33 per common share). The change in the loss in 2016 was due primarily to the impairments recorded in 2016 of (\$1,178,363), and in 2015 of (\$8,874,979).

Cumulative exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to \$4,036,895 as at December 31, 2016 compared to \$4,116,040 as at December 31, 2015. Cumulative exploration expenditures incurred on the Newdico project as at December 31, 2016 and 2015 were NIL. Cumulative exploration expenditures incurred on Gcwihaba's projects as at December 31, 2016 were \$3,158,472 compared to \$3,722,196 as at December 31, 2015. A net exchange translation difference accounted for a \$208,557 increase. Cumulative exploration expenditures incurred on Bosoto's projects as at December 31, 2016 were \$869,415 compared to \$390,733 as at December 31, 2015. A net exchange translation difference accounted for a \$51,370 increase. Cumulative exploration expenditures incurred on Idada's projects as at December 31, 2016 were \$9,008 compared to \$3,071 as at December 31, 2015. A net exchange translation difference accounted for a \$206 increase. The principal components of the Newdico, Gcwihaba, Bosoto and Idada exploration program were: (a) additional soil sampling and the completion of the processing and analysis of the soil samples; (b) commissioning of further ground magnetic surveys of selected aeromagnetic anomalies; (c) analyzing detailed proprietary aeromagnetic maps covering

the target areas; and (d) commencement of a diamond core drilling program on selected targets. A table is presented in the Exploration and Evaluation Additions section above with specific details.

PERSONNEL

At December 31, 2016, the Company and its subsidiaries employed twelve (12) compared to twenty-two (22) at December 31, 2015, including senior officers, administrative and operations personnel including those on a short-term service basis.

YEAR ENDED DECEMBER 31, 2016

The year ended December 31, 2016 was a normal operating period. Operating expenses were at normal levels for the year. See discussion under operating activities above.

RISKS AND UNCERTAINTIES

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

Additional Funding Requirements

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

These 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 \$2,243,671 and comprehensive loss of \$2,057,669 during the period ended September 30, 2016 and as of that date the Company had an accumulated deficit of \$46,565,010 and net working capital of \$3,989,993. Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is sufficient to finance exploration and resource evaluation at the projected levels, and to finance continued operations for the 12 month period subsequent to December 31, 2016. The continuity of the Company's operations is not 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.

Management believes that it will be able to secure the necessary financing through a combination of the issue of new equity or debt instruments, the entering into of joint venture arrangements or the exercise of warrants and options for the purchase of common shares. However there is no assurance the Company will be successful in these actions. There can be no assurance that adequate financing will be available, or available under terms favorable to the Company. During the year ended December 31, 2015, the Company received proceeds of \$21,575 from the exercise of stock options. The Company received total proceeds of \$928,907 from the issuance of common shares and warrant units as a result of the private placement which closed on August 10, 2015. The Company received net proceeds of \$466,534

and \$5,921,437 from the issuance of common shares and warrant units as a result of the private placement which closed on April 29, 2016 and December 12, 2016 respectively.

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

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

Uncertainties Related to Mineral Resource Estimates

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

Commodity Prices and Marketability

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

Currency Risk

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

Foreign Operations Risk

The Company's current significant projects are located in Botswana. This exposes the Company to risks that may not otherwise be experienced if its operations were domestic. The risks include, but are not limited to, environmental protection, land use, water use, health safety, labor, restrictions on production, price controls, currency remittance, and maintenance of mineral tenure and expropriation of property. There is no assurance that future changes in taxes or such regulation in the various jurisdictions in which the Company operates will not adversely affect the Company's operations. Although the operating environments in Botswana are considered favorable compared to those in other

developing countries, there are still political risks. These risks include, but are not limited to terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business.

Mineral Exploration and Development

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

Title Matters

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

Infrastructure

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

Uninsured Risks

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

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 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 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 9, Financial Instruments

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

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

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

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

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

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

These amendments were applied retrospectively and are effective for annual years beginning on or after January 1, 2016. These amendments did not have any impact on the Company. There were no new standards adopted that had a material impact on the Company.

RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2016	2015
Short term employee remuneration and benefits	\$430,002	\$430,002
Stock based compensation	284,447	340,194
Post employment benefits*	205,047	142,938
Total compensation attributed to key management personnel	\$919,496	\$913,134

*Post employment benefits include \$86,207 of accrued leave benefits through December 31, 2016.

During the year an individual related to the CEO provided administrative and management services to the Company in 2016 and was remunerated in 2016 in the amount of \$36,000 (2015: \$33,000).

During the year, two individuals related to key personnel of the company, received \$13,717 in stock based compensation during the year (2015 \$21,071).

A subscription liability balance as of December 31, 2015 of \$590,050 was from a Director of the Company and was executed and settled during the two private placements in April 2016 and December 2016 for \$300,000 (648,312 Units)

and \$290,050 (161,976 units) respectively. Oversubscriptions received during 2016 were returned to a Director of the Company in the amount of \$340,000 and no subscription liability exists at December 31, 2016.

There are no other related party transactions.

OUTLOOK

Precious stones and metals exploration remain a high-risk undertaking requiring patience and persistence. Despite difficult capital markets in the junior resource sector and the general decrease in commodity prices, the Company remains committed to international commodity exploration through carefully managed programs.

The company does not invest in financial instruments, nor does it do any hedging transactions.

ADDITIONAL INFORMATION

Additional information relating to Tsodilo Resources Limited is available on its website at, www.TsodiloResources.com or through SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The Annual Report, including this MD&A, contains certain forward-looking statements related to, among other things, expected future events and the financial and operating results of the Company. Forward-looking statements are subject to inherent risks and uncertainties including, but not limited to, market and general economic conditions, changes in regulatory environments affecting the Company's business and the availability and terms of financing. Other risks are outlined in the Uncertainties and Risk Factors section of this MD&A. Consequently, actual results and events may differ materially from those included in, contemplated or implied by such forward looking statements for a variety of reasons. Readers are therefore cautioned not to place undue reliance on any forward-looking statement. The Company disclaims any intention and assumes no obligation to update any forward-looking statement even if such information becomes available as a result of future events or for any other reason.

"s"

James M. Bruchs
Chairman and Chief Executive Officer

"s"

Gary A. Bojes
Chief Financial Officer