
Tsodilo Resources Limited
Annual Report 2014

OUR VISION

MISSION STATEMENT

To build a leading African-focused mineral exploration, production and development company.

Values:

- A healthy and safe work environment
- Entrepreneurial spirit
- Creation of shareholder value
- Create positive economic and social impact on local communities where we operate
- Seek value opportunities
- Exploration of additional promising prospects
- Production of ore bodies with economically viable assets

CORPORATE COMMITMENT

Tsodilo Resources Limited continues to progress as a responsible corporation through our field practices, management systems in Environment, Health and Safety, contributions to the communities where we operate, and our commitment to ongoing stakeholder engagement. Corporate responsibility is increasingly central to our strategic and operational thinking. We cannot sustain good financial and operational performance without simultaneously achieving our objectives in health and safety, environmental stewardship, human resource development, and community investment. We believe our transparent approach to doing business is the only way to fully engage our stakeholders in a meaningful, mutually beneficial, relationship.

Tsodilo's vision of Corporate Responsibility is premised upon a set of principles which guide our relationships with shareholders, employees, partners, governments, and the communities affected by our operations.

OUR GUIDING PRINCIPLES

◊ We consider the health and safety of our employees and adjoining communities as most important in all aspects of our operations.

◊ We initiate and promote ongoing dialogue and engagement with a broad range of stakeholders, maintained in a spirit of transparency and good faith.

◊ We exercise vigilance in protecting the environment and seek ways to minimize our environmental footprint. We strive to always meet or exceed regulatory requirements in our environmental performance.

◊ We conduct our activities in accordance with accepted standards in the protection and promotion of human rights.

◊ We recognize that every community is unique and respect the cultural and historical perspectives and rights of those affected by our operations

◊ We provide a rewarding and meaningful livelihood to our employees. We provide suitable training opportunities and resources are made available to employees to assist them in performing their duties.

◊ We seek to provide employment, business and economic opportunities for local communities from our existing operations and new projects.

◊ We maintain high standards of corporate governance, ethics and honesty in all of our dealings, and operate in compliance both with Canadian stock exchange listing and disclosure requirements and the local laws wherever we work.

◊ We engage with our industry peers, associations, governments, non-governmental organizations, and civil society to contribute to best practice development and track evolving global standards

On behalf of the board,

James M. Bruchs
Chairman & CEO

Dr. Michiel C.J. de Wit
President & COO

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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, 2013 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 26, 2015.

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 26, 2015, 32,389,209 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, 3,258,890 options remain outstanding of which 2,758,890 are exercisable at exercise prices ranging from CAD $0.75 - $2.23.

As of February 26, 2015, 8,294,831 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
April 22, 2015	2,272,727	$1.21 USD
June 29, 2015	2,702,702	$2.17 CAD
June 29, 2015	1,818,181	$1.21 USD
May 29, 2016	306,183	$1.40 USD
July 29, 2016	634,116	$1.40 USD
December 30, 2016	560,922	$1.21 USD
Total	8,294,831	

If all warrants were converted, 8,294,831 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 26, 2015 are as follows:

Name	Description	Shares - Owns, Controls or Directs	% of the Issued and Outstanding Shares
Azur LLC	Private Investment Vehicle	4,996,065	15.43%
International Finance Corporation	Member of the World Bank Group	4,520,883	13.96%
James M. Bruchs	Director and CEO	2,285,619	7.06%
First Quantum Minerals	Global Mining Company	2,272,727	7.00%
David J. Cushing	Director	2,250,770	6.94%

Exploration Activities for 2014

Subsidiaries

The Company has a 98% operating interest in its Botswana subsidiary, Newdico (Proprietary) Limited ("Newdico"), which holds one prospecting license covering approximately 851 km^2 in northwest Botswana.

The Company has a 100% interest in its wholly owned Botswana subsidiary, Gcwihaba Resources (PTY) Limited ("Gcwihaba"), which has one diamond prospecting license covering approximately 494 km^2, twenty-two metal (base, precious, platinum group, and rare earth) licenses currently covering 1,244.80 km^2 (not including fifteen (15) licenses currently in renewal and five (5) licenses whose terms expires March 31, 2015 for which renewal applications have been filed) and eight radioactive minerals licenses currently in renewal.

The Company has a 75% interest in its wholly owned Botswana subsidiary, Bosoto (Pty) Limited, which as of December 31, 2014, holds the precious stone prospecting license for the area (1.02 km^2) which contains the BK16 kimberlite.

The Company holds a 70% interest in its South African subsidiary, Idada Trading 361(Pty) Limited ("Idada"). Idada has 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. The Company is now awaiting a decision by the DMR to award the prospecting permit or not.

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

1. DIAMOND PROJECTS

The Company holds 3 Prospecting Licences (1,346 km^2) for precious stones, one registered each to Newdico, Gcwihaba and Bosoto. These licenses are summarized in Table 1. The Gcwihaba license PL 195/2012 covers 494 square kilometers and the initial license grant expires June 30, 2015. The Newdico license (PL 64/2005) covers 851 square kilometres and the term of the license is April 1, 2014 to June 30, 2016. The Bosoto license (PL369/2014) covers 1.02 square kilometres and the term of the license is October 1, 2014 to September 20, 2017.

Table 1.

Precious Stone Prospecting Licenses as at December 31, 2014

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 12.31.14
PL 195/2012	494	7/01/12	6/30/15	Initial Grant	2,470	100,000	307,410	32,635
PL 064/2005	851	4/01/14	3/31/16	Extension	4,255	215,000[*]	438,510	46,573
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

*The minimum annual expenditure for each year is BWP215 000. However, if during the extension period, a decision is made based on the micro-diamond results that further work is warranted, the Company estimates that BWP 4,585,000 would be required for a mini-bulk sample.

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

PL 195/2012

Soil sampling was performed over license PL 195/2012 in order to confirm previous De Beers' results. Heavy mineral sorting of 36 samples collected by the Company produced 4 high titanium chrome-spinel and 1 garnet of G9 paragenesis. They were confirmed to be mantle derived by electron microprobe analyses. The presence of these grains confirms that the source is either an ilmenite-poor Group-1 kimberlite, such as Venetia or The Oaks, or a Group-2 kimberlite which is devoid of any ilmenite like Finsch or Marsfontein. This target is some 40 km south of the Thankane-01 kimberlite which is almost certainly a Group 2 kimberlite.

A ground magnetic survey was completed in February over this target with 158 line km covering 4.3 km². This survey highlighted several drill targets. In order to prioritise these targets, the Company complemented the magnetic survey with a ground gravity survey which was completed in October 2014 using a Scintrex Autogray CG3 gravimeter. In total 528 stations were surveyed on a 50 x 50 m grid covering 1.2 km². This data will assist in determining future drill hole positions more accurately. Three drill targets have been highlighted and these are planned to be drilled in the second quarter of 2015 to determine the causative body of these targets.

PL 64/2005

Interest in the kimberlites located on PL 64/2005 is 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 in the Nxau Nxau field or from an undiscovered kimberlite(s) in the general area. 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.

And 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 are required from K10. Samples for micro-diamonds have been prepared for kimberlite K11 and will be submitted to the microdiamond laboratory once the results of additional microdiamond analysis for K10 have been completed. K11's mineral chemistry signature is similar to K10 and this body is approximately 2.5 ha in size.

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 southeast of the K10 cluster. A total of 228 line km were surveyed covering an area of 5 km². B7 had never been drilled and A16 has been drilled in the past but kimberlite was never intersected. The magnetic survey was able to define the sizes of K10 and K11 more accurately and provide accurate drill targets for B7 and A16. B7 (K29) and A16 (K30) were drilled using this data and both proved to be kimberlite. Kimberlite K29 consists of fresh olivine macrocrysts and abundant phenocrysts up to 3 mm (together ~35 vol.%) set in a fine matrix of mainly carbonate, scattered opaque spinel up to 0.25 mm and perovskite of smaller size. Country rock xenoliths are extensively carbonated. The rocks from K30 consist of abundant pelletal lapilli consisting of individual altered olivine grains (mainly phenocrysts) surrounded by either thin coats of very fine-grained material or larger sized lapilli of kimberlite containing several olivine grains set in a fine matrix. This fine matrix consists of masses of fine brown carbonate, some small laths of phlogopite, scattered opaque spinels (up to 0.28 mm) and perovskite. Approximately 20 vol. % of country rock xenoliths of mainly shale are also either finely coated or are contained or partly contained by more substantial kimberlite. Petrographically, K29 has been interpreted as a coherent poorly-macrocrystic kimberlite and K30 as an air-fall pyroclastic kimberlite.

Representative core samples from both kimberlites were submitted to a third-party independent laboratory located in Johannesburg, South Africa for heavy mineral analysis (HMA). Results have failed to recover any garnet in these samples but visually K29 has an abundance of ilmenite and medium-interest spinel, whilst K30 contains no ilmenite but an abundance of visually high-interest spinel and olivine (Table 2). These grains were submitted for electron micro-probe analysis for major element mineral chemistry. In sample K29, the visually identified chrome-spinel turned out to be mainly magnetite with a few ulvospinel. One ilmenite has been shown to be non-kimberlitic and the other ilmenite is kimberlitic but is low in TiO2 and high Fe^3 values which indicates that crystallization occurred under high f02 (oxygen fugacity) or oxidizing conditions which is not favorable for the preservation of diamonds. In sample K30, all of the visual selected spinel and some of the ilmenite turned out to be magnetite. There were 11 kimberlitic, four possible kimberlitic and six non-kimberlitic ilmenites in this sample which are slightly higher in TiO2 than the one from K29. However based on the high fO2 of some ilmenites, the absence of garnet and kimberlitic spinel and the results from the petrography it is not recommended to proceed to the next phase for these kimberlites.

Table 2.

Kimberlite samples submitted for heavy mineral analysis and microprobe analysis

Sample ID	Ilmenite Visual	Spinel Visual	Ilmenite Probed	Spinel Probed
K 29 (B7)	64	30 (Med)	1	Nil
K30 (A16)	nil	30 (High)	11	Nil

During the year, four microdiamond sample residues from the original K10 microdiamond sample were forwarded to an independent laboratory in Canada for additional microdiamond recovery. No additional stones were recovered from the +75 micron fraction.

A 50 kg sample from the K11 core has been prepared and sent to an independent mineral recovery unit in Kimberley, South Africa for diamond analysis in the approximate +0.1 mm fraction.

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.

The Company initially conducted a desk top study of all historical data available at the Botswana Geological Survey in Lobatse. This includes data from several companies which held the exploration rights from 1994 to 2010. Unfortunately exploration data from De Beers preformed in the 1970's is not on file and could not be located.

This historical drill data used for the conceptual geological model includes 27 boreholes to a cumulative depth of 3,553.25 meters. These include 12-inch reverse circulation drilling (5 holes, 641 meters); 6.5-inch percussion holes (19 holes, 2,290 meters); and HQ size diamond core drilling (3 holes, 622.25 meters).

The Company then completed a high resolution ground magnetic survey (73 line kilometers, 20 meter line spacing and readings every 5 seconds) and a detailed gravity survey (21 line kilometers, 50 meter line spacing and 441 survey stations) over the 1 km^2 license block using a Scintrex Autogray CG3 Gravimeter. All data was processed and modelled using in-house Geosoft and PotentQ software. These two surveys were needed to more accurately estimate the size of the pipe and combined with the historical drill data to produce the conceptual geological model. The model suggests that the pipe is some 4.5 ha in size and that there may be a 'blind' satellite pipe to the southeast and connected by possible precursor northwest orientated dyke.

In the first quarter of 2015, the Company initiated its drilling program to drill 12 diamond holes each to an approximate 350 meter depth to map out the various kimberlite phases that are known to exist in the pipe. This is important as each of these different phases is likely to be characterized by different grades and with different diamond values. Later in the year, the Company plans to initiate a bulk sampling program, based on the more detailed internal geology of the pipe, using Large Diameter Drills (LDD) which would recover sufficient material to obtain an initial sampling grade from the different kimberlite phases and would provide some ideas on the diamond values.

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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 4,055.70 km² not including licenses currently in renewal (Table 3).

Table 3.
Gcwihaba Metal License Areas as at December 31, 2014

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 12.31.2014
PL 119/2005	831.80	07/01/14	07/01/16	Extension	4,160	125,000	258,320	27,424
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	26,979
PL 093/2012	TBD	04/01/12	04/01/15	Initial Grant	-	-	#	#
PL 094/2012	TBD	04/01/12	04/01/15	Initial Grant	-	-	#	#
PL 095/2012	TBD	04/01/12	04/01/15	Initial Grant	-	-	#	#
PL 096/2012	TBD	04/01/12	04/01/15	Initial Grant	-	-	#	#
PL 097/2012	TBD	04/01/12	04/01/15	Initial Grant	-	-	#	#
TOTAL	1,244.80				6,225		512,450	54,403

Renewal applications have been filed for PL's 93 -97/2012, which expire March 31, 2015, and minimum expenditures have been met for the initial license grant term for all licenses as of 12/31/2014, accordingly the Company believes that it would be inaccurate to state that any amounts or required expenditures should be stated with respect to these expiring licenses as of the date of this MD&A.

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 mineralisation domains were identified in the various licences. These are, (1) sulphide mineralisation associated with Neoproterozoic metasediments, (2) base and precious metals and rare earth elements 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 is a firm commitment by First Quantum and must be satisfied irrespective of whether First Quantum elects to pursue the other requirements to earn an interest in Gcwihaba's licences. Tranche 1 funding obligations have been met.

In the event that First Quantum satisfies the funding obligations as set forth above, but a Technical Report has not been completed by the end of the fourth year following the execution of the earn-in option agreement; First Quantum may maintain the earn-in option for up to an additional three years by continuing to spend a minimum of $2 million per year on exploration and evaluation studies on the Project Area.

If the Technical Report delineates a "Major Defined Project" (being a designated project within the Project Area with respect to which the Technical Report delineates a measured, indicated and inferred mineral resource within the Project Area of not less than 2,000,000 tonnes of copper), First Quantum will be deemed to have earned a 70% interest in the property that is the subject of such report. If the Technical Report delineates a "Minor Defined Project" (being a designated project within the Project Area with respect to which the Technical Report delineates a measured, indicated and inferred mineral resource within the Project Area of less than 2,000,000 tonnes of copper, or another base, precious or platinum group metal and rare earth mineral), First Quantum will be deemed to have earned a 51% interest in the property that is the subject of such report; provided, however, that it may elect to retain an option for up to five years to convert such property into a Major Defined Project. If First Quantum makes such election, it will be responsible for all further costs and expenses associated with the Minor Defined Project, including for operations and capital expenditures, until the earliest of: (a) the completion of a Technical Report for a Major Defined Project, in which event the Minor Defined Project will be deemed to be converted into a Major Defined Project and First Quantum will be deemed to have earned a vested 70% participating interest therein; (b) written notice from First Quantum to the Company that First Quantum no longer wishes to retain the option to convert such Minor Defined Project into a Major Defined Project; and (c) five years after the date of the original vesting of a 51% interest in the Minor Defined Project. If First Quantum fails to satisfy the requirements to convert a Minor Defined Project into a Major Defined Project it will retain a vested 51% participating interest in the Minor Defined Project.

Upon First Quantum's participating interest in a defined project being crystallized at either 51% or 70%, Gcwihaba and First Quantum will enter into a joint venture agreement for such project. Under the terms of each such joint venture agreement, Gcwihaba's participating interest in each joint venture will be carried until the commencement of construction of a mine for the project. Accordingly, all costs and expenses associated with the defined project until such time, including for operations and capital expenditures, will be funded by First Quantum.

As of December 31, 2014, First Quantum reported that it has spent in total $12,959,302 (2014: $8,718,125 & 2013: $4,241,177) on Prospecting Licenses covered by the MOU.

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 agreement with First Quantum and is solely a Tsodilo project. The drilling and the ground geophysical surveys conducted by Gcwihaba have for the last two years 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).

Due to 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.

In 2014, additional ground geophysics over the Xaudum XIF deposit were required to fill in some of the data gaps and resurvey some of the lines that had produced poor quality data and infill lines to more accurately site the drill holes on the ironstones. This amounted to 2,008 line kilometres covering some 71 km ^{2} on 20 or 50 meter line spacing.

Drilling during the year using the Tsodilo drill rigs was mostly focussed on the Xaudum XIF deposit and 33 holes were drilled in Block 1. This amounted to 5,439 m drilled recovering 4,160 m of core, all from Block 1. The drilling on Block 1 was completed in May and in August SRK Consulting (U.K.) presented Gcwihaba's maiden National Instrument 43-101 Resource report of Block 1 of this large XIF deposit. For Block 1, SRK 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. The Company expects to define a significant Inferred Mineral Resource in Block 2 in due course which will significantly increase the Xaudum Iron Project total Mineral Resource. Drilling of this block started in August and nine holes were drilled to a cumulative depth of 1,490 m extracting some 1,223 m of core.

The Company aims to complete the resource definition of Block 2 in order to establish a +1 Bt resource. In addition it has also started 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 local thermal coal in Botswana is considered most appropriate but issues surrounding the infra-structure need to be resolved.

2.3 KATANGAN-LIKE META-SEDIMENTS

East and south of the XIF Iron project are the skarn IOCG-type mineralization and in the south-east and east of the Banded Iron Formation rocks 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 are 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.

First Quantum Minerals Ltd through its local wholly-owned subsidiary Faloxia (Pty) Ltd are exploring these areas and a summary of their exploration efforts during 2014 are summarized Table 5.

Table 5

Summary of FQM activities during 2014

DRILLING	**Samples submitted**	**No. of holes**	**Meters drilled**
Diamond Drilling	874	28	10,522.81
KGP	8,227	168	13,611.78
GEOCHEMISTRY	**Surface samples**	**Borehole samples**	**Total**
Hydrogeochemistry	-	174	174
Soil Geochemistry	835	-	835
CSIRO study	120	110	230
Petrology (Mason)	-	13	13
Grab samples	6	-	6
AIRBORNE GEOPHYSICS	**Line Kilometres**		
GyroLAG Airborne Gravity	10,391.97	-	-
DOWNHOLE GEOPHYSICS	**Meters**	**No. of Holes**	
Downhole logging	1,018.35	4	-

Stratigraphic Section Line

Started during 2013, the Stratigraphic Section Line was completed in the first Quarter of 2014. The final two of seven diamond boreholes – BWADD0006 and BWADD0007 – were drilled on an east-west section 2 kilometers south of Shakawe. The aim of the Stratigraphic Section Line was to provide an understanding of the stratigraphy of the Katangan rocks in the Shakawe area, which would assist in subsequent targeting and drill-testing.

The Stratigraphic Section Line identified a thick package of meta-sedimentary rocks overlying sheared basement. A gabbroic intrusion is present at the contact between the Katangan rocks and basement. The meta-sediments include diamictite, Banded Iron Formation, phyllite and a carbonate-shale package. Packages of rocks appear to be repeated, which suggests thrust stacking. These aforementioned rocks are interpreted to be of the Mwashya Group. The basal Upper and Lower Roan Group rocks appear to be absent in the location of the Stratigraphic Section Line.

One additional diamond borehole, BWADD0008, was drilled into the basement high, 2 kilometers southwest of the Stratigraphic Section Line. The borehole was designed to confirm the presence of 'true basement' in the Shakawe area and demonstrated a thick (>500m) sequence of variably K-feldspar metasomatised quartz-biotite schist.

Kalahari Geochemistry Program (KGP)

The Kalahari Geochemistry Program (KGP) commenced in September 2013 and was completed in May 2014. A total of 220 holes were drilled during the program: 52 during 2013 and 168 during 2014. KGP boreholes samples from surface through the Kalahari cover and approximately 5 meters into Katangan bedrock. All KGP boreholes drilled in 2014 were diamond drill holes.

The premise of the KGP was the direct-detection of mineralization through the Kalahari cover. Firstly, mineralization in the Katangan bedrock will leach into the overlying Kalahari sediments both mechanically and hydromorphically, enlarging the 'footprint' of the mineralization. Secondly, the samples of the Katangan rocks taken from the base of the KGP holes will enable the mapping of lithology, alteration and mineralization and further assist in targeting.

The KGP boreholes were lined with PVC casing to enable the sampling of groundwater. Sand and core samples were analyzed for 51 elements at ALS Chemex in Johannesburg, including Ultra Trace gold analysis. One of two digestion methods was used depending on the type of sample and the depth from which it was taken.

Assay results from the KGP samples were returned during November and analysis of the data will take place in the 1st Quarter of 2015, when targets will be selected for a drilling campaign to take place later in the year.

Hydrogeochemistry

174 samples water samples were collected in the project area between March and November. 86 of these samples were taken from KGP boreholes and 88 from sources elsewhere in the area, including drill holes, government boreholes and hand-dug wells.

Three analyses were done on each sample: cations and anions for ICP-MS; iron chromatography for copper isotopes; and carbon sachets for gold and Platinum Group Elements (PGEs).

An initial interpretation of ICP-MS results has identified three zones of anomalous multi-element signatures (Cu, As, Pb, Co, Sb and Ni). Data analysis is on-going, and results for copper isotopes and carbon sachets are outstanding, expected early 2015.

Soil Geochemistry

An experimental grid of 835 soil samples was collected over the Sepopa area during July and August. Previous drilling by Tsodilo Resources had identified anomalous copper mineralization at the bedrock unconformity and the soil grid was designed to test whether this could be detected at surface, through the 90 meters of cover. Analysis of soil pH proved inconclusive and the samples were not submitted to the laboratory for geochemical analysis.

Airborne Gravity

GyroLAG of South Africa commenced an airborne gravity survey in May. The survey covered a 'belt' of shale units, identified by the 2013 Spectrem airborne EM survey. The purpose of the gravity survey was to identify pre-Katangan basement domes, the flanks of which are prospective for sediment-hosted copper mineralization.

The 35 SW-NE orientated, 2.5 kilometer-spaced tie lines were completed in July, before work began on flying the 500 meter-spaced N-S flight lines. Continual interruptions to the progress of the survey meant that at the end of the year only 10,391.97 of the planned 22,092.69 line kilometers had been flown. A reduced survey area will be completed in 2015, with several flight lines needing to be re-flown due to poor data quality.

The survey was a technical success in that it successfully identified basement highs which were not previous identifiable in magnetic, EM, drilling or other datasets. The gravity data also identified thickness changed in the Katangan rocks which are particularly prospective locations for ore deposits.

CSIRO Research Project

Dr Ravi Anand of CSIRO visited the project during October as part of an FQM-commissioned research project into exploration through the Kalahari cover. Dr Anand studied drill core and outcrops in the project area and collected a total of 230 samples: 110 of core and 120 surface samples.

At the end of 2014, samples were still being analyzed at CSIRO in Perth, Western Australia. Analyses included electron microscope, petrology, heavy mineral separation and selective leaches. The study is intended to assist in the interpretation of the KGP and hydrogeochemistry datasets, and to improve future under-cover exploration.

Target Drilling

Sixteen targets were drill tested in 2014 by diamond drill holes BWADD0009 through BWADD0033. Targets were selected by several conceptual criteria including the presence of a reducing rock, structures, alteration, mineralization and their proximity to basement.

Between one and three holes were drilled into any one target. Once drilling ceased at a target, a 3D model and evaluation of the target was made in order to determine whether further drilling was warranted, and if so where drill holes would be located.

Many target drill holes intersected pyrite and pyrrhotite-rich black shale. Assays of these sulphide-rich intersections returned low base and precious metal concentrations but provide useful vectors for follow-up drilling in 2015.

The highlight target was Laharpo East, located approximately 12 kilometers northeast of Shakawe. Hole BWADD0033 intersected 1.4 meters @ 0.96% Cu, with anomalous copper mineralization and albite alteration over a width of 150 meters. Further drilled identified anomalous copper and alteration over a strike length of 2.6 kilometers.

Other Metal Targets

Gcwihaba completed the drilling over targets TOD 17, TOD029 and TOD030 to a cumulative depth of 330 meters. These anomalies were initially identified as kimberlite targets because there is an association with Ni and Zr/Cr soil anomalies generated by the 1999 governments Ngamiland Geochemical soil sampling program. These targets were modelled both as kimberlites (geophysicaly) and base metal mineralization (geochemically) and hence justified further work. These were drilled under the metal licences PL 051/2008 and PL 052/2008. TOD 17 intersected a series of meta-sediments containing veinlets of sulphides rich in pyrite and traces of chalcopyrite. Target hole TOD029 had to be abandoned due to drilling problems in the Kalahari cover and target hole TOD030 returned basement and is of no further interest.

Assay results from the relatively un-deformed shales and siltstones from borehole TOD017 were received and did not return high-interest results. These targets have since been abandoned.

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 in renewal cover 6,925 km^2 (Table 6) and overlap with some of the Gcwihaba diamond and metal permits. Applications for renewal for both sets of permits have been submitted to the Ministry of Minerals, Energy and Water Resources (MMEWR) and the Company is awaiting confirmation of the renewals from MMEWR.

Table 6.

Gcwihaba – Radioactive License Areas as at December 31, 2014

PL numbers	Km^2	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 12.31.14
PL 150/2010	TBD	07/01/10	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 151/2010	TBD	07/01/10	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 045/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 046/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 047/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 048/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 049/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 050/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD

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 m 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. In addition Uranium-rich soils (3,000-6,000 cpm) were identified in the Chadum and Kkhaudum drainages.

Renewal applications for PL's 45 - 50 and PL's 150 & 151 were submitted in September 2013 and July 2013 respectively. The work schedule over this ground has been limited until these applications have been approved.

However, during Faloxia's target drilling program one hole intersected a surprisingly thick succession of Karoo Supergroup rocks in what has been interpreted as a glacial palaeo-valley of Carboniferous age. This is supported by both the airborne Magnetic and EM surveys which can trace this palaeo-valley system over several tens of kilometers. The valley itself has been modeled to be approximately 1 km wide and well over 600 m deep. Within this Carboniferous package there is a 6 m section of carbonaceous mud and siltstones (from 162 to 168 m) with high radioactivity. Reading of between 3,800 and 4,100 counts per minute ("cpm") were recorded using the Ludlum Model 3 Survey meter, which is approximately four times the back ground. Assay results over this intersection varied from 20 to 80 ppm with associated anomalous values in K and Mo. In addition, results from water samples from Faloxia's regional hydrogeochemistry program has highlighted six holes (KGPDD0054, -0061, -0093, -0096, -0097, -0098) that have given high anomalous U results varying from 35.9 to 283 U ug/l. These form two clusters, one of which is around Hole -0054 that also intersected basal Karoo sediments which suggests that the Karoo is acting as an intermediate source of U. U anomalies have been reported from several holes drilled in the Neoproterozoic Katanga rocks, and in recent calcretes and muds in drainage to the west of the project area as well.

During the flying of the Spectrem EM survey, radiometric data was also collected over the same area and although the results were subtle there are some suggestions that parts of the palaeo-drainages can be traced particularly in terms of potassium and thorium.

Gcwihaba is waiting for all the geochemistry results (from both the KGP and hydrogeochemical programs) to be released. Once the renewals of the permits have been approved, Gcwihaba will continue to outline the areas of interest based on the complete geochemistry results in combination with the radiometric geophysical data.

Exploration and Evaluation Additions

The Company owns and operates its own diamond core drill rigs and provides support to its drilling operations with a fleet of eight 6 x 6 heavy trucks and eight light trucks. Geophysical magnetic surveys are conducted by the company's employees using company owned magnetometers.

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

	Newdico Botswana	Gcwihaba Botswana				Total
	Precious Stones	Precious Stones	Metals	Radio-Active Minerals	Subtotal	
Drilling Expenditures	$ 4,366	$ 105,252	$ 520,903	$ 116,647	$ 742,802	$ 747,168
Amortization Drill Rigs, Vehicles & Trucks	2,741	35,250	164,498	35,250	234,998	237,739
GIS & Geophysics	6,742	2,046	21,331	1,451	24,828	31,570
Lab Analyses & Assays	--	94	315,613	11,115	326,822	326,822
License Fees	--	4,818	8,334	1,148	14,300	14,300
Office, Maintenance, & Consumables	46,868	18,231	56,056	19,203	93,490	140,358
Salaries, Wages & Services	41,482	122,946	596,729	115,326	835,001	876,483
Balance at December 31, 2013	**$ 102,199**	**$ 288,637**	**$1,683,464**	**$ 300,140**	**$ 2,272,241**	**$ 2,374,440**

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 December 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, 2014, the Company had a working capital deficit of ($118,298) [December 2013: surplus $300,599], which included cash of $232,585 (December 2013: $610,622). 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).

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, 2014 for those warrants is $159,023 (2013: $184,264). 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 ($852,933) for the year ended December 31, 2013 to ($706,862) for the year ended December 31, 2014. Other expenses fluctuated but on the whole were reduced for the year ended December 31, 2014. The largest impact was the unrealized gain on the valuation of warrants was reduced from 699,948 in 2013 to 25,240, 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. Corporate remuneration expense increased from $399,137 to $415,071. Increases in corporate remuneration resulted from concentrating more expenses to corporate activities, and resulted in savings capitalized by focusing Botswana activities with local personnel. Expense decreases were throughout the other expense categories with the largest decreases in investor relations going down by approximately $19,000, and legal and audit going down by approximately $132,000. Legal and audit was higher in 2013 as a result of agreements on the First Quantum joint venture arrangement.

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Annual Information (in US Dollars)	Fiscal Year December 31, 2014	Fiscal Year December 31, 2013
Net loss for the year	($1,031,117)	($778,389)
Basic loss per share	($0.03)	($0.03)
Basic diluted loss per share	($0.03)	($0.03)
Total other comprehensive income (loss)	($1,031,117)	($1,462,172)
Total comprehensive loss for the year	($2,252,223)	($2,240,561)
Basic comprehensive loss per share	($0.07)	($0.07)
Diluted comprehensive loss per share	($0.07)	($0.08)
Total assets	$13,469,926	$13,365,230
Total long term liabilities	--	--
Cash dividend	--	--

Quarterly Information (in US Dollar)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal Year ended December 31, 2013				
Net income (loss for the period	$30,658	$126,591	($461,724)	($473,914)
Basic income (loss) per share	$0.00	$0.01	($0.02)	($0.02)
Diluted basic income (loss per share	$0.00	$0.01	($0.02)	($0.02)
Comprehensive income (loss) for the period	($670,413)	($462,546)	($391,720)	($715,882)
Basic comprehensive income (loss) for the period	($0.03)	($0.01)	($0.01))	($0.02)
Diluted comprehensive income (loss) per share	($0.02)	($0.02)	($0.01)	($0.03)
Total assets	$12,366,937	$14,087,792	$13,805,179	$13,365,230
Total long term liabilities	--	--	--	--

Quarterly Information (in US Dollars)	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	--	--		

Investing Activities

Cash flow applied in investing activities decreased to ($1,445,480) for the year ended December 31, 2014 [December 31, 2013: ($2,103,398)].

Total expenditures of $1,938,944 on exploration properties for the year ended December 31, 2014 were attributable to the Newdico, Gcwihaba and Bosoto projects in northwest Botswana. Included in this amount is the proportionate contributory share, ranging from 2.42% to 2.41% attributed to the Trans Hex Group for the Newdico project. Trans Hex Group has a 2% interest for funding the expenses of Newdico. There were no material disposals of capital assets or investments during the year.

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
September 7, 2012	1,181,181	C$1.10	$2,008,780
April 22, 2013	2,272,727	C$1.10	$2,409,340
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
Warrant Exercise Date	**No. of Shares**	**Price per Share**	**Proceeds USD**
None			
Options Exercised Date	**No. of Shares**	**Price per Share**	**Proceeds USD**
May 1, 2012	250,000	C$0.80	$204,073
May 7, 2012	100,000	C$0.80	$80,368
December 19, 2012	50,000	C$0.70	$35,506
January 2, 2013	50,000	C$0.70	$35,285
April 24, 2013	50,000	C$0.70	$34,094
December 16, 2013	50,000	C$0.70	$32,913
December 31, 2013	20,000	C$0.55	$10,279
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

During the year ended December 31, 2011, the Company received gross proceeds in the amount of $1,926,547 from the exercise of Warrants related to private placements. During the year ended December 31, 2012, the Company received proceeds of $319,947 from the exercise of Stock Options and $2,008,780 from the issuance of Units in private placements. During the year ended December 31, 2013, the Company received proceeds of $112,571 from the exercise of Stock Options and $2,409,340 from the issuance of Units in private placements.

During the years 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.

Tsodilo expects to raise the amounts required to fund its 98% share of the Newdico project, the Gcwihaba project, the Bosoto 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 ($2,252,223) for the year ended December 31, 2014 [($0.07) per common share] compared to a comprehensive net loss of ($2,240,561) for the period ended December 31, 2013 [($0.07) per common share]. The change in the loss in 2014 was due primarily due to increases in corporate remuneration, and due to decreases in most other expense categories.

Cumulative exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to $12,889,827 as at December 31, 2014 compared to $12,125,174 as at December 31, 2013. Cumulative exploration expenditures incurred on the Newdico project as at December 31, 2014 was $6,520,429 compared to $6,779,575 as at December 31, 2013. A net exchange translation difference accounted for a ($592,018) reduction. Cumulative exploration expenditures incurred on Gcwihaba's projects as at December 31, 2014 were $6,364,487 compared to $5,345,599 as at December 31, 2013. A net exchange translation difference accounted for a ($581,812) reduction. Cumulative exploration expenditures incurred on Bosoto's projects as at December 31, 2014 were $4,911 ($nil: December 31, 2013). The principal components of the Newdico, Gcwihaba and Bosoto 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 above with specific details.

PERSONNEL

At December 31, 2014, the Company and its subsidiaries employed twenty-six (26) compared to forty (40) at December 31, 2013, including senior officers, administrative and operations personnel including those on a short-term service basis.

YEAR ENDED DECEMBER 31, 2014

The year ended December 31, 2014 was a normal operating year. Operating expenses were at normal levels for the year.

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 $1,031,117 during the year ended December 31, 2014 and as of that date the Company had an accumulated deficit of $34,757,730 and negative net working capital of $118,298. 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 2014 and 2013 levels, and may be insufficient to finance continued operations for the 12 month period subsequent to December 31, 2014. The continuity of the Company's operations is dependent on raising future financing for working capital, the continued exploration and development of its properties and for acquisition and development costs of new projects. The Company's failure to raise additional funds could result in the delay in the work performed on the Company's exploration properties and may lead to an impairment charge on the Company's exploration and evaluation assets. Management believes that it will be able to secure the necessary financing through a combination of the issue of new equity or debt instruments, the entering into of joint venture arrangements or the exercise of warrants and options for the purchase of common shares. However there is no assurance the Company will be successful in these actions. There can be no assurance that adequate financing will be available, or available under terms favorable to the Company. During the year ended December 31, 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. 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 operations and comprehensive income (loss), and consolidated statement of financial position classifications that would be necessary were the going concern assumption not be 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

The following new standards and issued amendments to standards and interpretations are effective for the year ended December 31, 2014 and have been adopted when preparing these consolidated financial statements. The Company’s assessment of the impact of these new standards and interpretations is set out below.

In May 2011, the IASB published new and amended standards addressing the accounting for consolidation, joint arrangements and disclosures related to involvement with other entities, each of which is highlighted below:

IFRS 10, *Consolidated Financial Statements* IFRS 10 replaces the consolidation guidance in IAS 27, Consolidated and Separate Financial Statements and Standing Interpretations Committee ("SIC") Interpretation 12, Consolidation – Special Purpose Entities, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. Under IFRS 10, control is based on whether and investor has: 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

IFRS 11, *Joint Arrangements*

IFRS 11 replaces IAS 31, Interest in Joint Ventures. IFRS 11 focuses on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). It addresses the inconsistencies in the reporting of joint arrangements by requiring a single method to account for all joint arrangements. This new standard principally addresses two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for joint arrangements. Accordingly, IFRS 11 removes the options to apply the proportional consolidation method and classifies joint arrangements into two types – Joint operations and joint ventures. A joint operation is where the parties have control of the arrangement (i.e. joint operators) and have rights to the assets and obligations relating to the arrangement. A joint venture is where the parties have joint control of the arrangement (i.e. joint venturers) and have rights to the net assets of the arrangements.

IFRS 12, *Disclosures of Involvement with Other Entities*

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associations, special purpose vehicles and other off-balance sheet vehicles.

<u>New Standards, Amendments and Interpretations, Not Yet Adopted</u>

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.

RELATED PARTY TRANSACTIONS

During the period ended December 31, 2014 and 2013, the Company incurred leave benefits payable to an officer and director of the Company, however all amounts for 2013 were paid by year end.

Remuneration of Key Management Personnel of the Company

	2014	2013
Short term employee remuneration and benefits	**$463,002**	$ 278,334
Stock based compensation	**185,551**	185,017
Post employment benefits*	**113,836**	48,952
Total compensation attributed to key management personnel	**$ 762,389**	$ 512,303

*Post employment benefits include $28,736 of accrued leave benefits.

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
Chairman and Chief Executive Officer
February 26, 2015

Gary A. Bojes
Chief Financial Officer
February 26, 2015

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, 2014 and 2013 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 26, 2015

Gary A. Bojes
Chief Financial Officer
February 26, 2015

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, 2014 and 2013, 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 audit 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, 2014 and 2013, and 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 qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a loss of $1,031,117 and comprehensive loss of $2,252,223 during the year ended December 31, 2014, and as of that date, the Company had an accumulated deficit of $34,757,730 and negative working capital of $118,298. 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 26, 2015

Chartered Accountants

Tsodilo Resources Limited

Consolidated Statements of Financial Position
(In United States dollars)

	December 31 2014	December 31 2013
ASSETS		
Current		
Cash	**$ 232,585**	$ 610,622
Accounts receivable and prepaid expenses	**42,641**	85,046
	275,226	695,668
Exploration and Evaluation Assets *(note 3)*	**12,889,827**	12,125,174
Property, Plant and Equipment *(note 4)*	**304,873**	544,388
Total Assets	**$ 13,469,926**	$13,365,230
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 234,501**	$ 210,805
Warrants *(note 5b)*	**159,023**	184,264
Total Liabilities	**393,524**	395,069
SHAREHOLDERS' EQUITY		
Share capital *(note 5a)*	**42,019,009**	40,094,987
Contributed surplus *(note 5c)*	**10,200,381**	9,765,939
Foreign translation reserve	**(4,544,100)**	(3,340,515)
Deficit	**(34,757,730)**	(33,724,583)
Equity attributable to Owners of the Parent	**12,917,560**	12,795,828
Non-controlling Interest *(note 3)*	**158,842**	174,333
Total Equity	**13,076,402**	12,970,161
Total Liabilities and Equity	**$ 13,469,926**	$ 13,365,230

Commitments *(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	
	2014	2013
Administrative Expenses		
Corporate remuneration	**$ 415,071**	$ 399,137
Corporate travel and subsistence	**24,184**	29,458
Investor relations	**24,037**	43,301
Legal and audit	**76,897**	209,118
Filings and regulatory fees	**28,336**	32,881
Administrative expenses	**138,363**	139,528
Amortization	**2,875**	6,128
Stock-based compensation (note 5c)	**349,420**	550,191
	1,059,183	1,409,742
Other Income (Expense)		
Interest Income	**26**	490
Gain on disposal of assets	**--**	--
Unrealized gain on warrants (note 5b)	**25,240**	699,948
Foreign exchange loss	**2,800**	(69,085)
	28,066	631,353
Loss for year	**(1,031,117)**	(778,389)
Other Comprehensive Loss		
Foreign currency translation	**(1,221,106)**	(1,462,172)
Total Other Comprehensive Loss	**(1,221,106)**	(1,462,172)
Total Comprehensive Loss for the year	**($ 2,252,223)**	($ 2,240,561)
Net Loss attributable to shareholders of the parent	**($ 1,033,147)**	($ 778,031)
Non-controlling interest	**2,030**	(358)
	($ 1,031,117)	($ 778,389)
Total Comprehensive Loss attributable to owners of the parent	**($ 2,236,732)**	($ 2,209,098)
Non-controlling Interest	**(15,491)**	(31,463)
	($ 2,252,223)	($ 2,240,561)
Basic loss per share attributable to owners of the parent (note 7)	**($0.03)**	($0.03)
Fully diluted loss per share attributable to the owners of the parent (note 7)	**($0.03)**	($0.03)
Basic comprehensive loss per share attributable to the owners of the parent (note 7)	**($0.07)**	($0.07)
Fully diluted comprehensive loss per share attributable to the owners of the parent (note 7)	**($0.07)**	($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 attributable to equity holder of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount						
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**	**$10,200,381**	**($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 Changes in Shareholders' Equity

(In United States dollars except for shares)

	Share Capital		Contributed Surplus	Foreign Translation Reserve	Deficit	Total attributable to equity holder of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount						
Balance January 1, 2013	**28,099,151**	**$37,525,377**	**$9,174,340**	**($1,909,448)**	**($32,946,552)**	**$11,843,717**	**$205,796**	**$12,049,513**
Units Issued	**2,272,727**	**2,409,340**	--	--	--	**2,409,340**	--	**2,409,340**
Exercised Options	**170,000**	**160,270**	**(47,699)**	--	--	**112,571**	--	**112,571**
Stock Based Compensation	--	--	**639,298**	--	--	**639,298**	--	**639,298**
Comprehensive loss	--	--	--	**(1,431,067)**	**(778,031)**	**(2,209,098)**	**(31,463)**	**(2,240,561)**
Balance December 31, 2013	**30,541,878**	**$40,094,987**	**$9,765,939**	**($3,340,515)**	**($33,724,583)**	**$12,795,828**	**$174,333**	**$12,970,161**

See accompanying notes to the consolidated financial statements.

Tsodilo Resources Limited

Consolidated Statements of Cash Flows

(In United States dollars)

	Years Ended December 31	
	2014	2013
Cash provided by (used in):		
Operating Activities		
Net Loss for the year	**($ 1,031,117)**	($ 778,389)
Adjustments for non-cash items:		
Unrealized gain on warrants	**(25,240)**	(699,948)
Amortization	**2,875**	6,128
Foreign exchange loss	**(2,800)**	69,085
Stock-based compensation	**349,420**	550,191
	(706,862)	(852,933)
Net change in non-cash working capital balances *(note 12)*	**66,100**	120,822
	(640,762)	(732,111)
Investing Activities		
Additions to exploration properties	**(1,608,773)**	(2,047,594)
Additions to property, plant and equipment	**(3,707)**	(55,804)
	(1,612,480)	(2,103,398)
Financing Activities		
Shares and warrants issued for cash	**1,890,250**	2,547,080
Share issuance cost	**(14,894)**	(25,170)
	1,875,356	2,521,910
Impact of exchange on cash	**(151)**	(57,830)
Change in cash - for the year	**(378,037)**	(371,429)
Cash - beginning of year	**610,622**	982,051
Cash - end of year	**$ 232,585**	$ 610,622

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 $1,031,117 and comprehensive loss of $2,252,223 during the year ended December 31, 2014, and as of that date, the Company had an accumulated deficit of $34,757,730 and negative net working capital of $118,298. 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, 2014. 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 25, 2015.

(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:

	2014	2013
Tsodilo Resources Bermuda Limited ("Bermuda") [Bermuda]	**100%**	100%
Bosoto (Proprietary) Limited ("Bosoto") [Botswana]	**75%**	100%
Gcwihaba Resources (Proprietary) Limited ("Gcwihaba") [Botswana]	**100%**	100%
Newdico (Proprietary) Limited ("Newdico") [Botswana]	**98%**	98%
Indada Trading 361 (Pty) Ltd. ("Indada") [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 has entered into a farm-out arrangement last year, 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		U.S. Dollar
Gcwihaba Resources (Pty) Limited	('Gcwihaba')	Botswana Pula
Newdico (Pty) Limited	('Newdico')	Botswana Pula
Bosoto (Pty) Limited	('Bosoto')	Botswana Pula
Indada Trading 361 (Pty) Ltd.	('Indada')	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 Indada 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 Gcwihaba, Newdico, Bosoto, and Indada were sold, the amount recognized in the foreign currency reserve would be realized and reflected in the Statement of Operations and Comprehensive Loss as part of the gain or loss on disposal.

(i) ***Income Taxes***

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

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

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

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

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

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

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

(k) Severance Benefits

Under Botswana law, the Company is required to pay severance benefits upon the completion of 5 years of continued service 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, 2014 and 2013, 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 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.

(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***

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.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are summarized as follows:

	Newdico Botswana	Bosoto Botswana		Gcwihaba Botswana			Total
	Precious Stones	**Precious Stones**	**Precious Stones**	**Metals**	**Radio-Active Minerals**	**Subtotal**	
Balance at December 31, 2012	**$7,518,224**	**$ --**	**$2,048,700**	**$1,039,199**	**$544,057**	**$3,631,956**	**$11,150,180**
Additions	102,199	--	288,637	1,683,464	300,140	2,272,241	2,374,440
Net Exchange Differences	(840,848)	--	(70,957)	(413,856)	(73,785)	(558,598)	(1,399,446)
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**

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 December 31, 2014	**$ 332,872**	**$ 5,372**	**$ 269,259**	**$1,059,277**	**$ 272,164**	**$ 1,600,700**	**$ 1,938,944**

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 Ngamiland District of northwest Botswana. PL64/2005 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. The minimum annual expenditure for each year is BWP 215,000 (US$22,825). However, if during the extension period, a decision is made based on the micro-diamond results that further work is warranted, the Company estimates that BWP 4,585,000 (US$486,748) would be required for a mini-bulk sample based on the agree to work plan with the Ministry of Minerals, Energy and Water Resources (MMEWR) . At any point the work plan may be amended and a new work plan agreed to with the MMEWR.

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, 2014.

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

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 fifteen (15) are currently in renewal; and, eight (8) radioactive mineral licenses located in the North-West district, all of which are currently in renewal.

Diamond License

Gcwihaba currently holds one precious stone prospecting license as at December 31, 2014. PL 195/2012 has an initial expiry date of July 1, 2015 and requires a minimum spending commitment of Botswana Pula 307,410

(US$32,635) if held to its full term. As of December 31, 2014, the Company has fulfilled the spending requirements associated with this license.

Metal Licenses

Gcwihaba holds twenty-two (22) metal (base, precious, platinum group, and rare earth) prospecting licenses inclusive of fifteen (15) licenses currently in renewal in the North-West District of Botswana. The current licenses, those not presently in renewal, cover 4,056 square kilometers. 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. Renewal applications have been filed for five (5) licenses that expire March 31, 2015. For licenses current and not scheduled to expired on March 31, 2015, the required minimum spending commitment is Botswana Pula 512,450 (US $54,403) over the term of the licenses, if held to their full-term.

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 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 is a firm commitment by First Quantum and must 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.

In the event that First Quantum satisfies the funding obligations as set forth above, but a Technical Report has not been completed by the end of the fourth year following the execution of the earn-in option agreement; First Quantum may maintain the earn-in option for up to an additional three years by continuing to spend a minimum of $2 million per year on exploration and evaluation studies on the Project Area.

If the Technical Report delineates a "Major Defined Project" (being a designated project within the Project Area with respect to which the Technical Report delineates a measured, indicated and inferred mineral resource within the Project Area of not less than 2,000,000 tonnes of copper), First Quantum will be deemed to have earned a 70% interest in the property that is the subject of such report. If the Technical Report delineates a "Minor Defined Project" (being a designated project within the Project Area with respect to which the Technical Report delineates a measured, indicated and inferred mineral resource within the Project Area of less than 2,000,000 tonnes of copper, or another base, precious or platinum group metal and rare earth mineral), First Quantum will be deemed to have earned a 51% interest in the property that is the subject of such report; provided, however, that it may elect to retain an option for up to five years to convert such property into a Major Defined Project. If First Quantum makes such election, it will be responsible for all further costs and expenses associated with the Minor Defined Project, including for operations and capital expenditures, until the earliest of: (a) the completion of a Technical Report for a Major Defined Project, in which event the Minor Defined Project will be deemed to be converted into a Major Defined Project and First Quantum will be deemed to have earned a vested 70% participating interest therein; (b) written notice from First Quantum to the Company that First Quantum no longer wishes to retain the option to convert such Minor Defined Project into a Major Defined Project; and (c) five years after the date of the original vesting of a 51% interest in the Minor Defined Project. If First Quantum fails to satisfy the requirements to convert a Minor Defined Project into a Major Defined Project it will retain a vested 51% participating interest in the Minor Defined Project.

Upon First Quantum's participating interest in a defined project being crystallized at either 51% or 70%, Gcwihaba and First Quantum will enter into a joint venture agreement for such project. Under the terms of each such joint venture agreement, Gcwihaba's participating interest in each joint venture will be carried until the commencement of construction of a mine for the project. Accordingly, all costs and expenses associated with the defined project until such time, including for operations and capital expenditures, will be funded by First Quantum.

As of December 31, 2014, First Quantum reported that it has spent in total $12,959,302 (2014: $8,718,125 & 2013: $4,241,177) on Prospecting Licenses covered by the MOU.

Radioactive Minerals

As at December 31, 2014, Gcwihaba holds 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 June 30, 2013 and first renewal applications have been filed and are pending. PL's 045/2011 - 050/2011 had an initial grant expiration date of December 31, 2013 and first renewal applications have been filed and are pending.

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 $25.3M USD (BWP 237,885,000) in expenditures, goods and a service 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.

Indada Trading 361 (Pty) Limited ("Indada") – South Africa

The Company holds a 70% interest in its South African subsidiary, Indada Trading 361(Pty) Limited ("Indada"). Indada has 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. The Company is now awaiting a decision by the DMR to award the prospecting permit or not.

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4. PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment

Cost	Vehicles	Furniture and Equipment	Total
As at December 31, 2012	$1,642,022	$223,705	$1,865,727
Additions	68,141	31,333	99,474
Net Exchange Difference	(186,788)	(21,789)	(208,577)
As at December 31, 2013	$ 1,523,375	$ 233,249	$ 1,756,624

	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

Accumulated Depreciation

	Vehicles	Furniture and Equipment	Total
As at December 31, 2012	$916,774	$186,192	$1,102,966
Depreciation	210,932	32,935	243,867
Net Exchange Difference	(116,140)	(18,457)	(134,597)
As at December 31, 2013	$ 1,011,566	$ 200,670	$ 1,212,236

	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

Net book value

As at December 31, 2013	$ 511,809	$ 32,579	$ 544,388
As at December 31, 2014	$ 285,952	$ 18,921	$ 304,873

For the year ended December 31, 2014, an amount of $196,481 (2013: $237,739) 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: 32,389,209 Common Shares as at December 31, 2014 (December 31, 2013: 30,541,878)

1) **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 USD $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 USD$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 USD$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 USD$0.79 (C$$0.89) or total USD$444,552 and allocated to Additional Paid in Capital for Warrants is USD$0.19 (C$0.21) or total USD$104,894.

2) During the year ending December 31, 2013:

i. On January 3, 2013, 50,000 options were exercised at a price of C$0.70 for proceeds to the Company of $35,285 (C$35,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $20,130.

ii. On April 22, 2013, 2,272,727 Units were issued at a price of C$1.10 for gross proceeds to the Company of $2,434,510 (C$2,500,000). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a period until the close of business on April 22, 2015 at USD$1.21. $25,170 of issuance costs were netted against the proceeds.

iii. On April 24, 2013, 50,000 options were exercised at a price of C$0.70 for proceeds to the Company of $34,094 (C$35,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $16,872.

iv. On December 9, 2013, 50,000 options were exercised at a price of C$0.70 for proceeds to the Company of $32,913 (C$35,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $5,972.

v. On December 31, 2013, 20,000 options were exercised at a price of C$0.55 for proceeds to the Company of $10,279. ($11,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $4,725.

(b) Warrants

As at December 31, 2014, the following warrants were outstanding:

		Number of Warrants - Units				
Expiry	**Exercise Price**	**December 31, 2013**	**Issued**	**Exercised**	**Expired**	**December 31 2014**
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
		6,793,610	1,501,221	--	--	8,294,831

On April 22, 2013, the Company issued 2,272,727 warrants with an exercise price of USD$1.21, expiring on April 22, 2015. 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 the value of the Common Shares, and no amount was allocated to the warrants.

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 USD$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 USD$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 USD$0.79 (C$$0.89) or total USD$444,552 and allocated to Additional Paid in Capital for Warrants is USD$0.19 (C$0.21) or total USD$104,894.

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, 2014 the Company recorded a mark to market loss of $25,240 (2013 –$699,948) on the revaluation of warrants. As at December 31, 2014, the outstanding liability portion of the warrants have a fair value of $159,023 (2013: $184,264) which is determined using the Black-Scholes Option Pricing Model with an expected volatility of 93.32%, expected life of 0.49 years at a risk free rate of 1.01%.

	Warrant Liability	
	Number of Units	**Value of Warrants**
Balance December 31, 2012	2,702,702	**$ 884,212**
Additions	--	--
Exercise	--	--
Expiry	--	--
Valuation Change	--	(699,948)
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**

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, 2013 and the year ended December 31, 2014:

	Number of Options	Weighted average exercise price (C$)
Outstanding as at December 31, 2012	3,045,000	C$1.13
Granted	685,000	C$1.09
Exercised	(170,000)	C$0.70
Cancelled	(25,000)	C$1.00
Expired	(360,000)	C$0.70
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

2013

On January 3, 2013, the Company issued 235,000 options at C$1.20 under its SOP to persons who are officers and employees of the Company.

On January 3, 2013, 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 $35,285).

On January 3, 2013, 110,000 stock options at C$0.70 expired.

On March 22, 2013, the Company issued 450,000 options at C$1.04 under its Stock Options Plan to persons who are officers and employees of the Company.

On April 24, 2013, 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 $34,094).

On May 7, 2013, 250,000 stock options at C$0.70 expired.

On May 23, 2013, 25,000 stock options at C$1.00 were cancelled.

On December 16, 2013, 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 $32,913).

On December 31, 2013, 20,000 options granted under its SOP were exercised pursuant to the SOP at C$0.55 for total proceeds of C$11,000 (USD $10,279).

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).

The following table summarizes the stock based compensation expense and capitalized stock based compensation for the years ended December 31, 2014 and 2013.

	2014	2013
Stock-based compensation expense	**$ 349,420**	$ 550,191
Capitalized Stock-based compensation expense	**133,688**	89,107
	$ 483,108	$ 639,298

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, 2014 and 2013:

	2014	2013
Expected lives	**3.2 to 4.7 years**	4.5 years
Expected volatilities (based on Company's historical prices)	**95.5% - 108.0%**	143.0% - 146.4%
Expected dividend yield	**0%**	0%
Risk free rates	**0.87– 1.60%**	1.30% - 1.46%
Weighted average fair value of option	**$0.78**	$0.95

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The following table summarizes stock options outstanding as at December 31, 2014:

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$1.00	130,000	C$1.00	0.03	130,000	C$1.00	0.03
C$2.23	500,000	C$2.23	0.34	500,000	C$2.23	0.34
C$1.25	285,000	C$1.25	1.01	285,000	C$1.25	1.01
C$1.03	300,000	C$1.03	1.30	300,000	C$1.03	1.30
C$0.90	210,000	C$0.90	2.01	210,000	C$0.90	2.01
C$1.00	328,890	C$1.00	2.25	328,890	C$1.00	2.25
C$1.20	235,000	C$1.20	3.01	235,000	C$1.20	3.01
C$1.04	400,000	C$1.04	3.22	400,000	C$1.04	3.22
C$0.75	260,000	C$0.75	4.01	130,000	C$0.75	4.01
C$1.25	480,000	C$1.25	4.22	240,000	C$1.25	4.22
	3,128,890	C$1.25	2.26	2,758,890	C$1.28	2.01

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 2014 of approximately 26.5% (2013: 26.5%) to net loss before income taxes as follows:

	December 31, 2014	December 31, 2013
Loss for the year	**(1,031,117)**	($778,389)
Income tax rate	**26.50%**	26.50%
Income tax recovery	**(273,246)**	(206,273)
Foreign operation taxed at lower rates	**5,193**	426,351
Permanent differences	**92,596**	(351,434)
Benefits not recognized	**17,644**	573,714
Expiry of tax losses carried forward	**153,697**	115,622
Changes in estimate and foreign exchange	**4,116**	(567,980)
Provision for income taxes	**$ --**	$ --

As of December 31,2014 the following Deferred tax assets and liabilities have been recognized:

	December 31, 2014	December 31, 2013
Property, Plant and Equipment	**($ 21,000)**	($ 57,000)
Exploration & –Evaluation Assets	**(2,564,000)**	(2,401,000)
Deferred tax liabilities	**($ 2,585,000)**	($ 2,458,000)
Losses carried forward - Botswana	**$ 2,585,000**	$ 2,458,000
Net future income tax asset recorded	$ --	$ --

As at December 31, 2014 the Company has unrecognized deductible temporary differences aggregating to $5,873,000 (2013: $5,929,000), 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, 2014	December 31, 2013
Losses carried forward - Botswana	**$ 1,190,000**	$ 1,290,000
Losses carried forward - Canadian	**3,843,000**	3,860,000
Intangible Assets	**137,000**	137,000
Other	**703,000**	652,000
	$ 5,873,000	$ 5,939,000

The Canadian tax losses carried forward expire from 2015 thru to 2054. The Botswana losses can be carried forward indefinitely.

	December 31, 2014	December 31, 2013
Total assessable losses relating to the activity in Botswana	**$12,937,504**	$12,464,920

7. LOSS PER SHARE

Net loss per share was calculated based on the following:

Year ended December 31	**2014**	2013
Net loss for the year	**($ 1,031,117)**	($ 778,389)
Effect of Dilutive Securities		
Stock options and warrants	**--**	--
Diluted net earnings (loss) for the year	**($ 1,031,117)**	($ 778,389)

The diluted loss per share is the same as the basic loss per share for the year ended December 31, 2014 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, 2014, was 11,423,721, of which 11,150,443 were anti-dilutive.

8. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel of the Company

	2014	2013
Short term employee remuneration and benefits	**$ 430,002**	$ 385,835
Stock based compensation	**$185,551**	283,000
Post employment benefits*	**$106,503**	71,835
Total compensation attributed to key management personnel	**$ 722,056**	$ 740,760

*Post employment benefits include $28,736 of accrued leave benefits for 2014.

An individual related to the CEO provided administrative and management services in 2014 to the Company in the amount of $33,000 ($33,000: 2013). An elective five (5) year severance payment in the amount of $7,586 (NIL: 2013) was paid to this individual in 2014.

There are no other related party transactions.

9. SEGMENTED INFORMATION

The Company is operating in one industry. As at December 31, 2014 the Company's Property, Plant, and Equipment in the United States was $1,256 (2013: $4,132) and in Botswana was $303,617 (2013: $540,256). No revenues or expenses were realized for Exploration and Evaluation Properties that are detailed in note 3 above. Segment long term Exploration and Evaluations properties in Botswana were $12,889,827 (2013: $12,125,174).

10. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, 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
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 2014 and 2013 the Company raised cash capital as shown in note 5(a) in the amount of $1,875,356 and $2,521,911, 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, 2014, a ten percentage change in the exchange rate would result in a $5,711 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, 2014, a 10% change in the USD/Pula exchange rate would not materially impact the Company's earnings. A ten percentage change in the exchange rate would result in a $20,433 impact the Company's net income (loss).

11. COMMITMENTS

All operating leases that are for a period of no longer than one year are prepaid.
The aggregate minimum lease payments inclusive of VAT are as follows:

2015	$ 31,019
Total	$ 31,019

The lease commitment is for storage space in Maun, Botswana at an annual rental of Pula 196,185 inclusive of VAT for year 2015 and office space in Gaborone, Botswana at an annual rental of Pula 96,000 inclusive of VAT for year 2015 at an exchange rate as at December 31, 2014 to US dollars.

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 2014	December 31 2013
Net change in non-cash working capital balances		
Decrease in accounts receivable and prepaid expenses	**$42,405**	$23,985
Increase in accounts payable and accrued liabilities	**23,696**	96,837
Total	**$66,101**	$120,822

13. SUBSEQUENT EVENTS

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.

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

OFFICERS

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

Michiel C. J. de Wit, Ph.D.
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

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LEGAL COUNSEL

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Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Toronto, Ontario

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol: TSD