TSODILO RESOURCES LIMITED

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the Consolidated Quarterly Financial Statements for the period ended March 31, 2010 and comments on the factors that affected the Company's performance during the periods covered by the 2009 Consolidated Annual Financial Statements as well as the Company's financial condition and future prospects. The Company's functional and reporting currency is United States dollars and all amounts stated are in United States dollar unless otherwise noted. This management's discussion and analysis has been prepared as at May 20, 2010.

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. The shares of the Company are listed and posted for trading on the TSX Venture Exchange under the symbol: TSD. Tsodilo is an international diamond exploration company with the majority interest in a kimberlite exploration project in northwest Botswana. The Company has not yet determined whether these properties contain reserves that can be economically mined. As an exploration stage company, the recoverability of amounts shown for exploration expenditures is dependent upon the discovery of reserves that can be economically mined, the securing and maintenance of the interests in the properties, the ability of the Company to obtain the necessary financing to complete the development, and future production or proceeds from the disposition thereof. 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 May 20, 2010, 19,710,603 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, 2,885,000 options remain outstanding of which 1,915,000 are exercisable at exercise prices ranging from CAD $0.55 - $1.25. If all options were vested and exercised, 2,885,000 common shares of the Company would be issued.

As of May 20, 2010, 4,292,821 warrants are outstanding. The warrants were issued by way of the private placements utilized by the Company for financing purposes. Each warrant entitles the holder thereof to purchase one common share of the Company at purchase prices ranging from Canadian $0.55 - $1.00 for a period of two years from the date of issuance (11/14/2008 - 1/21/2010). If all warrants were converted, 4,292,821 common shares of the Company would be issued.

Principal Shareholders of the Company

The principal shareholders of the Company as of May 20, 2010 are as follows:

Name	Description	Shares Owns, Controls or Directs	% of the Issued and Outstanding Shares
Preston Trust	Private Investment Vehicle	3,923,995	19.90%
James M. Bruchs	Chairman & CEO	2,695,983	13.67%
David J. Cushing	Director	1,915,882	9.73%

Subsidiaries

The Company has a 95% operating interest in its Botswana subsidiary, Newdico (Proprietary) Limited (“Newdico”), which holds ten prospecting licenses covering approximately 9,402 square kilometers in northwest Botswana on which there is encouragement for the existence of undiscovered kimberlites in at least three separate areas of the property. The Company’s minority partner (5%) in this project, Trans Hex Group, is an established South African diamond mining company.

The Company has a 100% interest in its wholly owned Botswana subsidiary, Gcwihaba Resources (Proprietary) Limited (“Gcwihaba”), which has nine diamond prospecting licenses covering approximately 9,859 square kilometers and eighteen metals (base, precious, platinum group, and rare earth) licenses covering 13,533 square kilometers.

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

Exploration Activities

Diamond Projects

The Company’s Botswana licenses are proximal to two major unexplained surface concentrations of diamonds and G10 garnets across the border in Namibia, one near the village of Tsumkwe and another in the area known as Omatako. The characteristics of these kimberlite pathfinder mineral anomalies indicate that they are secondary concentrations derived from respective primary high-grade kimberlite sources located elsewhere. The geomorphological model envisages that the Tsumkwe and Omatako pathfinder anomalies were formed by ancient rivers transporting diamonds and garnets derived from kimberlites located in the Company’s license blocks. Prior to the deposition of the superficial Kalahari sand that covers much of Ngamiland, this area formed a topographic high. Rivers rising off this high ground flowed westward into a major inland sea located in the north of present-day Namibia. The Company's diamond targets cover former headwaters of this ancient river system and lie within the southern margin of the Congo craton.

Newdico holds ten (10) diamond Prospecting Licenses covering an area of some 9,402 square kilometers in the northern Ngamiland Project area. Tsodilo has a 95% stake in Newdico, while Trans Hex Group, a South African diamond mining and marketing company, holds the remaining 5%. The Company's wholly owned 100% owned subsidiary, Gcwihaba holds nine (9) diamond prospecting licenses covering an area of some 6,859 square kilometers immediately north and adjoining the Newdico licenses. In 2009, the Company drilled 26 holes over eight (8) primary targets and confirmed discovery of three (3) kimberlites. In addition, a ground magnetic geophysical survey totaling 1,800 line kilometers was performed during the year.

An extensive review of the petrography and chemical chemistry of kimberlite indicator minerals ("KIM") from sixteen kimberlites was performed during the year and continues in 2010 for the purpose of determining their diamond carrying capacity. A decision is expected in the second quarter as to which kimberlites will be tested for diamond.

In 2009, the Company commissioned a review of the aeromagnetic data for both the Newdico and Gcwihaba projects in order to enhance target selection. The report was present in April and an additional 82 targets were selected for further work. Most significant however were the priority targets selected in the eastern portion of the Company's license blocks where significant and proximate kimberlite indicator minerals were previous recover. Drilling will commence in the second quarter of 2010 on the highest priority targets in this potential new kimberlite field. Our target selection is based on our strategy of using a combination of indicator mineral sampling, magnetic and gravity data to generate individual targets for drill evaluation and our regional strategy of evaluating possible transport corridors giving rise to the alluvial secondary kimberlite indicator minerals ("KIM") and diamond deposits at Tsumkwe and Omatako.

The favorable chemistry and diamond preservation potential of the kimberlites in our license blocks together with the known secondary alluvial diamond discoveries down slope across the border in Namibia establish the greater Nxau Nxau field as highly prospective with the possibility of several economic kimberlites present within our ground. To date, 18% of the kimberlites discovered and tested for diamond in the Nxau Nxau field are known to be diamondiferous.

Metals (Base, Precious, Platinum Group, and Rare Earth) Projects

In 2005, the Company initiated an internal investigation with respect to the location of the sulphide rich Matchless Amphibolite Belt ("MAB") comprising mineralized meta-ophiolites that stretches from Namibia nto Botswana and most likely beyond. Copper (Cu), cobalt (Cu) and nickel (Ni) mineralization along this Matchless Belt has been known for more than a century. Our work has indicated that the MAB traverses our license blocks in northwest Botswana linking the Damaran Belt to the Lufilian Arc. The Lufilian Arc, better known as the Zambian copper belt (>25 million tons of copper produced in Zambia), and its extension into Katanga (Democratic Republic of Congo), is a major source of mineral wealth that has captured the minds of exploration geologists and mining magnates ever since the discovery of this huge metallogenic province revealed its copper, cobalt and uranium riches, more than 80 years ago. Drilling in 2008 located a large mineralized zone containing Cu, Ni and Co similar to the Zambian copper-cobalt fields and the mafic / ultramafic rocks of the Matchless-Mwembshi Belt as well as the marked similarities that characterize all major Proterozoic polymetalic stratiform deposits in Africa, Australia and North America. The Company's new discovery in northwest Botswana has a rich potential for an extensive new base metal field.

Gcwihaba has been granted 18 prospecting licenses for metals covering an area of some 13,533 square kilometers. The prospecting licenses are located within the nascent Okavango Rift System which is part of the East African Rift System. The Okavango Rift System takes advantage of the pre-existing structures of the northeast trending NeoProterozoic Pan African Orogenic Belt known as the Damara Belt.

The metals prospecting licenses are located in the northwestern part of Botswana and can be divided into three (3) main areas:

• The area west of the Panhandle portion of the Okavango Delta - The Panhandle Prospect

• The area southwest of the Okavango Delta - The Nokaneng Prospect

• The area northeast of the Okavango Delta - The Lenyanti / Kwando Prospect

The southern part of Panhandle Prospect was an obvious target as the mineralization encountered through soil sampling was significantly elevated. The northern part of the license area was targeted purely on the basis of the structural fabric as interpreted from the aeromagnetic data while magnetic anomalies were targeted in the middle section

The Nokaneng prospect primarily targets are believed to be an extension of the Matchless Amphibolite in Namibia which hosts significant copper mineralization. The Lenyanti / Kwando Prospect is a continuation of targeting circular magnetic intrusions in the hope that they may host mineralization as discovered in the southern part of the Panhandle Prospect.

The Damara Belt is largely hidden beneath younger sediments in northwest Botswana, such that our knowledge of much of the geological and tectonical evolution relies on observations of the well-exposed lithological correlatives in Namibia. The Damara belt is known as the inland branch of the Damara Orogeny in Namibia, formed during a high angle collision of the Kalahari and Congo cratons, with the Kalahari subducting northwards below the Congo Craton. The belt is estimated to have evolved within a period spanning from 580Ma to 505Ma.

The aeromagnetic data shows that the Damara structural trend is deflected from a northeast to a north to northwest trend in the area around the Panhandle Prospect. This deflection, as well as our drill results, indicates that this area is part of the Lufilian Arc structure. The Lufilian Arc hosts the world's largest copper-nickel-cobalt deposits in both Zambia and the Democratic Republic of Congo.

Although the geology in the study area is mostly unexposed isolated outcrops, lithological information from boreholes and airborne geophysical data have been used by previous workers to infer the geology underlying the Kalahari sediments.

The main basement geological units are:

Phanerozoic: the clastic (mainly diamictites, shales and sandstones) and volcanic (flood basalts) Carboniferous to Jurassic Karoo sequences in the southeastern part of the delta area.

Neoproterozoic: siliclastic, shale, pelite and carbonate sequences of the Ghanzi Formation in the southeast and Damara rocks in the northwest.

Mesoproterozoic: metavolcanics and metarhyolites of the Kgwebe Formation in the southeast and granitegneiss basement of the Kwando Complex in the central part. The Kwando Complex is not exposed; it is only recovered from borehole logs.

Palaeoproterozoic: granitic-gneiss basement of the Quangwadum Complex in the northwest.

The Mesoproterozoic Kgwebe Formation and the Neoproterozoic Ghanzi Formation rocks form what is known as the Ghanzi-Chobe Fold Belt in the southeastern part of the Delta, with the Kgwebe appearing at the core of the anticlines.

Our drilling efforts have mainly concentrated in the Panhandle Prospect in license areas PL386/2008, PL387/2008, PL388/2008 and Pl390/2008. This is primarily because of the availability of the airborne time domain electromagnetic data which is very important for locating conductive sulfide bearing structures.

The drilling results to date can be summarized as follows:

• 23 holes were drilled in the metal licenses in 2008 totaling 4,353 meters

• 21 holes were drilled in 2009, totaling 3,795 meters

• 10 holes have been drilled to date (2010) totaling 2,800 meters

• In 2008, target selection was based on magnetic anomalies

• In 2009 and 2010, target selection was based on the conjunctive use of airborne electromagnetic and magnetic data sets.

• 41 holes have encountered significant sulphide mineralization

• Identified sulphides / minerals: pyrrhotite, chalcopyrite, bornite, garnierite and pyrite

The conjunctive use of airborne electromagnetic and magnetic data sets has been very successful in drilling sulfide bearing targets. Through the use of airborne electromagnetic (VTEM) data, we have been able to delineate a belt bearing carbonaceous black shales and meta-pelites within the Damara rocks in the northwestern Botswana. It is within this belt that we encounter sulfide mineralization within the shales and the meta-pelites.

Our drill cores bear strong similarities with those of the nickel-cobalt-copper deposits of the Kalumbila project in Zambia. Here, the mineralization is found within the pyrrhotite-pyrite bearing carbonaceous shales. These shales have been correlated to the Ore Shale of the Zambian Copperbelt. The abundance of pyrrhotite in the northern part of our Lower Panhandle Prospect is particularly promising since this sulfide mineralization is often associated with economic nickel and cobalt deposits.

One thousand five hundred (1,500) samples, comprising five thousand five hundred (5,500kg) kilograms of core, have been submitted for assays analysis and other samples have been sent out for petrography. Our targets are aimed at the carbonaceous shales / metapelites and circular magnetic targets (modeled as IOCG type deposits). To this end we have an on-going high resolution ground magnetic survey (20m line spacing) in our Lower Panhandle Prospect to reveal not only to better resolve the basement structure but also possible igneous intrusions. We have so far completed 4,500 line kilometers of magnetic data acquisition and preliminary data results indeed show that we are able to better map the basement fabric and igneous intrusions.

General

During the year, the Company continued its stewardship membership with AEON (Africa Earth Observatory Network) at the University of Cape Town, Cape Town, South Africa. AEON under the direction of Dr. Maarten de Wit is a center for Earth-systems science that provides a research and educational environment for consilience between earth and life sciences, engineering, resource economics and the human sciences.

AEON is developing earth stewardship as a science and cultivates cutting-edge globally competitive research and analytical learning, using advanced tools and technologies to promote an interdisciplinary view and exploration of our Earth and society, particularly in Africa. The AEON science advisory group comprises 18 members spread across four continents, five South African universities and from industry.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2010, the Company had net working capital (deficiency) of $471,354 (2009: ($344,844), which included cash and equivalents $442,253 (2009: $67,314). 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. The Company completed a private placement for an additional $451,944 in January 2010 and issued shares for $304,896 from the exercise of warrants in March 2010, see discussion in Financing Activities below. The Company does not hedge its activities or otherwise use derivatives. At year end, the Company did not have any material contractual obligations except for minimum spending requirements on exploration licenses. The Company is required to spend a minimum on prospecting over the period of its licenses. On licenses current as of March 31, 2010, the expenditure requirements inclusive of license fees from the date of grant to and if held to their full term as well as actual and attributed expenditures with respect thereto as of March 31, 2010, are as follows:

Project Description	Required Expenditure		Actual Expenditure		Attributed Expenditure *	
	BWP	USD	BWP	USD	BWP	USD
Newdico	1,594,070	$230,711	9,821,977	$1,421,540	9,821,977	$1,421,540
Gcwihaba Diamond	2,882,888	$417,243	2,243,246	$324,667	6,731,734	$974,291
Gcwihaba Metals	6,593,456	$954,277	1,210,689	$175,224	8,760,815	$1,267,960

* The Company's Newdico subsidiary provides drilling services for the Company's Gcwihaba subsidiary. Services performed are accounted for at below market rates for similar services performed by third party contractors. These attributed amounts for services are used in calculating required license expenditures.

Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short maturities of these instruments. The company does not hold financial derivatives. 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 changes in working capital increased from $75,572 in the period ended March 31, 2009 to $84,379 for the period ended March 31, 2010. The increase was due primarily to filing expenses and office and administration expenses in 2010 were greater than 2009.

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ANNUAL INFORMATION

(in US dollars)	Period March 31 2010	Fiscal Year Dec.31 2009
Total Revenues	--	--
Loss before Non-controlling Interest	(141,379)	(331,162)
Basic and diluted loss per share	($0.01)	($0.02)
Non-controlling Interest	--	(4,040)
Net Loss for the Year	(141,379)	(327,122)
Basic and diluted loss per share	($0.01)	($0.02)
Total Assets	6,529,383	5,885,208
Total long term liabilities	205,442	210,814
Cash dividends declared	--	--

QUARTERLY INFORMATION

(in US Dollars)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal Year 2009 (ended December 31, 2009)				
Total Revenues	--	--	--	--
Loss for the period	(82,214)	(161,337)	(101,449)	23,878
Basic and diluted loss per share	--	($0.01)	($0.01)	--
Total Assets	4,989,799	5,151,428	5,339,383	5,885,208
Total long term liabilities	211,615	262,361	277,661	210,814
Fiscal Year 2010 (ended March 31, 2010)				
Total Revenues				
Loss for the period	(141,379)			
Basic and diluted loss per share				
Total Assets	6,529,383			
Total long term liabilities	205,442			

See accompanying notes to the consolidate financial statements

Investing Activities

Cash flow applied in investing activities increased to $330,025 for the period ended March 31, 2010 (2009: $275,702). Total actual expenditures of $339,582 on exploration properties for the period ended March 31, 2010 were attributable to the Newdico and Gcwihaba projects in northwest Botswana. Included in this amount is the proportionate contributory share, ranging from 6.36% to 5.59% attributed to the Trans Hex Group for the Newdico project. There were no material disposals of capital assets or investments during the year.

In December 2009, the board of directors of Newdico approved an exploration program and budget for the period January 1, to December 31, 2010 that calls for expenditures totaling approximately Pula 9.8 million (approximately $1.45 million as of December 31, 2009). The 2010 budget envisions a micro-diamond sampling program and analysis for up to seven different kimberlites. Trans Hex Group is presently responsible for funding 5% of the expenses of this company. The approved exploration program includes provision for additional drilling, soil sampling, ground geophysical surveys, processing and analysis.

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) finance 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 years from the date of issuance.

During the period ended March 31, 2010, the Company received gross proceeds in the amount of $756,840 from the issuance of units consisting of one common share and one warrant related to private placements.

Private Placement Date	No. of Units	Price per Unit	Proceeds
January 22,2010	465,245	$0.97	$451,944
Warrant Exercise Date			
March 1, 2010	457,901	$0.70	$304,896

Tsodilo expects to raise the amounts required to fund its 95% share of the Newdico project, the Gcwihaba projects and corporate general and administration expenses, by way of non-brokered private placements.

RESULTS OF OPERATIONS

On a consolidated basis, Tsodilo recorded a net loss of $141,379 in the period ended March 31, 2010 ($0.01 cents per common share) compared to a net loss of $82,214 in the period ended March 31, 2009 ($0.01 cents per common share). The Company experienced an increase in most expenses categories with expenses reflecting general increases in corporate activity. Exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to $339,582 during the period ended March 31, 2010 compared to $235,702 for the period ended March 31, 2010. Exploration expenditures incurred on the Newdico project for the year ended March 31, 2010 was $253,401 compared to $191,890 for the year ended March 31, 2009. The principal components of the Newdico 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. Exploration expenditures incurred on the Gcwihaba project for the year ended March 31, 2010 were $86,181 compared to $43,812 for the year ended March 31, 2009.

PERSONNEL

At March 31, 2010, the Company and its subsidiaries employed twenty-five (25) individuals compared to twenty-three (23) at March 31, 2009, including senior officers, administrative and operations personnel including those on a short-term service basis.

FOURTH QUARTER – 2009

The fourth quarter was a normal operating period for a quarter and year end. Having acquired drilling equipment and geophysical equipment in 2006 and an additional magnetometer in 2008, the Company was able to continue its drilling program and its geophysical surveys to the end of the year without interruption. Operating expenses were at normal levels for the last quarter of the year and were offset by a gain in foreign exchange.

RISKS AND UNCERTAINTIES

Tsodilo's primary objective is the discovery of an economic kimberlite diamond deposit capable of rapid advancement to feasibility stage and ultimate development as a producing property. The discovery of a kimberlite is only the first step in the exploration process. Subsequent evaluation begins with caustic fusion diamond analysis of the kimberlite and, if results warrant, continues through progressively larger mini-bulk and bulk samples in order to make an increasingly accurate determination of the content and quality of the diamonds. Early stages of kimberlite evaluation provide an initial qualitative assessment rather than an accurate indication of either the grade of the ore body or the value per carat of the diamonds. Collection of larger bulk samples and formal appraisal of a commercial-size parcel of diamonds are necessary to make an accurate determination of these parameters. At any stage in the process, the results may indicate that the deposit lacks the required economic value.

Capital Requirements

In the absence of cash flow from operations, Tsodilo relies on capital markets to fund its operations. The ongoing exploration and eventual successful development of a diamond mine would require significant additional financing. There can be no assurance that adequate funding will be available, or available under terms favorable to the Company, for these purposes when ultimately required. The exploration and development of mineral deposits involve significant financial risks over an extended period of time. Even a combination of careful evaluation, experience and knowledge may not eliminate these risks. While discovery of a diamond or base and precious metal deposit may result in substantial rewards, few exploration properties ultimately become producing mines.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet financing arrangements., such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instrument obligations or any obligations that trigger liquidity market or credit risk to the Company.

Exploration Risks

The Company's operations are subject to all the hazards and risks normally incident to the exploration, development and mining of diamond deposits, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. Whether a diamond deposit will ultimately be commercially viable depends on a number of factors, including the particular attributes of the deposit such as the deposit's size; the quality and quantity of the diamonds; its proximity to existing infrastructure; financing costs and the prevailing prices for diamonds. Also of key importance are government regulations, including those relating to prices, taxes, royalties, land tenure, land use, the importing and exporting of diamonds and production plant and equipment, and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of them may impede the development of a deposit or render it uneconomic.

CRITICAL RISK FACTORS

Currency Risks

The Company's financing has generally been received in United States Dollars (USD) while significant portions of its operating expenses has been and will be incurred in Botswana Pula (BWP). The current USD / BWP currency exchange is favorable to the Company. While currency fluctuations will certainly occur throughout 2010 as the world economic and credit crisis seeks stabilization, it is anticipated that the USD / BWP exchange rate will remain advantageous to the Company on a historical basis in 2010.

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.

ACCOUNTING STANDARDS

Tsodilo follows Canadian generally accepted accounting principles. The Company has adopted the policy of deferring property specific acquisition and exploration costs. Deferred costs relating to properties that are relinquished, or where continued exploration is deemed inappropriate, are written off in the year such assessment is made (no such write-offs were incurred in 2008 and 2009). If Tsodilo adopted a policy of expensing all exploration costs, the Company's asset base, shareholders' equity, and loss from operations would be materially different.

The Company evaluates its license properties on a project basis as opposed to treating each individual license block as a separate project.

ADOPTION OF NEW ACCOUNTING STANDARDS

New Accounting Pronouncements

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing CICA 3062, Goodwill and Other Intangible Assets and CICA 3450, Research and Development Costs. New section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, Financial Statement Concepts, and Accounting Guideline AcG-11, Enterprises in the Development Stage. EIC-27, Revenues and Expenditures during the Pre-operating Period, will not apply to entities that have adopted Section 3064. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and were adopted by the Company effective January 1, 2009. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards ("IFRS") and generally accepted accounting principles in the United States ("U.S. GAAP") by eliminating the practice of recognizing as assets a variety of start up, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The adoption of this standard did not have any impact on the consolidated financial statements of the Company.

Effective January 1, 2009, the Company adopted the EIC-174, "Mining Exploration Costs." This EIC provides guidance on accounting for capitalization and impairment of exploration costs. This standard was effective for the fiscal year beginning January 1, 2009. The adoption of this EIC did not have a significant impact on the financial statements.

Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the use of International Financial Reporting Standards ("IFRS") to commence in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's Generally Accepted Accounting Principles ("GAAP") and the official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company's Botswana subsidiaries already report using IFRS and Tsodilo Resources Limited will adopt IFRS according to requirements outlined by the AcSB, and is in the process of preparing for the adoption of IFRS on January 1, 2011.

Impact of Adoption of International Financial Reporting Standards ("IFRS")

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure.

The Company's IFRS conversion project consists of four phases: raise awareness; assessment; design; and implementation. The Company is currently in the process of identifying the significant differences between Canadian GAAP and IFRS as it relates to Tsodilo Resources Limited.

Tsodilo has begun the planning phase of the conversion. Existing Canadian GAAP and IFRS differences have been identified, staff are being trained, and business impacts have not yet been determined.

Business combinations and related sections

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011 unless they are early adopted at the same time as Section 1582 "Business Combinations".

8. RELATED PARTY TRANSACTIONS

As at March 31, 2010, the Company incurred leave payable to an officer and director of the Company amounting to $42,805 as follows:

Accrued Leave Benefits	1st Q	2nd Q	3rd Q	4th Q	Totals
2010	4,756				4,756
2009	4,756	4,756	4,756	4,756	19,024
2008	4,756	4,756	4,756	4,757	19,025
				Total	**42,805**

The Company borrowed funds from a person who is an officer and director of the Company in fiscal years 2008 and 2007. The loans were interest free, payable upon demand and had no other terms of repayment. The outstanding loans were paid in 2009. The amount of borrowing and repayment for fiscal years 2010 and 2009 are as follows:

	Total Amount Borrowed	Total Amount Repaid	Amount Outstanding at year end
2010	$ -0 -	$-0-	$ -0 -
2009	$ -0 -	$105,000	$ -0 -

As at December 31, 2008 the Company had incurred salary payable to an officer and director of the company amounting to $294,650. This amount was paid to the officer and director during the year ended December 31, 2009.

OUTLOOK

Diamond and metal exploration remains 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.

ADDITIONAL INFORMATION

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

FORWARD-LOOKING STATEMENTS

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

/s/	/s/
James M. Bruchs	Gary A. Bojes, Ph.D
Chairman & CEO	Chief Financial Officer
May 20, 2010	May 20, 2010

TSODILO RESOURCES LIMITED

INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD
ENDED MARCH 31, 2010

(expressed in United States dollars)

Unaudited – Prepared by Management

CONTENTS:

These interim financial statements have not been subjected to a review by the Company's external auditors.

TSODILO RESOURCES LIMITED

INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

[REVISED January 12, 2011]

FOR THE THREE MONTH PERIOD ENDED March 31, 2010

(expressed in United States dollars)

Unaudited – Prepared by Management

Notice of disclosure of non-auditor review of consolidated interim financial statements pursuant to national Instrument 51-102, Part 4, Subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying consolidated financial statements of the Company for the period ended June 30, 2010 have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these interim financial statements.

CONTENTS:

TSODILO RESOURCES LIMITED

Financial Reporting Responsibility of Management

The quarterly report and consolidated financial statements have been prepared by management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on informed judgments and best estimates. The financial information presented in this period 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 at our year end.

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 financial statements for the periods ended December 31, 2009, and December 31, 2008 have been audited by Ernst & Young, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Their report follows hereafter.

/s/

James M. Bruchs
President and Chief Executive Officer
May 20, 2010

As Chairman and Chief Executive Officer
Revised January 12, 2011

/s/

Gary A. Bojes
Chief Financial Officer
May 20, 2010
Revised January 12, 2011

Tsodilo Resources Limited

Consolidated Balance Sheets

As at December 31, 2009 &
March 31, 2010 and 2009

(in United States dollars)

	December 2009	March 2010	March 2009
ASSETS			
Current			
Cash	$ 108,341	$ 442,253	$ 67,314
Accounts receivable and prepaid expenses	67,640	72,270	76,198
	175,981	519,523	143,512
Exploration Properties *(note 3)*	5,361,645	5,701,227	4,394,695
Property, Plant and Equipment *(note 4)*	347,582	308,633	451,592
	$ 5,885,208	$ 6,529,383	$ 4,989,799
LIABILITIES			
Current			
Accounts payable and accrued liabilities	$ 73,050	$ 48,169	$ 383,357
Notes payable (*note 8*)			105,000
Capital subscriptions *(note 13)*			--
	73,050	48,169	488,356
Non-Controlling Interest *(note 3)*	210,814	205,442	211,615
SHAREHOLDERS' EQUITY			
Share Capital *(note 5)*	28,696,445	29,071,072	28,110,113
Warrants *(note 5b)*	1,131,904	1,406,008	520,519
Contributed Surplus *(note 5c)*	8,221,288	8,388,364	7,862,551
Accumulated Other Comprehensive Income	(837,425)	(837,425)	(837,425)
Deficit	(31,610,868)	(31,752,247	(31,365,930)
	5,601,344	6,275,772	4,289,828
	$ 5,885,208	$ 6,529,383	$ 4,989,799

Nature of operations and going concern *(note 1)*

Subsequent events *(note 13)*

Commitments *(note 11)*

See accompanying notes to the consolidate financial statements

Tsodilo Resources Limited

Consolidated Statements of Operations and Comprehensive Loss

For the periods ended March 31, 2010 and 2009

(in United States dollars)

	2010	2009
Expenses		
Corporate remuneration	$ 4,756	$ 4,756
Corporate travel and subsistence		-
Investor relations	2,306	1,165
Legal and audit	108	5,387
Filings & regulatory fees	11,084	8,590
Office and administration	31,748	21,862
Amortization	39,032	33,387
Foreign exchange gain	(132	(2,182)
Stock-based compensation	52,477	9,249
Loss before non-controlling interest	(141,379)	(82,214)
Non-controlling interest	--	-
Loss and comprehensive loss for the year	(141,379)	$ (82,214)
Basic and diluted loss per share - cents (note 7)	$(0.01)	$(0.01)

See accompanying notes to the consolidate financial statements

Tsodilo Resources Limited

Consolidated Statements of Deficit

For the periods ended March 31, 2010 and 2009

(in United States dollars)

	2010	2009
Deficit – Beginning of period	$(31,610,868)	$(31,283,716)
Comprehensive loss for the year	141,379	(82,214)
Deficit - End of year	$(31,752,247)	$(31,365,930)

The accompanying notes are an integral part of these consolidated financial statements.

Tsodilo Resources Limited

Consolidated Statements of Cash Flows

For the periods ended December 31, 2010 and 2009

(in United States dollars)

	2010	2009
Cash provided by (used in):		
Operating Activities		
Loss for the year	$ (141,379)	$ (82,214)
Adjustments for non-cash items:		
Amortization	39,032	33,387
Non-controlling interest		--
Stock-based compensation	52,477	9,249
	(49,870)	(39,578)
Net change in non-cash working capital balances *(note 12)*	(34,509)	(35,994)
	(84,379)	(75,572)
Investing Activities		
Additions to exploration properties	(329,942)	(235,702)
Additions to property, plant and equipment	(83)	--
	(330,025)	(235,702)
Financing Activities		
Proceeds from shareholder loan	--	--
Repayment of shareholder loan	--	(85,000)
Capital subscriptions	--	--
Shares issued for cash, net of cost	753,688	405,000
Change in non-controlling interest	(5,372)	(3,239)
	748,316	316,761
Change in cash - For the year	333,912	5,487
Cash - beginning of year	108,341	61,827
Cash - end of year	442,253	$ 67,314

The accompanying notes are an integral part of these consolidated financial statements.

Tsodilo Resources Limited

Notes to the Consolidated Financial Statements

For the periods ended December 31, 2010 and 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

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 recovery of the Company's investment in exploration properties and the attainment of profitable operations are dependent upon the discovery, development and sale of ore reserves, and the renewal of licenses, the ultimate outcome of which cannot presently be determined as they are contingent on future events. The Company along with its subsidiaries operates internationally with projects in continental Africa. These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which assumes continuity of operations, realization of assets, and settlement of liabilities in the normal course of business.

As at March31, 2010, the Company reported an accumulated deficit of $31,752,247 [2009: $31,365,930] with $141.379 deficit this quarter [2009, 82,214] and negative net cash outflows from operations before changes in working capital of $84,379 [2009: $75,572] for the year then ended and current required exploration property license commitments (which may be reduced by relinquishing licenses prior to the expiry of their call term) of approximately $1.7 million. Accordingly, the cash position of the Company is insufficient to finance continued exploration. 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 that the Company will be successful in these actions.

These financial statements do not reflect the adjustments, which could be material, to the carrying value of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate or if the necessary financing cannot be raised.

NOTICE OF NO AUDITOR REVIEW OF FINANCIAL STATEMENTS

National Instrument 51-102 "Continuous Disclosure Requirements", Part 4, Subsection 4.3(3) requires: (a) If an auditor has not performed a review of the interim financial statements required to be filed under subsection (1), the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

As at March 31, 2010, the Company had cash of $442,253 [2009: $67,314].

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, Ernst & Young LLP, has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor except for those sections relevant to the December 31, 2008 and 2009 annual audited financial statements.

The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments (which include reclassifications and normal recurring adjustments) necessary to present fairly the financial position at March 31, 2009 and its results of operations and its cash flows for the period then ended and for all such periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation and preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its direct and the following direct and indirect subsidiaries:

	2010	2009
Tsodilo Resources Bermuda Limited (Bermuda)	100%	100%
Gcwihaba Resources (Proprietary) Ltd ("Gcwihaba") [Botswana]	100%	100%
Newdico (Proprietary) Limited ("Newdico") [Botswana]	95%	94%

All intercompany transactions have been eliminated on consolidation.

Earnings (loss) per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Earnings per share calculations are based on the weighted average number of common shares and common shares equivalents issued and outstanding during the year. Diluted earnings per share are calculated using the treasury method which requires the calculation of diluted earnings per share by assuming that outstanding stock options and warrants with the average market price that exceeds the average exercise prices of the options and warrants for the year are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of common shares for the year.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant accounts that require estimates relate to the possible impairment of property, plant and equipment and mineral property interest, the useful life of property, plant and equipment, valuation allowances for future income taxes, valuation of investments, valuation of stock-based compensation and warrants in private placements and valuations of asset retirement obligations.

Exploration properties

All direct and indirect costs relating to the acquisition, exploration and development of non-producing mining properties are capitalized as incurred. The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular properties. Exploration costs that do not relate to specific non-producing mining properties are expensed as incurred.

If a property proceeds to development, these costs become part of preproduction and development costs of the mine and will be amortized over the expected life of the mine. If a property is abandoned, sold or continued exploration is not deemed appropriate in the foreseeable future or when other events and circumstances indicate that the carrying amount may not be recovered, the related costs and expenditures are written down to the net recoverable amount at the time the determination is made. Proceeds from the sale of exploration properties are credited to the costs of the relevant property.

On an ongoing basis the capitalized costs are reviewed to consider if there is any impairment on the subject mineral property interest. The Company conducts this evaluation on a project specific basis as opposed to treating each individual license block as a separate project. If a property is deemed impaired, an impairment loss is measured and recorded based on the net recoverable value of the asset.

Property, Plant and Equipment

Property, plant and equipment is amortized on a straight-line basis over its estimated useful life of three to five years.

Cash

Cash consist of cash held in banks.

Foreign Currency Translation

The Company's functional and reporting currency is the US dollar. The Company's subsidiaries are accounted for as integrated foreign operations and are translated into the US dollar equivalent using the temporal method. Transactions of the Company and its subsidiaries originating in foreign currencies are translated at the rates in effect at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to at the exchange rate in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expense items are translated rates approximating those in effect at the time of the transaction. Foreign exchange gains and losses are included in the statement of operations.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is recorded against any future income asset if it is more than likely than not that the asset will not be realized. Future income tax assets and liabilities are measured using tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted. The Company does not have deferred tax assets, deferred tax liabilities or current tax provisions.

Stock-Based Compensation Plans

The Company has a Stock Option Plan (refer to note 5). Under the Stock Option Plan, the Company may grant options to directors, officers and employees for up to 2,715,471 shares of common stock. The exercise price is determined by the Chairman of the Compensation Committee and the President and CEO in consultation with the board of directors, but is not less than the market price of the Company's stock on the date of the grant. An option's maximum term is 5 years. The Company uses the fair value method of accounting for stock options. Under the fair value method stock-based payments are measured at the fair value of the equity investments and are amortized over the vesting period. Consideration paid on exercise of stock options is credited to common share capital.

Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of the liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any material asset retirement obligations.

Financial Instruments and Comprehensive Income

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value at the date of acquisition. Subsequent measurement and accounting for changes in fair value will depend on the initial classification, as follows:

(i) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income;

(ii) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income (loss); and

(iii) loans and receivables, held-to-maturity investments and other financial liabilities, are measured at amortized cost.

The Company designated its cash as held-for-trading, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Transaction costs directly attributable to the acquisition or issuance of financial instruments are recognized in net income (loss) in the period incurred.

ADOPTION OF NEW ACCOUNTING STANDARDS

New Accounting Pronouncements

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing CICA 3062, Goodwill and Other Intangible Assets and CICA 3450, Research and Development Costs. New section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, Financial Statement Concepts, and Accounting Guideline AcG-11, Enterprises in the Development Stage. EIC-27, Revenues and Expenditures during the Pre-operating Period, will not apply to entities that have adopted Section 3064. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and were adopted by the Company effective January 1, 2009. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards ("IFRS") and generally accepted accounting principles in the United States ("U.S. GAAP") by eliminating the practice of recognizing as assets a variety of start up, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The adoption of this standard did not have any impact on the consolidated financial statements of the Company.

Effective January 1, 2009, the Company adopted the EIC-174, "Mining Exploration Costs." This EIC provides guidance on accounting for capitalization and impairment of exploration costs. This standard was effective for the fiscal year beginning January 1, 2009. The adoption of this EIC did not have a significant impact on the Company's consolidated financial statements.

Future Changes in Accounting Policies

Business combinations and related sections

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011 unless they are early adopted at the same time as Section 1582 "Business Combinations".

3. EXPLORATION PROPERTIES

Exploration properties are summarized as follows:

	Newdico Botswana	Gcwihaba Botswana	Total
Balance at December 31, 2008	**$ 3,787,002**	**$ 371,991**	**$ 4,158,993**
Jan. to Dec 2009 expenditures	892,032	310,620	1,202,652
Balance at December 31, 2009	**$4,679,034**	**682,611**	**$5,361,645**
Jan. to March 2010 expenditures	253,401	86,181	339,582
Balance at March 31, 2010	**4,932,435**	**$768,792**	**$5,701,227**

A summary of the significant agreements entered into by the Company is as follows:

Newdico (Proprietary) Limited ("Newdico") - Botswana

Newdico holds prospecting licenses in the Ngamiland District of northwest Botswana. The Company acquired the various licenses in 1999, 2001 and 2003. In 2005, the Company was reissued its prospecting licenses for an initial term of three years expiring June 30, 2008, renewable for 2 two year periods upon application and which have a final expiry of 2012. In June of 2008, Newdico relinquished approximately 7,400 square kilometers of the then outstanding 16,800 square kilometers under license. The licenses relinquished were evaluated and determine to be non-prospective for an economic kimberlite discovery. The relinquishment of this portion of the overall licenses did not cause a reduction or change in the continuing overall exploration program nor impact the chances of the overall success of the program. The balance of the licenses totaling 9,400 square kilometers were renewed for 2 two year periods. The terms of the licenses require Newdico to spend a minimum of Botswana Pula 1.6 million (approximately $234,386 as at 12/31/09) inclusive of license fees from the date of grant to and if the licenses were held to their full term.

Originally, as a result of an agreement completed on March 31, 2002, Newdico was held 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 the Ngami property held by Newdico through a combination of an equity interest and a primary loan interest. Based on the terms of the equity and primary loan interests, THG's interest in Newdico has been accounted for as a non-controlling interest. At March 31, 2010, the amount reflected ass non-controlling interest was $205,442 (2009: $211,615).

Starting in 2005, THG decided not to fund its proportionate share of expenditures on certain cash calls. Accordingly, the Company's interest in Newdico increased from 75% to 94% at December 31, 2008. During the year ended December 31, 2009, THG did not fund its proportionate share of expenditures on cash calls, and therefore, the Company's interest in Newdico increased to 95% at December 31, 2009 in accordance with the agreement between the two parties.

Trans Hex Group has also advanced funds, designated as a secondary loan, amounting to $287,270 CAD ($273,750 as at 12/31/09; 2008: $234,938) to Newdico, relating to exploration properties which had been written off prior to March 31, 2002. This liability has not been recorded in these financial statements as it is repayable only from Trans Hex Group's share of any future earnings of Newdico after repayment of loans relating to the Newdico project.

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

Gcwihaba, a wholly owned subsidiary of the Company, holds prospecting licenses in the Ngamiland project area.

Diamond Exploration

Gcwihaba holds eight precious stone – diamond prospecting licenses in the Ngamiland District of northwest Botswana. The Company acquired the various licenses in 2007, 2008 and 2009. The combined area totaled approximately 6,860 square kilometers as of December 31, 2009. The terms of the licenses require Gcwihaba to spend a minimum of Botswana Pula 2.88 million (approximately $423,888 as at 12/31/09) inclusive of license fees from the date of grant to and if the licenses were held to their full term.

Base and Precious Metal Exploration

Gcwihaba holds eighteen metal (base, precious, platinum group, and rare earth) prospecting licenses in the Ngamiland District of northwest Botswana. The Company acquired the various licenses in 2008 and 2009. In total, the company holds twenty licenses totaling 13,500 square kilometers. The terms of the licenses require Gcwihaba to spend a minimum of Botswana Pula 6.6 million (approximately $969,475 as at 12/31/09) inclusive of license fees from the date of grant to and if the licenses were held to their full term.

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.

4. PROPERTY, PLANT and EQUIPMENT

	Amortization Rate in Years	Cost	Accumulated amortization	Book value
March 31, 2010				
Vehicles	5 Years	$887,855	$606,204	$281,651
Furniture and Equipment	3 Years	$123,987	$97,005	$26,982
		$1,011,842	**$703,209**	**$308,633**
December 31, 2009				
Vehicles	5 Years	$887,855	$571,018	$ 316,837
Furniture and Equipment	3 Years	123,819	93,074	30,745
		$ 1,011,674	**$ 664,092**	**$ 347,582**

For the year ended 2009 an amount of $147,952 (2008: $160,404) of amortization has been capitalized under exploration properties.

5. SHARE CAPITAL

(a) Common Shares

Authorized

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

Issued and outstanding

Details of the issued and outstanding common shares are as follows:

	Shares (number)	Amount $
Issued and outstanding at December 31, 2008	15,423,733	27,862,864
On private placement for cash (i)	728,061	405,000
On private placement for cash (ii)	331,386	200,000
On private placement for cash (iii)	201,519	121,400
On private placement for cash (iv)	2,102,758	1,095,000
Share issue costs	-	(12,501)
Ascribed to warrants issued in 2009	-	(975,318)
Issued and outstanding at December 31, 2009	18,787,457	28,696,445
On private placement for cash (v)	465,245	451,944
On Issuance of warrants for cash (vi)	457,901	304,896
Share issue costs	-	(3151)
Ascribed to warrants issued in 2010	--	(379,062)
Issued and outstanding at March 31, 2010	19,710,603	29,071,072

(i) Private Placement

On February 26, 2009, the Company issued, through a non-brokered private placement, 728,061 units of the Company at a price of $0.56 (C$0.70) per unit for gross proceeds to the Company of $405,000. Each unit consists of one common share of the Company and one warrant of the Company, each warrant entitling the holder to purchase one common share of the Company at a price of (C$0.70) for a period of two years.

(ii) Private Placement

On June 8, 2009, the Company issued, through a non-brokered private placement, 331,386 units of the Company at a price of $0.60 (C$0.70) per unit for gross proceeds to the Company of $200,000. Each unit consists of one common share of the Company and one warrant of the Company, each warrant entitling the holder to purchase one common share of the Company at a price of (C$0.70) for a period of two years.

(iii) Private Placement

On August 5, 2009, the Company issued, through a non-brokered private placement, 201,519 units of the Company at a price of $0.60 (C$0.70) per unit for gross proceeds to the Company of $121,400. Each unit consists of one common share of the Company and one warrant of the Company, each warrant entitling the holder to purchase one common share of the Company at a price of (C$0.70) for a period of two years.

(iv) Private Placement

On December 22, 2009, the Company issued, through a non-brokered private placement, 2,102,758 units of the Company at a price of $0.52 (C$0.55) per unit for gross proceeds to the Company of $1,095,000. Each unit consists of one common share of the Company and one warrant of the Company, each warrant entitling the holder to purchase one common share of the Company at a price of (C$0.55) for a period of two years.

(v) Private Placement

On January 22, 2010, the Company issued, through a non-brokered private placement, 465,245 units of the Company at a price of $0.97 (C$1.00) per unit for gross proceeds to the Company of $451,944. Each unit consists of one common share of the Company and one warrant of the Company, each warrant entitling the holder to purchase one common share of the Company at a price of (C$1.00) for a period of two years.

(vi) Stock issued from exercise of warrants

On March 1, 2010, 457,901 warrants were exercised at a price of C$0.70 for proceeds to the Company of $304,896.

(b) Warrants

As at March 31, 2010, the following warrants were outstanding:

		Number of Warrants			Value		
Expiry	**Exercise Price**	**December 31, 2009**	**Issued [Exercised] (Expired)**	**March 31, 2010**	**December 31,2009**	**Issued [Exercised] (Expired)**	**March 31,2010**
March 10, 2010	C$0.70	457,901	[457,901]	--	104,958	[104,958]	--
November 14, 2010	C$0.70	463,852	--	463,852	51,628	--	51,628
February 26, 2011	C$0.70	728,061	--	728,061	157,751	--	157,751
June 3, 2011	C$0.70	331,386	--	331,386	104,159	--	104,159
August 4, 2011	C$0.70	201,519	--	201,519	60,056	--	60,056
December 22, 2011	C$0.55	2,102,758	--	2,102,758	653,352	--	653,352
January 20, 2012	C$1.00	--	465,245	465,245		379,062	379,062
		4,285,477	5,951	4,292,821	$1,131,904	$274,104	$1,406,008

On March 1, 2010, 457,901 warrants were exercised. During the period ended March 31, 2010, warrants were valued using the Black-Scholes model, using key assumptions of volatility ranging from 139% to 170% (2008: 101% to 116%), a risk-free interest rate ranging from approximately 0.9% to 1.42% (2008: 2%), a term equivalent to the life of the warrant, and a dividend rate of zero percent.

(c) Contributed Surplus

As at December 31, 2008	$ 7,798,255
Relating to the expiry of warrants	261,229
Relating to stock based compensation	161,804
As at December 31, 2009	8,221,288
Relating to the expiry of warrants	104,958
Relating to stock based compensation	62,117
As at March 31, 2010	$ 8,388,364

(d) Stock Option Plan

Outstanding stock options granted to directors, officers and employees at March 31, 2010, were as follows:

Expiry	Price	Outstanding December 31, 2008	Granted [Cancelled] (Exercised)	Outstanding December 31, 2009	Granted	[Cancelled] (Exercised)		Outstanding December 31, 2009	Exercisable December 31, 2009
January 3, 2010	C$1.85	50,000	--	50,000		[50,000]	(i)	0	50,000
August 15, 2010	C$1.25	160,000	--	160,000			(i)	160,000	160,000
January 3, 2011	C$1.25	50,000	--	50,000			(i)	50,000	50,000
April 24, 2011	C$0.70	150,000	--	150,000			(i)	150,000	150,000
August 15, 2011	C$0.70	65,000	--	65,000			(i)	65,000	65,000
January 2, 2012	C$1.00	75,000	--	75,000			(i)	75,000	75,000
May 8, 2012	C$0.80	400,000	--	400,000			(i)	400,000	400,000
January 2, 2013	C$0.70	210,000	--	210,000			(i)	210,000	210,000
May 8, 2013	C$0.70	350,000	--	350,000			(i)	350,000	350,000
January 2, 2014	C$0.70	--	225,000	225,000			(ii)	225,000	225,000
May 3, 2014	C$0.70	--	360,000	360,000			(ii)	360,000	180,000
November 1,2014	C$0.55	--	100,000	100,000			(ii)	100,000	50,000
January 9, 2015	C$1.00				190,000			190,000	47,500
Total		1,510,000	685,000	2,195,000		0		2,335,000	1,915,000

Options exercisable at end of year	1,510,000	2,195,000	1,915,000
Weighted average exercise price			
- issued	C$0.83	C$0.68	C$1.00
- outstanding	C$0.91	C$0.80	C$0.79
- exercisable	C$0.94	C$0.83	C$0.80

All options have a term of five years.

(i) These common share purchase options vest as to one-quarter immediately and one-quarter on each of the six-month, 12-month and 18-month anniversaries of the date granted.

(ii) On January 10, 2010, the Company under its Stock Option Plan issued 190.000 options at C$1.00 to persons who are directors, officers and employees of the Company.

The Company recognized an expense of $62,117 (2009: $9,249) relating to the fair value of options granted and vesting during the year. In addition, $9,640 of stock-based compensation was capitalized into exploration properties. The fair value of options granted was calculated using the Black-Scholes model, using key assumptions of volatility ranging from 115% to 133%, risk-free interest rates ranging from approximately 1.7% to 2.3%, a term equivalent to the life of the option, and a dividend rate of zero percent.

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 of approximately 33.00% (Dec. 2008 – 33.50%) to income before taxes as follows:

	Dec-31 2009	Dec-31 2008
Net loss for the period	$(369,584)	$(363,486)
Income tax (recovery) provision at Canadian statutory	33.00%	33.50%
Income tax rates	(121,963)	(121,768)
Effect of statutory tax rate change	84,820	254,534
Foreign operation taxed at lower rates	7,924	
Permanent differences	55,213	65,864
Change in valuation allowances	254,376	(666,424)
Expiry of tax Losses	271,477	484,232
True up and foreign exchange	(547,723)	
Other	(4,124)	(16,438)
Provision for (recovery of) income taxes	$ -	$ -

The following summarizes the principal temporary differences and related future tax effect:

	Dec-31 2009	Dec-31 2008
Property, Plant and Equipment - Canada	$ 16,000	$ 29,000
Property, Plant and Equipment - Botswana	51,000	
Exploration & Development - Canada	20,000	20,000
Exploration & Development - Botswana	(1,227,000)	(1,348,000)
Losses carried forward - Canada	626,000	539,000
Losses carried forward - Botswana	1,485,000	1,480,000
Other	38,000	35,000
Subtotal – future income tax asset	1,009,000	755,000
Valuation allowance	(1,009,000)	(755,000)
Net future income tax asset recorded	$ -	$ -

At December 31, 2009, the Company has Canadian net operating losses carried forward that expire as follows:

Loss	**Year of Expiry**	**Loss**	**Year of Expiry**
371,000	2013	235,000	2027
436,000	2014	124,000	2028
855,000	2015	133,000	2029
335,000	2016		

Total assessable losses relating to the activity in Botswana as at December 31, 2009 was $5,939,979 (December 31, 2008: $5,148,331).

7. LOSS PER SHARE

Loss per share is computed on the basis of the loss of ($141,379) for the period ended March 31, 2010 [2009: ($82,214)] and the weighted average number of common or equivalent shares outstanding during period, March 31, 2010: 18,911,768 (2009 14.993.408). The effects of Stock options and warrants in computing diluted earnings (loss) er share amounts for March 31, 2010 are calculated as follows:

	2010			**2009**		
	Earnings (Loss) Dollars	**Weighted Average # Shares**	**Earnings (Loss) Per Share**	**Earnings (Loss) Dollars**	**Weighted Average # Shares**	**Earnings (Loss) Per Share**
Net Loss from continuing operations	(141,379)			(82,214)		
Weighted Average number of shares		18,911,768			14,933,408	
Basic Earnings (Loss) from continuing operations	(141,379)	18,911,768	($0.01)	(82,214)	14,933,408	($0.01)
Effect of dilutive securities						
• Warrants	--	2,316,291		--	--	
• Options	--	1,151,396		--	--	
	-0-	3,467,687		-0-	-0-	
Diluted earnings (loss) per share form continuing operations	($ 141,379)	22,379,455	($0.01)	($ 82,214)		($0.01)

8. RELATED PARTY TRANSACTIONS

As at March 31, 2010, the Company incurred leave payable to an officer and director of the Company amounting to $42,805 as follows:

Accrued Leave Benefits	**1st Q**	**2nd Q**	**3rd Q**	**4th Q**	**Totals**
2010	4,756				4,756
2009	4,756	4,756	4,756	4,756	19,024
2008	4,756	4,756	4,756	4,757	19,025
				Total	**42,805**

The Company borrowed funds from a person who is an officer and director of the Company in fiscal years 2008 and 2007. The loans were interest free, payable upon demand and had no other terms of repayment. The outstanding loans were paid in 2009. The amount of borrowing and repayment for fiscal years 2010 and 2009 are as follows:

	Total Amount Borrowed	**Total Amount Repaid**	**Amount Outstanding at year end**
2010	$ -0 -	$-0-	$ -0 -
2009	$ -0 -	$105,000	$ -0 -

As at December 31, 2008 the Company had incurred salary payable to an officer and director of the company amounting to $294,650. This amount was paid to the officer and director during the year ended December 31, 2009.

9. SEGMENTED INFORMATION

Materially all of the Company's property plant and equipment at December 31, 2009 is located in North America of $110 (2009 $444) and Botswana of $308,523 (2009 $347,140).The geographic distribution of the property acquisition costs and exploration expenditures is outlined in note 3.

10. FINANCIAL INSTRUMENTS

The carrying amounts reflected in the consolidated balance sheets for cash and equivalents (classified by the Company as held for trading), accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short maturities of these instruments. The Company does not have any financial derivatives.

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, and interest rate risk. Where material these risks are reviewed and monitored by the Board of Directors.

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 order to facilitate the management if 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.

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 equivalents and amounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

The majority of the Company's cash and cash equivalents and short term investment are 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.

11. COMMITMENTS

All operating leases that are for a period of no longer than one year are prepaid.

The aggregate minimum lease payments are $150,858 as follows:

2011	24,530
2012	24,530
2013	25,756
2014	25,756
2015	25,756

* Payment for 2010 lease obligation was made in December 2009

The lease commitment is for storage space in Maun, Botswana at an annual rental of BWP 166,824 per year for 2010 through 2012 and BWP 175,165 for years 2013 through 2015 converted at an exchange rate as of December 31, 2009 to US dollar.

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 CASH FLOW

	March 31 2010	March 31 2009
Net change in non-working Capital balances		
Decrease / (Increase) in accounts receivable and prepaid expenses	($ 9,628)	($ 56,707)
Increase / (Decrease) in accounts payable and accrued liabilities	(24,881)	20,683
Total	($ 34,509)	($ 36,024)

13. SUBSEQUENT EVENTS

Stock Option Plan

On May 4, 2010, the Company issued 500,000 options at C$2.21 under its Stock Option Plan to persons who are officers and employees of the Company.

Private Placement

On May 10, 2010, The Company ounce that it has reached agreement with IFC, a member of the World Bank Group, whereby IFC will enter into a C$5 Million equity subscription agreement (the "Financing") with the Company. The Financing is expected to be finalized in June and is subject to successful completion of IFC's mandatory 30-day disclosure period; IFC Board approval; completion of a share subscription agreement.