TSODILO RESOURCES LIMITED

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the interim condensed consolidated financial statements for the period ended September 30, 2011 and comments on the factors that affected the Company's performance during the periods covered by the interim condensed consolidated 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 November 23, 2011.

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 November 23, 2011, 23,787,814 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, 2,870,000 options remain outstanding of which 2,290,000 are exercisable at exercise prices ranging from CAD $0.55 - $2.23.

As of November 23, 2011, 5,270,705 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 - $2.17 for a period of two to five years from the date of issuance. If all warrants were converted, 5,270,705 common shares of the Company would be issued.

Principal Shareholders of the Company

The principal shareholders of the Company as of November 23, 2011 are as follows:

Name	Description	Shares - Owns, Controls or Directs	% of the Issued and Outstanding Shares
Preston Trust	Private Investment Vehicle	3,995,902	16.80%
International Finance Corp.	Division of the World Bank	2,702,702	11.36%
David J. Cushing	Director	2,396,329	10.07%
James M. Bruchs	Chairman & CEO	2,227,619	9.36%

Subsidiaries

The Company has a 97% operating interest in its Botswana subsidiary, Newdico (Proprietary) Limited ("Newdico"), which holds nine prospecting licenses covering approximately 3,949 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 (3%) 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 six diamond prospecting licenses covering approximately 3,728 square kilometers, eighteen metals (base, precious, platinum group, and rare earth) licenses covering 12,097 square kilometers and eight radioactive minerals licenses covering 6,925 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 – 3rd Quarter 2011

1. Diamond Projects

The company presently holds 15 Prospecting Licences ("PL's") both under the name of Newdico and Gcwihaba for precious stones (Table 1). The drivers for the Company's diamond strategy in the area are listed below.

Table 1. Summary of the Company's prospecting permits for precious stones						
PL numbers	PL's	Km²	Commodity	Renewal dates mm/dd/yyyy	Stage	Company
PL 62-69 & 71/2005	9	3,949.0	Precious Stones	07/01/2012	2nd Renewal	Newdico
PL 46-47 & 49/2008	3	1,575.0	Precious Stones	01/01/2011	1st Renewal	Gcwihaba
PL 641-643/2009	3	2,546.2	Precious Stones	01/07/2012	Initial Grant	Gcwihaba
Total	15	8,405.2				

◊ There are two unexplained surface concentrations of both diamonds and high-interest (G10) garnets across the border in Namibia - the *Tsumkwe* and the *Omatako* targets. One suggestion is that the diamonds and garnets from these targets have been derived from diamond-bearing kimberlites in the Nxau Nxau field in the licence blocks presently held by the Company to the east. Another suggestion is that they could be derived from undiscovered kimberlites associated with airborne magnetic targets in the Company's licence blocks that remain to be drilled particular to the north of the Nxau Nxau field.

◊ A review of the petrography, mineral chemistry, micro-diamond and geophysical databases of the known kimberlites in the Nxau Nxau field has been on-going. Roughly 200 kg of core from the most interesting pipes in terms of size and mineral chemistry (K4, K10 and K20) was submitted for analysis to the SRC laboratory in Canada. Two of the three kimberlites submitted had positive micro-diamond recoveries: K10 produced 14 stones from 229kg (61.23 stones per ton) and K4 produced 2 stones from 209kg (9.58 stones per ton). Based on these results other kimberlites in the same cluster will be targeted for additional drilling and micro-diamond work and in particular kimberlite K11, which is proximal to K10 and has a very similar mineral chemistry signature, and is approximately 2.5ha in size.

◊ The geological interpretation of the Southern African Magnetotelluric Experiment (SAMTEX) project data was published recently and these data produced the first pseudo 3-dimensional electrical resistivity map of the crustal and mantle lithosphere beneath the Damara-Ghanzi-Chobe belt and its surrounding Kalahari and Congo tectonic blocks. The Congo and Kalahari Cratons are characterised by very thick and resistive lithosphere, approximately 220km and 240km respectively, which from a diamond perspective is encouraging. The results of this program have, among others, shown that the Company's northern licences are underlain by the Congo Craton (Khoza et al in press, Muller and Jones 2007) and this means that kimberlites occurring in the more northern licences should be the most interesting from a diamond perspective. Based on these tectonic reconstructions, diamond exploration activities for 2011 are focussed on kimberlites K17 and K19, which are the most northerly bodies so far discovered in the Nxau Nxau cluster but for which the company has very little information.

◊ The SAMTEX interpretation that Archaean Craton is present in the area is supported by Archaean ages that have been recently been obtained from granite/gneiss from two boreholes: L9590/7 (2641 Ma) and L9660/5 (2548 Ma). These data is part of the collaborative research between the Company and Aeon of the University of Cape Town, South Africa.

◊ Geophysical data of the area covered by the Precious Stones licences was subjected to a rigorous review in order to identify any other kimberlite targets for drilling. Additional first-priority targets have been identified within and immediately around the existing cluster (such as TOD12), and also in other parts of the licence blocks that warrant detailed ground work and drilling.

During the 3rd quarter ground magnetic surveys were completed over one of these first grade anomalies (TOD12) and also over two previously reported kimberlites (K17 and K19). All have produced classic dipole targets and TOD12 and K19 were drilled early in the 4th Q and core samples were submitted for petrography and confirmed as kimberlites. The confirmation of these targets as kimberlite bodies confirms the Company's exploration strategy. Planning for additional ground magnetic surveys is also underway for other airborne magnetic targets that resemble kimberlite pipes in the Company's most northern Prospecting Licences and well to the north of the Nxau Nxau field.

2. Metals (Base and Precious, Rare Earth Elements (REE) and Platinum Group Minerals (PGM)) Projects

The Company's Prospecting Licences have evolved with time into a package which covers some 12,106.6 km^2 (Table 2). The majority of the licensed area has been covered by the Phase-1 drilling program. The main objective of this phase was to cover the ground on a wide grid to identify the areas of interest for more detailed follow-up work scheduled as Phase-2. To date, the Phase-1 drilling program has identified three different mineralisation domains in several parts of the licence area, representing different geological settings each with specific mineralisation styles.

Table 2. Summary of the Company's prospecting permits for metals

PL numbers	PL's	Km^2	Commodity	Renewal dates mm/dd/yyyy	Stage	Company
PL 118-119/2005	2	1, 194.0	Metals	10/01/2012	2nd Renewal	Gcwihaba
PL 051-052/2008	2	869.0	Metals	01/01/2011	1st Renewal	Gcwihaba
PL 386-395/2008	10	7, 478.6	Metals	10/01/2011	Pending 1st Renewal	Gcwihaba
PL 588,595-597/2009	4	2 ,555.0	Metals	07/01/2012	Initial Grant	Gcwihaba
Total	**18**	**12, 096.6**				

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. Recent petrology, geochemistry and geochronology work by AEON's (Africa Earth Observatory Network) research group located at the University of Cape Town, South Africa highlights the presence in Ngamiland of Archaean granite-gneisses (ca. 2550 Ma). Paleoproterozoic granites (ca. 2000 Ma), which have been tectonically interlayered with Pan-African meta-sediments (including graphitic schist, carbonates, diamictites and meta-basites ca. 540 Ma), have also been dated. These tectonic contacts, which are mainly major trust zones, and graphitic schists are mineralized and have been targeted for further work. The two billion year old granites can be correlated either with the nearby Quangwadum and Okwa Complex in Botswana, suggesting the possibility of a large cryptic mineralized mafic intrusion in the region, or with the Kibaran granitic basement (ca. 2050 Ma) to the Katangan Supergroup beneath the Lufilian Arc in the DRC. The Pan African meta-basites in Ngamiland yield an age of ca. 535 Ma. This is younger than the meta-basalts of MAB and Katanga (ca 765 Ma), but similar to the age of peak metamorphism and deformation in the MAB and Lufilian Arc (ca. 530 Ma). This difference can be accounted for through the higher degrees of Pan African deformation and metamorphism found in Ngamiland (e.g. the new age is a tectonically reset age rather than a magmatic age) and/or that the meta-basalts of Ngamiland represent subducted basaltic MAB-like oceanic crust that has been recycled as island-arc basalts.

a. Project Xaudum Magnetite BIF

The presence of the layered and massive magnetite banded ironstone formation associated with the Xaudum Magnetic Anomaly in the northern part of the area has been isolated and is intimately associated with deformed diamictites resembling glacial deposits. These rocks have been identified as being part of a **Rapitan-type** iron formation both in terms of age and lithology, and extend over some 40km in a north-south direction and are several kilometres wide.

During the 3rd quarter, new geochronological dates from zircons from the interbedded diamictites that have been intersected within the magnetite BIF sequence in the northern part of the licence areas were obtained. A neoproterozoic 206Pb/207 Pb weighted mean age of 743±62 Ma was obtained from detrital zircon grains. This age strongly suggests that the diamictites, which have been interpreted to be glacially in origin, are of the same age as the

'Grand Conglomerate' that exists in the Copper Belt in Zambia. The new dates confirm the previous suggestions by Tsodilo of a correlation between the mineralized Pan African rocks and basement in Ngamiland with those in the Central African Copper Belt and those in the MAB. Work with AEON is on-going to refine the geological models. Mineralization associated with these extensive magnetite bands, as measured with the Company's recently acquired hand-held XRF unit, are characterized by anomalous values of Ag, Au, Co, V and Ti. The Company has continued with its ground geophysical survey over this target in order to support the more detailed 'step out' drilling program which will start in the 4th Quarter of 2011.

b. Cu/Au Skarn deposit (IOCG)

The copper and gold showings of skarn-type targets, south-east of this banded magnetite iron deposit and central to the prospecting area, are associated with meta-basic rocks (garnet-epidote-scapolite-albite amphibolite) and indicate that the mineralization model here is likely to be associated with an **Iron Oxide Copper Gold** ore deposit ("**IOCG"**). Low-titanium magnetite associated with these units supports this interpretation. During the quarter the Company commenced with a detailed ground geophysical survey over this area, also referred to as the 'dogleg', C26 and C27 targets, The airborne geophysical data suggests that the sulphide-rich Matchless Amphibolite Belt ('MAB') traverses the Company's southern licences and south of the shale basin. Mineralisation is also associated with skarn deposits. These are related to massive magnetite, meta-basites, meta-mafic units and granofels in contact with carbonates and metasediments. Mineralization here is characterized by Cu, Ni, Ti, V, (Copper, Nickel, Titanium and Vanadium) and La (Lanthanum) and Ce (Cerium) both of which are rare earth elements (REE's). Elevated levels for Au (Gold) have also been recorded in some samples. The copper and gold showings associated with meta-basic rocks (garnet-epidote-scapolite-albite-amphibolite) suggest that the mineralization model of this part of Ngamiland could be associated with an Iron Oxide Copper Gold ore deposit ("IOCG"). Detailed drilling has commenced on these targets

c. Cu/Co Central Shale Belt

Between the BIF in the north and the skarn IOCG-type mineralization in the south-east, are north-eastward trending mineralized meta-sediments in what is referred to as the Central Shale Basin. These are identical to the host rocks of the Kalimbila Cu-Ni-Co deposit, which is part of the Copper Belt in western Zambia and north of Ngamiland. With the new geochronological dates the Company is presently applying it new Gocad software to develop a 3-D model of the stratigraphy in order to define drill targets. The Central Shale Basin to the north-east of the project area contains a meta-sedimentary sequence which geologically is very similar to the stratiform Cu-Co (Copper-Cobalt) province of the central African Copperbelt. Sediments are composed of black shales, meta-pelites, meta-arenites, dolomites, with interbedded evaporates. Most lithologies are mineralized with pyrite, pyrrhotite, and chalcopyrite.

The main activities during the 3rd Quarter were conducting ground geophysical surveys and diamond drilling. The former, to upgrade the geophysical dataset so to identify targets and accurately position drill localities for Phase 2 high priority drilling. During the 3st Quarter of 2011, 1,835 line-kilometers of ground magnetic data were collected. The data was leveled and interpreted by the Company's in-house geophysical unit. It represents a coverage of some 157 km^2 at 50 meter line spacing. This data was successfully used to position new drill holes on the often magnetic (due to the presence of pyrrhotite in the meta-sediments) conductive zones. The focus of the work during the quarter was on the Xaudum Magnetite BIF target and on the 'dogleg' and C27 in the skarn-rich area and these data will be used to outline the Phase-2 drilling program. Some of the targets in the Nxau Nxau kimberlite cluster were also covered during the quarter. The skarn target is a structurally complex area where several potential mineral trapsites have been identified.

In the 3rd Quarter, 2011, five diamond drill holes were completed to a cumulative depth of 2,285.5 meters whilst 1,218.1 meters of core were recovered (Table 3). Detailed logging is ongoing. Holes L9610/14, PL 394/3 and PL 395/1 were all on the eastern side of the Company's license area where the infrastructure is limited and access often difficult. The holes drilled in this quarter still form part of the Phase-1 drilling program mainly to establish the extent of the mineralized Central Shale Basin extending in a north-easterly direction over the Company's Prospecting Licenses to the east of the main license block. . The objective of the Phase-1 program was to cover the whole license area on a wide grid in order to identify mineralized target areas. During this program three different geological domains with different mineralization styles have been located and are listed above. These will now be covered with detailed ground geophysics and follow-up drilling during Phase-2 of the program.

Table 3. Holes drilled in 3nd Quarter 2011

Hole No	Drilled meters	Core meters	Main Lithologies
L9610/14	401.5	351.6	Dolomite and mineralised schists
PL 394/3	380.6	307.4	Amphibolite, Gneiss
PL 395/1	159.9	102.1	Granite
1822C50	425.6	38.3	Schist, Gneiss
1822C51	119.0	74.0	Schist, granite
Total	**2,285.5**	**1,218.1**	

Laboratory services for the assaying of core samples were obtained from ALS Minerals in Johannesburg, South Africa and core samples from 3 holes were submitted for assaying during the quarter. Many of these results relate to the BIF Magnetite BIF deposit and assay of over 50% Iron (Fe) were seen in several of the holes. In addition to the high values for (Fe), anomalous results for silver (Ag), up to 10 g/t, and gold (Au), up to 0.4 g/t, associated with this Rapitan-type iron stone deposit, were obtained.

3. Radioactive licenses

The Company was granted two prospecting permits for radioactive minerals through its wholly owned subsidiary Gcwihaba Resources (Pty) Ltd in northwest Botswana in 2010 and an additional six licenses in the 1st Quarter of 2011. The area under license covers some 6,925 km^2 (see Table 4). In general, the radioactive license areas overlap the Company's other diamond and metal licenses.

Table 4. Prospecting Licences held by Gcwihaba Resources (Radioactive Minerals)

PL numbers	Km^2	Commodity	Renewal dates mm/dd/yyyy	Stage	Company
PL 150/2010	719	Radioactive minerals	07/01/2013	Initial Grant	Gcwihaba
PL 151/2010	711	Radioactive minerals	07/01/2013	Initial Grant	Gcwihaba
PL 45-50/2011	5,495	Radioactive minerals	01/01/2014	Initial Grant	Gcwihaba
Total	**6,925**				

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. The exploration program in north-west Botswana (Ngamiland) started in 1977 and continued until 1980, and of particular interest are their findings of anomalous uranium within what they called the Khaudum and Chadum palaeo-drainages covered by their PL's 4/79, 5/79, 3/80, 4/80 and 5/80. High counts of uranium in both calcrete and water samples and anomalous counts of vanadium from the water samples were obtained. Up to 30 meter thick valley calcrete (the target calcrete) were 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 there is definitely uranium in the system as is evident by some very high uranium contents in the water samples" (Union Carbide Final report 1980 by DJ Jack).

Extended gravel deposits south of Lake Ngami are related to the weathering of old conglomerates of the Ghanzi-Chobe Supergroup and are unlikely associated with the post-Gondwana geomorphology.

The Company's strategy is two-fold, first to conduct a geomorphological study of the area using remote sensing techniques. This is to be linked to buried palaeo-channels of Tertiary age that have been identified by while interpreting the most recent government Airborne Magnetic data in the search for kimberlites on overlapping Newdico (Pty) Ltd. and Gcwihaba diamond prospecting licences. There is uncertainty as to the origin and flow direction of these channels and more detailed geomorphological studies has been scheduled to resolve this. Secondly, recent diamond drilling conducted by Gcwihaba (Pty) Ltd on overlapping base metal licences have returned anomalous uranium and vanadium assay results in some of the Proterozoic meta-sedimentary units underlying the Kalahari Group sediments. The recently obtained assay results from boreholes L9640/2 and 1822D12 are particular encouraging because of the presence of up to 90 and 40 ppm Uranium in parts of the core respectively. The link between these anomalous meta-sedimentary rocks and the surface uranium anomalies in the Kalahari calcretes is yet to be established. The assay requests for all holes sent for analysis to the ALS laboratory include Uranium.

4. **General**

Two research projects were started in July 2011 through Aeon at the University of Cape Town, one looking in detail at the mineralogy and stratigraphy of BIF Magnetite deposit and the other at geochemical correlation of different boreholes in order to establish the continuity of the various geological units.

In addition, the University of Barcelona through Professor Joan Carles Melgarejo, a renowned mineralogist, and Tsodilo have formulated a research project to further investigate the mineralogical composition of the ore minerals (sulfides, precious metals and rare earth minerals) in order to clearly understand the mineralogical phases that have so far been identified. Their first report concluded that most of the mineralization is found in quartz-sulfide-carbonate veins and disseminated in metapelites and schists and they identified chalcopyrite and native gold as potential economic ores. This first report, however, was limited to samples from only two boreholes (L9670/09 and 9680/11). In February 2011, after a site visit by Professor Melgarejo, 200 hundred mineralized samples were prepared and sent to Barcelona to further the research on the Tsodilo base metal mineralization model.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2011, the Company had a working capital deficiency of $1,773,507 (December 2010: $2,569,973), which included cash and equivalents $1,107,993, (December 2010: $2,728,695). 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 private placements and exercise of warrants for additional cash proceeds of $516,713, $150,979, and $148,728 in February 2011, June 8, 2011, and August 15, 2011 respectively, see discussion in Financing Activities below. The Company does not hedge its activities. 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 September 30, 2011, 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 there to as of September 30, 2011, are as follows:

Project Description	Required Expenditure	
	BWP	USD
Newdico	3,839,490	$582,835
Gcwihaba - Diamond	1,177,264	$178,709
Gcwihaba - Metals	5,051,380	$766,799
Gcwihaba - Radioactive Minerals	1,544,970	$234,526

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's warrants are classified as derivative liabilities and are recorded at their estimated fair value. The liability recognized at September 30, 2011 for the warrants is $2,976,047 (December 2010: $5,266,191). 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 increased from $255,269 for the period ended September 30, 2010 to $415,028 for the period ended September 30, 2011. The increase was due primarily to corporate remuneration, investor relations, legal and audit, filing fees,, office and administration expenses, and stock-based compensation which were greater in the period 2011 than in the period 2010.

ANNUAL INFORMATION
(As previously reported under Canadian GAAP)

(in US dollars)	Fiscal Year Dec.31 2010	Fiscal Year Dec.31 2009
Total Revenues		
Loss before Non-controlling Interest	(744,651)	(331,162)
Basic and diluted loss per share	($0.04)	($0.02)
Non-controlling Interest	6,489	(4,040)
Net Loss for the Year	(738,162)	(327,122)
Basic and diluted loss per share	($0.04)	($0.02)
Total Assets	11,590,721	5,885,208
Total long term liabilities	217,303	210,814
Cash dividends declared	--	--

QUARTERLY INFORMATION

As previously reported under Canadian GAAP (in US Dollars)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal Year 2010 (ended December 31, 2010)				**Fiscal Year 2010**
Total Revenues				
Loss for the period	(141,379)	(376,053)	(200,317)	(20,413)
Basic and diluted loss per share	($0.01)	($0.01)	($0.01)	($0.01)
Total Assets	6,529,383	11,275,851	11,214,102	11,590,721
Total long term liabilities	205,442	185,165	218,346	217,303

QUARTERLY INFORMATION
Under IFRS

(in US Dollars)	Quarter 1	Quarter 2	Quarter 3
Fiscal Year 2010 (Period ended September 30, 2010) Under IFRS			
Total Revenues			
Comprehensive Income (Loss) for the period	(5,425,797)	$ 968,877	$2,550,862
Basic and diluted Income (loss) per share	($0.29)	$0.05	$0.14
Total Assets	$5,967,143	$ 10,500,211	$ 11,109,568
Total long term liabilities	-0-	-0-	

QUARTERLY INFORMATION

Under IFRS in US Dollars)	Quarter 1	Quarter 2	Quarter 3
Fiscal Year 2011 (ended September 30, 2011)			
Total Revenues			
Comprehensive Income for the period	$ 937,594	$262,444	($1,169,022)
Basic and diluted loss per share	$0.05	$0.01	($0.02)
Total Assets	$11,454,205	$11,751,730	$11,066,456
Total long term liabilities	-0-	-0-	-0-

Investing Activities

Cash flow applied in investing activities increased to $1,861,884 for the period ended September 30, 2011 (2010: $1,320,070).

Total expenditures of $1,260,456 on exploration properties for the period ended September 30, 2011 were attributable to the Newdico and Gcwihaba projects in northwest Botswana. Included in this amount is the proportionate contributory share, ranging from 5.20% to 3.01% attributed to the Trans Hex Group for the Newdico project. There were no material disposals of capital assets or investments during the period.

In December 2010, the board of directors of Newdico approved an exploration program and budget for the period January 1 to December 31, 2011 that calls for expenditures totaling approximately Pula 9.8 million (approximately $1.45 million as of December 31, 2011). The 2011 budget envisions a macro-diamond sampling program and analysis for up to three different kimberlites. Trans Hex Group is presently responsible for funding 3% 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) 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.

During the period ended September 30 2011, the Company received gross proceeds in the amount of $816,420 from the exercise of Warrants related to private placements.

Private Placement Date	No. of Units	Price per Unit	Proceeds
None	--	--	--
Warrant Exercise Date	**No. of Shares**	**Price per Share**	**Proceeds**
February 26, 2011	728,061	C$0.70	$516,713
June 8, 2011	210,894	C$0.70	$150,979
August 15, 2011	201,519	C$0.70	$148,728

Tsodilo expects to raise the amounts required to fund its 97% 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 net income of $31,016 in the period ended September 30, 2011 ($0.05 cents per common share) compared to a net loss of ($1,906,057) in the period ended September 30, 2010 $0.10) cents per common share). The Company experienced an increase in remuneration, office and administration, stock based compensation and foreign exchange expenses reflecting general corporate activity. The increase in stock option expense reflects the amount of option grants. However, these increases were offset by the change in the value of the warrants, which resulted in a gain of $1,889,445 for the period ended September 30, 2011 as compared to a loss of $1,373,289 for the period ended September 30, 2010.

Cumulative exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to $8,754,347 as at September 30, 2011 compared to $7,493,891 as at December 31, 2010. Cumulative exploration expenditures incurred on the Newdico project as at September 30, 2011 was $6,534,948 compared to $6,057,490 as at December 31, 2010. 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. Cumulative exploration expenditures incurred on the Gcwihaba project as at September 30, 2011 were $2,219,400 compared to $1,436,401 as at December 31, 2010.

PERSONNEL

At September 30, 2011, the Company and its subsidiaries employed thirty (30) individuals compared to twenty-six (26) at September 30, 2010, including senior officers, administrative and operations personnel including those on a short-term service basis.

THIRD QUARTER - 2011

The third quarter was a normal operating period for a quarter. Operating expenses were at normal levels for the third quarter of 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.

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 Pronouncements

Transition to International Financial Reporting Standards ("IFRS")

On January 1, 2011, the Canadian Accounting Standards Board replaced Canadian GAAP with IFRS for publicly accountable enterprises, with a transition date of January 1, 2010. IFRS represents standards and interpretations approved by the IASB and are comprised of IFRSs, IASs, and interpretations issued by IFRICs or the former SICs.

As previously discussed in the Company's MD&A for the year ended December 31, 2010, the Company's two operating subsidiaries previously prepared audited financial statements in accordance with IFRS. Accordingly, the Company's transition plan was primarily focused on transition issues relating to the consolidation of the Company's operating subsidiaries, and on accounting issues at the parent company level. The plan consisted of three main phases, as follows:

- Scoping and Diagnostic Phase: An initial general diagnostic of its accounting policies and Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standard under IFRS was completed in 2010.
- Impact, Analysis, Evaluation and Design Phase: In this phase, each area identified during the scoping phase was addressed to determine the specific changes required to existing policies and to identify new policies under IFRS. This phase has now been completed.
- Implementation and Review Phase: This phase includes the execution of any changes to business processes and completion of formal documents analyzing the transition to IFRS. This phase, which includes the maintenance of sustainable IFRS compliant data and processes for fiscal 2011 and beyond, will be carried out throughout 2011. Management does not anticipate any significant issues with completing this phase of its transition plan.

The IASB continues to amend and add to its current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's first IFRS consolidated financial statements for the year ended December 31, 2011 may differ from the significant accounting policies used in the preparation of the Company's interim condensed consolidated financial statements as at and for the nine months ended September 30, 2011. The Company has prepared its September 30, 2011 interim consolidated financial statements in accordance with International Financial Reporting Standards, with an effective transition date of January 1, 2010, including IFRS 1, *"First-time adoption of International Financial Reporting Standards"* and IAS 34, *Interim Financial Reporting*.

The Company's IFRS accounting policies are disclosed in Note 2 to the interim condensed consolidated financial statements. Reconciliation between the Company's financial statements as previously reported under Canadian GAAP and current reporting under IFRS is detailed in Note 13 of the interim condensed consolidated financial statements.

The following is an overview of the impacts to the Company's financial results due to the transition to IFRS.

IFRS Adjustments

Adjustment 1 - IFRS 2 Stock Based Compensation Expenses

The Company issues share-based compensation in the form of stock options that vest evenly (semi-annually) over a two year period. Under Canadian GAAP, the Company recognized the fair value of the compensation expenses, determined at the time of the grant, on a straight-line basis over the two year vesting period. Under IFRS 2 Share Based Payments, the fair value of each tranche of the award is considered to be a separate grant, based on its vested period. The fair value of each tranche is determined separately and recognized as compensation expense over the term of this respective vesting period. Accordingly, compensation expense under IFRS was recognized at more accelerated rates than under Canadian GAAP.

The Company computed all non-vested stock options at January 1, 2010 on a graded basis separating tranches for amortization over respective vesting periods. Stock option forfeitures were also estimated on a historical basis. The Black Scholes valuation method was used to prepare the valuations, calculations and details for disclosure for Stock Option expense and comparative stock option expense estimated for prior year comparisons. As a result, Stock Option Reserves were increased by $29,629 as at January 1, 2010 and $261,482 as at December 31, 2010. Of these amounts, $4,986 and $133,144 were capitalized as salaries to exploration and evaluation cost as at January 1, 2010 and December 31, 2010 respectively.

The adjustment to Canadian GAAP September 30, 2010 resulted from a reclassification of Stock Based Compensation expense that was capitalized to exploration properties in December 31, 2010 and a portion was prorated to the September 30, 2010 period.

Adjustment 2 – IAS 21 Foreign Exchange

The Company's subsidiaries (Gcwihaba and Newdico) operate in a functional currency in Botswana Pula. Under Canadian GAAP the subsidiaries were considered integrated operations for foreign exchange considerations and calculations. Under IFRS, since there is no integrated operation option and because of the difference in functional currency between these subsidies and the Company's U.S. Dollars, IFRS provides guidance on presenting the foreign operations in the presentation currency. Non-monetary assets and liabilities are translated at year-end exchange rates and income and expenses are translated at the rates at which they have been incurred. This differs from previous GAAP reporting which required non-monetary assets to be translated at the historical exchange rate in effect when the assets were acquired.

For December 31, 2009, ($124,899) was the decrease adjustment to Plant, Property and Equipment, and ($447,538) was the decrease adjustment to Exploration and evaluation cost. For December 31, 2010, ($82,254) was the cumulative decrease adjustment to Plant, Property and Equipment, ($159,633) was the decrease adjustment to Exploration and Evaluation Cost, and ($1,994) was the decrease adjustment to Accounts Payable.

Adjustment 3 – IAS 32 Warrants Denominated in Non-functional Currency

The Warrants issued by the Company provide the right to purchase stock in Canadian dollars. Since the Company's functional currency is the U.S. dollar, IFRS requires that the warrants be accounted for as derivative liabilities. As a result, the Company has reclassified its Warrants from Equity to liabilities and will account for warrants as derivative liabilities with changes in fair value being recognized in profit or loss.

At inception January 1, 2010 the value of the warrants increased by $1,745,547 resulting in corresponding charge to deficit.

The adjustment to Canadian GAAP September 30, 2010 resulted from the valuation of warrants a portion of which was allocated to Common shares at December 31, 2010 and a portion was prorated to the period September 30, 2010.

Adjustment 4 – Non-Controlling Interest Reclassification into Equity

The Company reclassified its non-controlling interest at January 1, 2010 and December 31, 2010 to equity.

Canadian GAAP Adjustments

During the preparation of the interim condensed consolidated financial statements, the Company identified the following Canadian GAAP adjustments that were required to be recorded:

a) In estimating the value of the warrants issued in June 2010, the Company used an incorrect input in its Black Scholes valuation model. As a result of this error, the amount initially allocated to the value was overstated by $744,318. Accordingly, an adjustment has been made in the reconciliation to reduce the amount initially assigned to the warrants by $744,318 and to increase share capital by a corresponding amount. Legal expenses associated with this issuance was adjusted for $34,003.
b) Previously, the Company expensed $191,065 in stock based compensation relating to the nine month period ended September 30, 2010 that should have been capitalized. Accordingly, the Company has made an adjustment so that this stock based compensation is properly capitalized.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

IFRS 7, *Financial Instruments – Disclosure*, was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual period beginning on or after July 1, 2011. The Company is currently evaluating the impact of this amendment.

IFRS 9 *Financial Instruments,* issued in 2009, will replace IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is evaluating the impact of IFRS 9.

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non Monetary Contributions By Venturers.* IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. IFRS 11 improves on IAS 31 by requiring a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations from the arrangement. The Company does not expect IFRS 11 to have a significant impact on its consolidated financial statements.

RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010, 2009 and 2008, the Company incurred leave benefits (2010: $33,293 2009: $19,024, 2008: $19,024) payable to an officer and director of the Company amounting to $71,341. In June 2010, the Company paid the officer and director of the Company $59,451 leaving a payable to an officer and director of the Company amounting to $11,890. In addition at December 31, 2010, the Company had salary payable to the officer and director of $5,531, which was paid during 2011.

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"

James M. Bruchs
Chairman and Chief Executive Officer
November 23, 2011

"s"

Gary A. Bojes
Chief Financial Officer
November 23, 2011

TSODILO RESOURCES LIMITED

INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIOD
ENDED SEPTEMBER 30, 2011

(expressed in United States dollars)

Unaudited – Prepared by Management

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34) using accounting policies consistent 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 are the Company's third interim condensed consolidated financial statements prepared in accordance with IAS 34. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

These interim condensed consolidated financial statements have been authorized for release by the Company's Board of Directors on November 23, 2011.

CONTENTS:

Management's Responsibility for Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Tsodilo Resources Limited, ("Tsodilo" or the "Company") of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed unaudited interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

DATED this 23rd day of November, 2011.

TSODILO RESOURCES LIMITED

"s"	"s"
James M. Bruchs Chairman and Chief Executive Officer November 23, 2011	Gary A. Bojes Chief Financial Officer November 23, 2011

Tsodilo Resources Limited

Interim Condensed Consolidated Statement of Financial Position
(Unaudited - in United States dollars)

	September 30 2011	December 31 2010 (Note 13)	January 1 2010 (Note 13)
ASSETS			
Current			
Cash	**$ 1,107,993**	**$ 2,728,695**	**$ 108,341**
Accounts receivable and prepaid expenses	**114,174**	**65,171**	**67,640**
	1,222,167	**2,793,866**	**175,981**
Exploration and Evaluation Assets *(note 3)*	**8,754,347**	**7,493,891**	**4,919,093**
Property, Plant and Equipment *(note 4)*	**1,089,942**	**323,416**	**222,683**
Deposit on Equipment *(note 4)*	**--**	**870,805**	**--**
	11,066,456	**$ 11,481,978**	**$ 5,317,757**
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$19,627**	**$97,448**	**$73,051**
Warrants *(note 5b)*	**2,976,047**	**5,266,191**	**2,598,156**
Total Liabilities	**2,995,674**	**5,363,639**	**2,671,207**
SHAREHOLDERS' EQUITY			
Share Capital *(note 5a)*	**33,221,778**	**32,038,044**	**29,646,445**
Stock Option Reserves *(note 5c)*	**8,621,899**	**7,884,206**	**6,915,917**
Foreign Currency Reserves	**(689,410)**	**318,924**	**-**
Deficit	**(33,296,750)**	**(34,373,199)**	**(34,150,053)**
Equity attributable to Owners of the Parent	**7,857,517**	**5,867,975**	**2,412,309**
Non-controlling Interest *(note 3)*	**213,265**	**250,364**	**234,241**
Total Equity	**8,070,782**	**6,118,339**	**2,646,550**
Total Liabilities and Equity	**$ 11,066,456**	**$ 11,481,978**	**$5,317,757**

Commitments *(note 10)*
Subsequent events *(note 12)*

See accompanying notes to the interim condensed consolidated financial statements

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"s"
David J. Cushing
Chairman, of the Audit Committee

"s"
James M. Bruchs
Chairman

Tsodilo Resources Limited
Interim Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited - in United States dollars)

	Three Months Ended		Nine Months Ended	
	September 2011	September 2010 (Note 13)	**September 2011**	September 2010 (Note 13)
Operating Expenses				
Corporate remuneration	**$ 45,022**	$ 34,252	**$ 133,223**	$ 46,142
Corporate travel and subsistence	**12,315**	1,508	**14,738**	2,495
Investor relations	**4,221**	(942)	**13,411**	7,750
Legal and audit	**42,515**	5,780	**53,907**	12,990
Filings and regulatory fees	**5,238**	6,776	**25,944**	17,509
Office and administration	**42,962**	50,704	**128,282**	109,511
Amortization	**1,511**	23	**3,335**	1,380
Foreign Exchange				6,087
Stock-based compensation (note 5c)	**127,116**	64,319	**394,633**	387,504
	$ 280,900	$ 162,420	**$ 767,473**	$ 591.368
Other Income (Expense)				
Unrealized gain (loss) on warrants (Note 5b)	**(131,966)**	2,251,763	**1,889,445**	(1,373,289)
Warrant Issue Cost	**--**	--	**--**	(52,785)
Foreign exchange (loss)	**(44,787)**	(26,497)	**(45,523)**	--
	(176,753)	2,225,266	**1,843,922**	(1.426.074)
Net Income (Loss) for period	**(457,653)**	2,062,846	**1,076,449**	(2.017.442)
Other Comprehensive Income (Loss)				
Foreign currency translation	**(711,369)**	488,017	**(1,045,433)**	111,385
Total Other Comprehensive Income (Loss)	**(711,369)**	488,017	**(1,045,433)**	111,385
Total Comprehensive Income (Loss) for the period	**$(1,169,022)**	$ 2,550,863	**$ 31,016**	$ (1.906.057)
Net Income (Loss) attributable to shareholders of the parent	**(457,653)**	2,062,846	**1,076,449**	(2,017,442)
Non-controlling interest	**--**	--	**-**	
	(457,653)	2,061,846	**1,076,449**	(2,017,442)
Total Comprehensive Income (Loss) attributable to owners of the parent	**(1,169,022)**	2,512,312	**68,115**	(1,923,945)
Non-controlling Interest	**--**	38,551	**(37,099)**	17,889
	$(1,169,022)	$ 2,550,863	**$ 31,016**	$ (1,906,057)
Basic income (loss) per share attributable to owners of the parent (note 6)	**$(0.02)**	$0.10	**$0.05**	($0.10)
Fully diluted income (loss) per share attributable to the owners of the parent (note 6)	**$(0.02)**	$0.13	**$0.04**	($0.09)
Basic comprehensive income (loss) per share attributable to the owners of the parent (note 6)	**$(0.01)**	$0.13	**$0.00**	($0.10)
Fully diluted comprehensive income per share attributable to the owners of the parent (note 6)	**$(0.01)**	$0.11	**$0.00**	($0.08)

See accompanying notes to the interim condensed consolidated financial statements

Tsodilo Resources Limited

Interim Condensed Consolidated Statements of Shareholders' Equity

(Unaudited - in United States dollars except for shares)

	Share Capital		Stock Option Reserve	Foreign Currency Reserve	Deficit	Total attributable to equity holder of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount						
Balance January 1, 2011	22,647,340	$32,038,044	$7,884,206	$318,924	$(34,373,199)	$5,867,975	$250,364	$6,118,339
Exercise of warrants	1,140,474	1,183,734	--	--	--	1,183,734	--	1,183,734
Stock Based Compensation	--	--	737,693	--	--	737,693	--	737,693
Comprehensive Income for period	--	--	--	(1,008,334)	1,076,449	68,115	(37,099)	31,016
Balance September 30, 2011	23,787,814	$33,221,778	$8,621,899	$ (689,410)	$(33,296750)	$7,857,517	$213,265	$8,070,782

	Share Capital		Stock Option Reserve	Foreign Currency Reserve	Deficit	Total attributable to equity holder of the parent	Non-Controlling Interest	Total Equity
Balance, January 1, 2010	18,787,457	$29,646,445	$6,915,917	-	$(34,150,053)	$2,412,309	$234,241	$2,646,550
Private Placement	3,167,947	1,178,808				1,178,808		1,178,808
Exercise Warrants	457,901	995,872				995,872		995,872
Stock Based Compensation			802,849			802,849		802,849
Comprehensive Income for period				93,497	(2,017,441)	(1,923,944)	17,889	(1,906,055)
Balance September 30, 2010	22,413,305	$31,821,125	$7,718,766	$ 93,497	$(36,167,494)	$3,465,894	$252,130	$ 3.718,024

See accompanying notes to the interim condensed consolidated financial statements.

Tsodilo Resources Limited

Interim Condensed Consolidated Statements of Shareholders' Equity

(Unaudited - in United States dollars except for shares)

	Share Capital		Stock Option Reserve	Foreign Currency Reserve	Deficit	Total attributable to equity holder of the parent	NCI	Total
	Shares	**Dollars**						
Balance January 1, 2010	**18,787,457**	**29,646,445**	**6,915,917**	**-**	**(34,150,053)**	**2,412,309**	**234,241**	**2,646,550**
Private Placement	**3,859,883**	**1,178,808**	--	--	--	**1,178,808**	--	**1,178,808**
Exercised Warrants		**1,212,791**	--	--	--	**1,212,791**	--	**1,212,791**
Stock Based Compensation	**--**	**--**	**968,289**	**--**	**--**	**968,289**	--	**968,289**
Comprehensive Income (loss)	**--**	**--**	**--**	**318,924**	**(223,146)**	**95,778**	**16,123**	**111,901**
Balance December 31, 2010	**22,647,340**	**32,038,044**	**7,884,206**	**318,924**	**(34,373,199)**	**5,867,975**	**250,364**	**$6,118,339**

See accompanying notes to the interim condensed consolidated financial statements.

Tsodilo Resources Limited
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited - in United States dollars)

	Nine Months Ended September 30	
	2011	2010
Cash provided by (used in):		
Operating Activities		
Net Income (Loss) for the period	**$ 1,076,449**	$ (2,017,443)
Adjustments for non-cash items:		
Unrealized (gain) loss on warrants	**(1,889,445)**	1,373,290
Amortization	**3,335**	1,380
Foreign Exchange and Other	**--**	--
Stock-based compensation	**394,633**	387,504
	(415,028)	(255,269)
Net change in non-cash working capital balances *(note 11)*	**(126,823)**	(36,458)
	(541,851)	(291,727)
Investing Activities		
Additions to exploration properties	**(1,626,117)**	(1,201,682)
Additions to property, plant and equipment	**(235,768)**	(118,388)
	(1,861,884)	(1,320,070)
Financing Activities		
Shares and warrants issued for cash, net of cost	**783,034**	5,533,645
Contribution from Non-Controlling Interest	**--**	--
	783,034	5,533,645
Change in cash - For the period	**(1,620,702)**	3,921,848
Cash - beginning of period	**2,728,695**	108,341
Cash - end of period	**$ 1,107,993**	$ 4,030,189

See accompanying notes to the interim condensed 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, 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. 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 (TSXV) under the symbol TSD.

These 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. Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash (as well as no debt obligations outside of normal course accounts payable and accrued liabilities) to continue operating at current levels for the ensuing twelve months. Accordingly, these financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the interim condensed consolidated statement of operations or comprehensive income, and condensed consolidated statement of financial position classifications that would be necessary were the going concern assumption not appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) ***Statement of Compliance and conversion to International Financial Reporting Standards***

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34) using accounting policies consistent 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 are the Company's third interim condensed consolidated financial statements prepared in accordance with IAS 34. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

These interim condensed consolidated financial statements have been authorized for release by the Company's Board of Directors on November 23, 2011.

(b) ***<u>Basis of Preparation</u>***

These interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss which are stated at their fair value. These interim condensed consolidated financial statements are presented in United Stated dollars and include the accounts of the Company and the following direct and indirect subsidiaries:

	2011	2010
Tsodilo Resources Bermuda Limited (Bermuda)	100%	100%
Gcwihaba Resources (Pty) Ltd ("Gcwihaba") (Botswana]	100%	100%
Bosoto (PTY) Ltd. (Botswana]	100%	100%
Newdico (Proprietary) Limited ("Newdico") (Botswana]	97%	96%

All intercompany transactions have been eliminated on consolidation

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these interim condensed consolidated financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending December 31, 2011.

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statement prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all period presented. They also have been applied in preparation of an opening IFRS statement of financial position as at January 1, 2010 (the "Transition Date"), as required by IFRS 1 *First Time Adoptions of International Financial Reporting Standards* ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in note 13.

(c) ***<u>Significant Accounting Judgments, Estimates and Assumptions</u>***

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of polices and reporting amounts and 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 exploration and evaluation assets, property, plant and equipment, and share-based compensation. Depreciation and depletion of exploration and evaluation assets and property, plant and equipment assets are dependent upon estimates of useful lives and resource estimates, both of which are determined with the exercise of judgment. The assessment of any impairment of exploration and evaluation assets or property, plant and equipment upon the estimates of fair value that take into account factors such as resources, economic and market conditions, and the useful lives of assets. Share-based compensation expense is calculated using the Black-Scholes valuation model which requires significant judgment as to considerations such as stock option lives and stock volatility. Warrant liability is also calculated using the Black-Scholes valuation model which requires significant judgment as to the considerations such as warrant lives and stock volatility.

(d) ***Earnings (Loss) per Common Share***

Earnings (loss) per share calculations are based on the net income attributable to common shareholders for the period divided by the weighted average number of common shares issued and outstanding during the period.

Diluted earnings per share calculations are based on the net income attributable to common shareholders for the period divided by the weighted average number of common shares outstanding during the period 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 period (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 period. The incremental number of common shares that would be issued is included in the calculation of diluted earnings per share.

Diluted earnings per share calculations are based on the net loss attributable to common shareholders for the period divided by the weighted average number of common shares issued and outstanding during the period.

(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 evaluations 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 proven and probable reserves.

Ownership of exploration and evaluation assets involves certain inherent risks, including geological, metal 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 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 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.

(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	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 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 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.

(h) Foreign Currency Translation

(i) Functional and presentation currency

The Company's functional and presentation currency is the United States dollar. The functional currency of the Company's subsidiaries is as follows:

Tsodilo Resources Bermuda Limited	U.S. Dollar
Gcwihaba	Botswana Pula
Newdico	Botswana Pula
Bosoto	Botswana Pula

Each subsidiary and the Company's parent entity determines its own functional currency and items included in the financial statements of each subsidiary 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 balance sheet date.

(iii) Translation of foreign operations

As at the reporting date the assets and liabilities of Gcwihaba, Newdico and Bosoto are translated into the presentation currency of the Company at the rate of exchange prevailing at the balance sheet date and its income statements are translated at the exchange rate at the date of the transactions. The exchange differences arising on the translation are taken to the foreign currency reserve. On consolidation, exchange differences arising from the translation of the net investments in Gcwihaba, Newdico and Bosoto are taken to the foreign currency reserve.

If Gcwihaba, Newdico and Bosoto were sold, the exchange differences would be transferred out of equity and recognized in the Statement of Operations and Comprehensive Income (Loss).

(i) Income Taxes

Current taxes are the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rate enacted or substantively enacted at the balance sheet 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 balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting, nor taxable profit or loss.

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

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

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

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

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

(k) ***<u>Decommissioning, restoration and similar liabilities (Asset Retirement Obligation or "ARO")</u>***

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in a period in which the obligation is incurred. The nature of these restorations activates include dismantling and removing structures, rehabilitating mines and tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affect areas.

The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of Botswana where the potential mines would operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The present value of decommissioning and site restoration costs are recorded as a long-term liability. The provision is discounted using a normal, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. In subsequent periods, the carrying amount of the liability is accreted by a change to the statement of operations to reflect the passage of time and the liability is accreted by a charge to the statement of operations to reflect the passage of time and the liability is adjusted to reflect any change in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long term asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, a provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the statement of operations. The Company had no asset retirement obligations as of September 30, 2011, December 31, 2010 and January 1, 2010.

(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 September 30, 2011, December 31, 2010 and January 1, 2010, 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) <u>Related Party transactions</u>

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. 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 not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Accounting standards effective January 1, 2012

<u>Financial instruments disclosure</u>

In October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for the annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate the amendment to have a significant impact on its condensed consolidated financial statements.

<u>Income Taxes</u>

In December 2010, the IASB issued an amendment to IAS 12 – *Income taxes* that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated financial statements.

Accounting standards anticipated to be effective January 1, 2013

Joint ventures

The IASB issued IFRS 11 – Joint Arrangements on May 12, 2011. IFRS 11 eliminates the Company's choice to proportionately consolidate jointly controlled entities and requires such entities to be accounted for using the equity methods and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity caries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The Company does not anticipate this amendment will have a significant impact on its condensed consolidated financial statements.

Consolidation

On September 20, 2010 the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standard on consolidations, IAS 27 – Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard's expected to have on its condensed consolidated financial statements.

Financial Instruments

IFRS 9, Financial Instruments: Classification Measurement, effect for annual periods beginning on or after January 1, 2012, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013 and has not yet considered the potential impact of the adoption of IFRS 9.

Fair value measurement

IFRS 13, Fair Value Measurement: effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, sets out in a single IFRS a framework for measuring fair value and new required disclosures about fair value measurements. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 13.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are summarized as follows:

	Newdico Botswana	**Gcwihaba Botswana**	**Total**
Balance at January 1,2010	**$ 4,259,345**	**$ 659,748**	**$ 4,919,093**
Additions	1,543,854	724,096	2,267,950
Net Exchange Differences	254,291	52,557	306,848
Balance at December 31, 2010	**$6,057,490**	**1,436,401**	**$7,493,891**
Additions	918,815	892,208	1,811,023
Net Exchange Differences	(441,358)	(109,209)	(550,567)
Balance at September 30, 2011	**$6,534,947**	**$2,219,400**	**$8,754,347**

The Company's significant exploration and evaluation assets are summarized 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 additional two year periods upon application and which have a final expiry of June 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 determined to be non-prospective for an economic kimberlite discovery. In June 2010, Newdico relinquished approximately 5,463 of the then outstanding 9,402 square kilometers under license. 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 3,949 square kilometers were renewed for a two-year period and expire in June 2012. The terms of the licenses require Newdico to spend a minimum of Botswana Pula 3,640,378 (US$ 526,166 as at July 1, 2010), inclusive of license fees, from the date of grant (July 1, 2010) to June 30, 2012.

Originally, as a result of an agreement completed on March 31, 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 97% at September 30, 2011 (December 31, 2010 - 96%, and January 1, 2010 - 95%).

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

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

Diamond Exploration

Gcwihaba holds six (6) precious stone – diamond prospecting licenses in the Ngamiland District of north-west Botswana covering 3,728 square kilometers as at September 30, 2010. The Company acquired the various licenses in 2007, 2008 and 2009. In April 2010, the Company relinquished PL 062/2007 in its entirety and PL's 048 and 050/2008 were relinquished in their entirety in December 2010. PL's 046, 047 and 049/2008 were reduced in part in December 31, 2010. The licenses relinquished were evaluated and determined 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 terms of the licenses require Gcwihaba to spend a minimum of Botswana Pula 1,177,264 (US$ 176,236), inclusive of license fees from the date of grant to the date of expiry which occurs on either December 31, 2012 (PL's 046, 047 and 049/2008 or June 30, 2012 in the case of Pl's 041, 042 and 043/2009.

Metal Exploration

Gcwihaba holds eighteen metal (18) (base, precious, platinum group, and rare earth) prospecting licenses in the Ngamiland District of northwest Botswana covering 12,118 square kilometers. The Company acquired the various licenses in 2005, 2008 and 2009. 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. 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 terms of the licenses require Gcwihaba to spend a minimum of Botswana Pula 5,051,380 (US$ 756,192), inclusive of license fees from the date of grant to date of expiry which occur on September 30, 2011 and 2012 and June 30, 2012. Initial license grants that expired in September 2011 were submitted for renewal.

Radioactive Minerals

As at September 30, 2011, Gcwihaba holds eight (8) radioactive mineral licenses in the Ngamiland District of northwest Botswana covering 6,925 square kilometers. The Company acquired two (2) of the licenses in July 2010 and a further six (6) in January 2011. The terms of the licenses require Gcwihaba to spend a minimum of Botswana Pula 1,543,875 (US$ 238,649) inclusive of license fees from the date of initial grant to date of first expiry which occurs on either on June 30, 2013 and December 31, 2013.

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 AND DEPOSITS ON EQUIPMENT

Property, Plant, and Equipment

Cost	Vehicles	Furniture and Equipment	Total
As at January 1, 2010	743,479	113,706	857,185
Additions	166,543	93,870	260,413
Net Exchange Difference	28,674	23,099	51,773
As at December 31, 2010	938,696	230,675	1,169,371

	Vehicles	Furniture and Equipment	Total
As at December 31, 2010	938,696	230,675	1,169,371
Additions	1,083,831	19,406	1,103,237
Net Exchange Difference	(202,967)	(20,552)	(223,519)
As at September 30, 2011	$1,819,560	229,529	2,049,089

Accumulated Depreciation

	Vehicles	Furniture and Equipment	Total
As at January 1, 2010	$544,307	90,195	634,502
Depreciation	158,578	29,291	187,869
Net Exchange Difference	20,994	2,590	23,584
As at December 31, 2010	$723,879	122,076	845,955

	Vehicles	Furniture and Equipment	Total
As at December 31, 2010	$723,879	122,076	845,955
Depreciation	172,003	31,644	203,647
Net Exchange Difference	(81,196)	(9,259)	(90,455)
As at September 30, 2011	$814,686	144,461	959,147

Net book value

As at January 1, 2010	199,172	23,511	222,683
As at December 31, 2010	214,817	108,599	323,416
As at September 30, 2011	1,004,874	85,068	1,089,942

Deposits on Equipment

As at January 1, 2010	-
Additions	870,805
Net exchange difference	-
As at December 31, 2010	870,805
As at December 31, 2010	870,805
Transfer to Property, Plant & Equipment	(870,805)
As at September 30, 2011	-0-

For the nine months ended September 30, 2011, an amount of $200,312 and for the year ended December 31 2010, an amount of$178,317 relating to amortization has been capitalized under exploration properties.

The Company had purchased $870,805 of drilling equipment being custom designed during 2010. The Company took possession of the equipment during the second quarter, 2011.

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 (December 31, 2010 – unlimited; January 1, 2010 – unlimited).

Issued and outstanding: 23,787,814 Common Shares (December 31, 2010 - 22,647,340 Common Shares; January 1, 2010 - 18,787,457 Common Shares)

a) During the Nine months ended September 30, 2011:

(i) On February 26, 2011, 728,061 warrants were exercised at a price of C$0.70 for proceeds to the Company of $516,713 (C$509,643). The fair value of the warrant liability associated with the exercised warrants was reclassified to share capital was $249,954.

(ii) On June 8, 2011, 210,894 warrants were exercised at a price of C$0.70 for proceeds to the Company of $150,979 (C$147,626). The fair value of the warrant liability associated with the exercise warrants was reclassified to share capital was $58,223.

(iii) On August 15, 2011, 201,519 warrants were exercised at a price of C$0.70 for proceeds to the Company of $148,728 (C$141,063). The fair value of the warrant liability associated with the exercise warrants was reclassified to share capital was $59,245.

b) During the year ended December 31, 2010:

(i) 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 entitles the holder to purchase one common share of the Company at a price of C$1.00 until January 22, 2012. The amount of proceeds allocated to the common shares and warrants was $72,882 and $379,062, respectively. Transaction costs of $3,156 were allocated to the shares.

(ii) On March 1, 2010, 457,901 warrants were exercised at a price of C$0.70 for proceeds to the Company of $304,896 (C$320,531). The fair value of the warrant liability associated with these exercised warrants that was reclassified to share capital was $690,990.

(iii) On June 29, 2010, the Company issued through a non-brokered private placement, 2,701,702 units of the Company at a price of $1.79 (C$1.85) per unit for gross proceeds to the Company of $4,832,360. Each unit consists of one common share of the Company and one warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company at a price of C$2.17 until January 22, 2015. The amount of proceeds allocated to the common shares and warrants was $1,127,480 and $3,704,880, respectively. Transaction costs of $71,202 were incurred and $18,398 was allocated to the shares and $52,804 was allocated to the warrant. Because the warrants are a FVTPL liability, the transaction costs allocated to the warrants were expensed.

(iv) On November 19, 2010, 234,035 warrants were exercised at a price of C$0.70 for proceeds to the Company of $163,497 (C$114,448). The fair value of the warrant liability associated with these exercised warrants that was reclassified to share capital was $53,408.

(b) Warrants
As at September 30, 2011, the following warrants were outstanding:

		Number of Warrants - Units				
Expiry	Exercise Price	December 31, 2010	Issued	Exercised	Expired	September 30, 2011
February 26, 2011	C$0.70	728,061	--	(728,061)	--	--
June 7, 2011	C$0.70	331,386	--	(210,894)	(120,492)	--
August 4, 2011	C$0.70	201,519	--	(201,519)	--	--
December 22, 2011	C$0.55	2,102,758	--	--	--	2,102,758
January 20, 2012	C$1.00	465,245	--	--	--	465,245
June 29, 2015	C$2.17	2,702,702	--	--	--	2,702,702
		6,531,671	--	(1,140,474)	(120,492)	5,270,705

On February 26, 2011 728,061 warrants were exercised.

On June 7 2011, 210,894 warrants were exercised at a price of C$0.70 for proceeds to the Company of $150,947. Also 120,492 warrants expired unexercised.

On August 15, 2011, 201,519 warrants were exercised at a price of C$0.70 for proceeds to the Company of $148,728.

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 nine months ended September 30 2011 the Company recorded a mark to market gain of $1,889,445 [September 30, 2010 – loss of ($1,373,289)] on the revaluation of warrants. As at September 30, 2011, the outstanding warrants have a fair value of $2,976,047 (December 31, 2010 - $5,266,191; January 1, 2010 - $ 2,598,156) which is determined using the Black-Scholes Option Pricing Model with an expected volatility ranging from 42.1% to 154.2%, expected life of 0.12 to 3.75 years at a risk free rate ranging from 0.88% to 1.82%.

(c) Stock Option Plan
The Company has a stock option plan providing for the issuance of options that cannot exceed 3,942,120 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 over an eighteen month period, beginning with the date of issuance and every six months thereafter, and expire in five years from the date of grant as determined by the Board of Directors.

The following Table summarized the Company's stock option plan as at September 30, 2011:

	Number of Shares	Weighted average exercise price (C$)
Outstanding as at January 1, 2010	2,195,000	C$0.81
Granted	740,000	C$1.90
Exercised	(210,000)	C$1.39
Forfeited	--	
Expired	--	
Outstanding as at December 31, 2010	2,725,000	C$0.86
Granted	710,000	C$1.15
Expired	(215,000)	C$.0.83
Cancelled	(350,000)	C$0.98
Outstanding as at September 30, 2011	2,870,000	C$1.11

During the nine months ended September 30, 2011 there were a total of 215,000 options that expired with a weighted average price of C$0.83 and 350,000 options that were cancelled with a weighted average price of C$0.98

On January 3, 2011, the Company issued 310,000 options at C$1.25 under its Stock Option Plan to persons who are officers and employees of the Company.

On January 3, 2011, 50,000 stock options at C$1.25 expired.

On April 17, 2011, the Company issued 300,000 options at C$1.03 under its Stock Option Plan to persons who are officers and employees of the Company.

On April 24, 2011, 100,000 stock options at C$0.70 expired.

On July 25, 2011, the Company issued 100,000 options at C$1.19 under its Stock Option Plan to persons who are officers and employees of the Company.

On August 15, 2011, 65,000 options at a price of C$0.70 expired.

The following table summarizes the stock option compensation expense and capitalized stock compensation for the nine months ended September 30, 2011 and 2010.

	2011	2010
Stock-based compensation expense	$ 394,633	$ 387,504
Capitalized Stock-based compensation expense	343,060	415,345
	$ 737,693	$802,849

The following assumptions were used in the Black Scholes option pricing model to fair value of the stock options granted during the nine months ended September 30, 2011 and 2010:

	2011	2010
Expected life	3.8 years	5.0 years
Expected volatility	166.9%	120.0%
Expected dividend yield	0%	0%
Weighted average risk free rate	1.41%	2.4%
Weighted average fair value of option	1.11	1.52

The following table summarizes stock options outstanding as at September 30, 2011:

	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$0.55	100,000	C$0.55	3.08	100,000	C$0.55	3.08
C$0.70	995,000	C$0.70	1.94	995,000	C$0.70	1.94
C$0.80	350,000	C$0.80	0.61	350,000	C$0.80	0.61
C$1.00	215,000	C$1.00	2.23	215,000	C$1.00	2.23
C$1.03	300,000	C$1.03	4.55	75,000	C$1.03	4.55
C$1.19	100,000	C$1.19	4.82	25,000	C$1.19	4.82
C$1.25	310,000	C$1.25	4.26	155,000	C$1.25	4.26
C$2.23	500,000	C$2.23	3.59	375,000	C$2.23	3.59
	2,870,000	C$1.11	2.75	2,290,000	C$1.04	2.36

6. EARNINGS (LOSS) PER SHARE

Net earnings per share were calculated based on the following:

Nine months ended September 30	2011	2010
Net income for the period	$ 1,076,449	($ 2,017,442)
Effect of Dilutive Securities	--	--
Stock options and warrants	--	--
Diluted net earnings for the period	$ 1,076,449	($ 2,017,442)

Net earnings per share from continuing operations and net earnings per share for the nine months ended September 30 were calculated based on the following:

	2011	2010
Basic weighted-average number of shares outstanding	23,169,458	20,063,240
Effect of dilutive securities:		
Stock Options	525,276	1,204,026
Warrants	1,164,340	2,361,737
Diluted weighted-average number of shares outstanding	24,859,074	23,665,030

The weighted average number of stock options and warrants outstanding during the nine months ended September 30, 2011 was 5,405,078 which 1,845,340 were dilutive and included in the above tables. The effect of the remaining 3,559,738 stock options was anti-dilutive because the underlying exercise prices exceeded the average market price of the underlying common shares of C$1.05. In addition, the loss per share is the same as the basic loss per share for the three month period ended September 30, 2010 because the stock options and warrants were anti-dilutive.

7. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010, 2009 and 2008, the Company incurred leave benefits (2010: $33,293 2009: $19,024, 2008: $19,024) payable to an officer and director of the Company amounting to $71,341. In June 2010, the Company paid the officer and director of the Company $59,451 leaving a payable to an officer and director of the Company amounting to $11,890. In addition at December 31, 2010, the Company had salary payable to the officer and director of $5,531, which was paid during 2011.

8. SEGMENTED INFORMATION

The Company is operating in one industry. As at September 30, 2011 the Company's long-term assets in the United States was $13,208 (January 1, 2010 - $442; December 31, 2010 - $7,909) and in Botswana of 1,076,734 (January 1, 2010 - $222,241; December 31, 2010 – $315,507).

9. FINANCIAL INSTRUMENTS

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).

The Company's financial statements include cash, accounts receivable, and accounts payable and liabilities, and warrants. The carrying value of cash, accounts receivable, accounts payable and liabilities, and warrants approximates their fair values. The warrant liability is classified as Level 3 in the fair value hierarchy.

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.

(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 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.

(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 accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents 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.

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.

The Company issues equity in Canadian dollars but the majority of its expenditures is 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 September 30, 2011, a 10% change in the USD/Pula exchange rate would not have a material impact the Company's earnings.

10. COMMITMENTS

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

The aggregate minimum lease payments exclusive of VAT are as follows:

2012	23,366
2013	24,533
2014	24,533
2015	24,533
Total	96,965

The lease commitment is for storage space in Maun, Botswana at an annual rental of Pula 166,834 per year for 2010 through 2012 and Pula 175,165 for years 2013 through 2015 converted at an exchange rate as at September 30, 2011 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.

11. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in noncash working capital balances	**September 30, 2011**	September 30, 2010
Decrease / (Increase) in accounts receivable and prepaid expenses	$ (49,003)	$ 24,541
Increase / (Decrease) in accounts payable and accrued liabilities	(77,822)	11,917
Total	$ (126,823)	$ 36,458

12. SUBSEQUENT EVENTS

Warrants

None

Stock Option Plan

None

13. TRANSITION AND FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS with a transition date of January 1, 2010. Under IFRS 1 'First Time Adoption of International Financial Reporting Standards,' the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied. The guidance for first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company is applying the following exemptions on first-time adoption of IFRS:

- to not account for business combinations that occurred prior to January 1, 2010 using the principles of IFRS 3 – Business Combinations and instead retain the accounting treatment applied under Canadian GAAP;
- to charge all foreign currency translation differences, previously recognized as a separate component of equity to deficit as at the transition date including those foreign currency differences which arise on adoption of IFRS; and
- to only apply IFRS 2 to the Sock Option Grants that were unvested as at the date of transition.

The IFRS 1 elections, identified, above, and the significant accounting policies, set out in note 2, have been applied in preparing these unaudited interim condensed consolidated financial statements and selected unaudited comparative information presented below. The following tables reconcile the Company's unaudited condensed consolidated statements of financial position and statements of loss and comprehensive loss with those prepared in accordance with Canadian GAAP and as previously reported to those prepared and reported in these unaudited interim condensed consolidated financial statements in accordance with IFRS.

Tsodilo Resources Limited

Reconciliation of equity as at January 1, 2010
(in United States dollars)

	Previous Amounts per Canadian GAAP	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Total IFRS adjustments	IFRSs
		IFRS 2 Stock-based Compensation	IAS 21 Foreign Exchange	IAS 32 Warrants in Non-functional Currency	IAS 21 Reclass Non-controlling Interest		
ASSETS							
Current							
Cash	$ 108,341					--	$108,341
Accounts receivable and prepaid expenses	67,640					--	67,640
	175,981					--	175,981
Exploration Properties (note3)	5,361,645	4,986	(447,538)			(442,552)	4,919,093
Property, Plant and Equipment (note 4)	347,582		(124,899)			(124,899)	222,683
Deposit on Equipment (note 4)							
Total Assets	**$ 5,885,208**	**$ 4,986**	**$ (572,437)**	**$0**	**$0**	**$ (567,451)**	**$5,317,757**
LIABILITIES							
Current							
Accounts payable and accrued liabilities	$73,050		1			1	$73,051
Warrants (note 5b)				2,598,156		2,598,156	2,598,156
Total Liabilities	**73,050**	**0**	**1**	**2,598,156**	**0**	**2,598,157**	**2,671,207**
Minority Interest	210,814				(210,814)	(210,814)	--
SHAREHOLDERS' EQUITY							
Share Capital (note 5)	28,696,445			950,000		950,000	29,646,445
Stock Option Reserve (note 5c)	8,221,288	29,629		(1,335,000)		(1,305,371)	6,915,917
Warrants	1,131,904			(1,131,904)		(1,131,904)	--
Foreign Currency Reserve	(837,425)		837,425			837,425	--
Deficit	(31,610,868)	(24,643)	(1,409,863)	(1,081,252)	(23,427)	(2,539,185)	(34,150,053)
Equity attributable to Owners of the Parent	**5,601,344**	**4,986**	**(572,438)**	**(2,598,156)**	**(23,427)**	**(3,189,035)**	**2,412,309**
Non-controlling Interest (note 3)			--		234,241	234,241	234,241
Total Equity	**5,601,344**	**4,986**	**(572,438)**	**(2,598,156)**	**210,814**	**(2,954,794)**	**2,646,550**
Total Liabilities & Equity	**$ 5,885,208**	**$ 4,986**	**$ (572,437)**	**--**	**--**	**$ (567,451)**	**$ 5,317,757**

Tsodilo Resources Limited

Reconciliation of equity as at September 30, 2010

(in United States dollars)

	Previous Amounts per Canadian GAAP	Canadian GAAP Adjustments	IFRS Adjustments	Total Adjustments	IFRSs
ASSETS					
Current					
Cash	$ 4,030,189	--	--	--	$ 4,030,189
Accounts receivable and prepaid expenses	92,181	--	--	--	92,181
	4,122,370	--	--	--	4,122,370
Exploration Properties (note3)	6,627,142	240,323	(229,204)	11,119	6,638,261
Property, Plant and Equipment (note 4)	464,590	--	(115,653)	(115,653)	348,937
Deposit on Equipment (note 4)					
Total Assets	**$ 11,214,102**	**$240,323**	**$(344,857)**	**$ (104,534)**	**$11,109,568**
LIABILITIES					
Current					
Accounts payable and accrued liabilities	$ 27,145	--	--	--	$ 27,145
Warrants (note 5b)		--	7,364,399	7,364,399	7,364,399
Total Liabilities	**27,145**	**--**	**7,364,399**	**7,398,399**	**7,391,544**
Minority Interest	218,346	--	(218,346)	(218,346)	--
SHAREHOLDERS' EQUITY					
Share Capital (note 5)	29,417,035	710,315	1,693,775	2,404,090	31,821,125
Stock Option Reserve (note 5c)	8,862,411	49,257	(1,192,902)	(1,143,645)	7,718,766
Warrants	5,855,207	(744,318)	(5,110,889)	(5,855,207)	--
Foreign Currency Reserve	(837,425)	--	930,922	930,922	93,497
Deficit	(32,328,617)	225,068	(4,063,946)	(3,838,877)	(36,167,494)
Equity attributable to Owners of the Parent	**10,968,611**	**240,323**	**(7,743,040)**	**(7,502,717)**	**3,465,894**
Non-controlling Interest (note 3)		--	252,130	252,130	252,130
Total Equity	**10,968,611**	**240,323**	**(7,490,910)**	**(7,250,587)**	**3,718,024**
Total Liabilities & Equity	**$ 11,214,102**	**$ 240,323**	**$ (344,857)**	**$ (104,534)**	**$ 11,109,568**

Tsodilo Resources Limited
Reconciliation of equity as at December 31, 2010
(in United States dollars)

	Previous Amounts per Canadian GAAP	Adjustment 1 IFRS 2 Stock-based Compensation	Adjustment 2 IAS 21 Foreign Exchange	Adjustment 3 IAS 32 Warrants in Non-functional Currency	Adjustment 4 IAS 21 Reclass Non-controlling Interest	Total IFRS adjustments	IFRSs
ASSETS							
Current							
Cash	$ 2,728,695					-0-	$ 2,728,695
Accounts receivable and prepaid expenses	65,171					-0-	65,171
	2,793,866					**-0-**	**2,793,866**
Exploration Properties (note 3)	7,520,380	133,144	(159,633)			(26,489)	7,493,891
Property, Plant and Equipment (note 4)	405,670		(82,254)			(82,254)	323,416
Deposit on Equipment (note 4)	870,805					0	870,805
Total Assets	**$11,590,721**	**133,144**	**(241,887)**	**0**	**0**	**(108,743)**	**$11,481,978**
LIABILITIES							
Current							
Accounts payable and accrued liabilities	$95,455		1,993			1,993	$97,448
Warrants (note 5b)				5,266,191		5,266,191	5,266,191
Total Liabilities	**95,455**	**0**	**1,993**	**5,266,191**	**0**	**5,268,184**	**5,363,639**
Minority Interest	217,303		(6,489)		(210,814)	(217,303)	$0
SHAREHOLDERS' EQUITY							
Share Capita (note 5)	30,290,847			1,747,197		1,747,197	32,038,044
Stock Option Reserve (note 5c)	9,114,311	261,482		(1,491,587)		(1,230,105)	7,884,206
Warrants	5,059,260			(5,059,260)		(5,059,260)	-0-
Foreign Currency Reserve	(837,425)		1,156,349			1,156,349	$318,924
Deficit	(32,349,030)	(128,338)	(1,409,863)	(462,541)	(23,427)	(2,024,169)	(34,373,199)
Equity attributable to Owners of the Parent	**11,277,963**	**133,144**	**(253,514)**	**(5,266,191)**	**(23,427)**	**(5,409,988)**	**5,867,975**
Non-controlling Interest (note 3)			16,123		234,291	250,364	250,364
Total Equity	**11,277,963**	**133,144**	**(237,391)**	**(5,266,191)**	**210,814**	**(5,159,624)**	**6,118,339**
Total Liabilities & Equity	**11,590,721**	**133,144**	**(241,887)**	**0**	**0**	**(108,743)**	**$11,481,978**

Tsodilo Resources Limited
Reconciliation of Comprehensive Income (Loss) for the nine months ended September 30, 2010
(in United States dollars)

	Amounts per Canadian GAAP As Previously Filed	Canadian GAAP Adjustment	IFRS Adjustment	Total adjustments	IFRSs
Expenses					
Corporate remuneration	46,142			--	46,142
Travel	--				--
Corporate travel and subsistence	2,495				2,495
Investor relations	7,750				7,750
Legal and audit	46,993	(34,003)		(34,003)	12,990
Filings and regulatory fees	17,509				17,509
Office and administration	109,511				109,511
Foreign Exchange Gain	6,087	--			6,087
Amortization	1,380	--		--	1,380
Stock-based compensation	479,882	(191,065)	98,688	(92,378)	387,504
Total Expenses	**717,749**	(225,068)	98,688	**(126,381)**	**591,368**
Warrant issue costs			(52,785)	(52,785)	(52,785)
Gain/(loss) on warrants			(1,373,289)	(1,373,289)	(1,373,289)
Foreign exchange gain (loss)			-- --	--	--
Non-controlling interest				—	—
Net income (loss)	**(717,749)**	225,068	(1,524,762	**(1,299,693)**	**(2,017,442)**
Foreign exchange translation			111,386	111,386	111,386
Comprehensive income	(717,749)	225,068	(1,413,376)	(1,188,308)	(1,906,057
Net income (loss) attributable to owners of the parent	**(717,749)**	225,068	(1,524,762)	**(1,299,693)**	**(2,017,442)**
Net income attributable to non-controlling interest					—
	(717,749)	225,068	(1,524,762)	**(1,299,693)**	**(2,017,442)**
Comprehensive income (loss)attributable to owners of the parent	**(717,749)**	225,068	(1,413,265)	(1,206,196)	(1,923,945)
Comprehensive income attributable to non-controlling interest			17,889	17,889	17,889
	(717,749)	225,068	(1,413,376)	(1,188,308)	(1,906,057)

Tsodilo Resources Limited
Reconciliation of Comprehensive Income (Loss) for the three months ended September 30, 2010
(In United States Dollars)

	Amounts per Canadian GAAP As Previously Filed	Canadian GAAP Adjustment	IFRS Adjustment	Total adjustments	IFRSs
Expenses					
Corporate remuneration	$ 34,252			--	$ 34,252
Travel	--				--
Corporate travel and subsistence	1,508			--	1,508
Investor relations	(942)			--	(942)
Legal and audit	39,783	(34,003)		(34,003)	5.780
Filings and regulatory fees	6,776			--	6.776
Office and administration	50,704			--	50,704
Foreign Exchange Gain	--			--	
Amortization	(76,977)	77,000		77,000	23
Stock-based compensation	118,716	(76,958)	22,562	(54,397)	64,319
Total Expenses	173,820	(33,961)	22,562	(11,400)	162,420
Warrant issue costs				--	--
Gain/(loss) on warrants			2.251.763	2.251.763	2.251.763
Foreign exchange gain (loss)	(26,497)			--	(26,497)
Non-controlling interest				—	—
Net income (loss)	(200,317)	33,961	2,229,201	2,263,163	2,062,846
Foreign exchange translation			488,017	488,017	488,017
Comprehensive income	$ (200,317)	$ 33,961	$ 2,717,218	$ 2,751,179	$ 2,550,862
Net income (loss) attributable to owners of the parent	(200,317)	33,961	2,229,201	2,263,163	2,062,846
Net income attributable to non-controlling interest				--	—
	$ (200,317)	$ 33.961	$ 2.229.201	$ 2.263.163	$ 2.062.847
Comprehensive Income (loss) attributable to owners of the parent	(200,317)	33,961	2,678,666	2,712,628	2,512,312
Comprehensive income attributable to non-controlling interest			38,551	38,551	38,551
	$ (200,317)	$ 33,961	$ 2,717,217	$ 2,751,178	$ 2,550,862

Tsodilo Resources Limited

Reconciliation of Profit and Loss for the year ended December 31, 2010
(in United States dollars)

	Previous Amounts per Canadian GAAP	**Adjustment 1**	**Adjustment 2**	**Adjustment 3**	**Adjustment 4**	**Total IFRS adjustments**	**IFRSs**
		IFRS 2 Stock-based Compensation	**IAS 21 Foreign Exchange**	**IAS 32 Warrants in Non-functional Currency**	**IAS 21 Reclass Non-controlling Interest**		
Expenses							
Interest Earned	$ (164)					$0	$ (164)
Corporate remuneration	$79,692					0	79,692
Corporate travel and subsistence	4,092					0	$4,092
Investor relations	9,500					0	$9,500
Legal and audit	63,878					0	$63,878
Filings and regulatory fees	22,635					0	$22,635
Office and administration	148,419					0	$148,419
Amortization	2,035					0	$2,035
Stock-based compensation (note 5(d))	375,077	103,695				103,695	$478,772
Total Expenses	**705,164**	**103,695**	**0**	**0**	**0**	**103,695**	**$808,859**
Other Income							
Warrant issue costs	0			-52,804		-52,804	($52,804)
Gain/(Loss on warrants				671,515		671,515	$671,515
Foreign exchange Gain/(Loss)	(39,487)					0	($39,487)
Non-controlling interest	6,489					0	$6,489
Net Income	**(738,162)**	**(103,695)**	**0**	**618,711**	**0**	**515,016**	**(223,146)**
Foreign exchange translation			335,047			335,047	335,047
Comprehensive Income	$ (738,162)	$ (103,695)	$ 335,047	$ 618,711	0	$ 850,063	$ 111,901
Net Income attributable to owners of the parent	**(744,651)**	**(103,695)**	**6,489**	**618,711**		521,505	**($223,146)**
Net Income Attributable to Non-controlling Interest	6,489		-6,489	0		-6,489	--
	$(738,162)	**$(103,695)**	**0**	**$618,711**	**0**	**$515,016**	**($223,146)**
Comprehensive income attributable to owners of the parent	**(744,651)**	**(103,695)**	**325,413**	**618,711**		**840,429**	**$95,778**
Comprehensive Income Attributable to Non-controlling Interest	6,489		9,634			9,634	16,123
	$(738,162)	**$(103,695)**	**$ 335,047**	**$ 618,711**	**0**	**$ 850,063**	**$111,901**

Tsodilo Resources Limited

Reconciliation of Statements of Cash Flows

(Unaudited - in United States dollars)

	Nine Months Ended September 30		
	2010 GAAP	Effect of Transition to IFRS	2010 IFRS
Cash provided by (used in):			
Operating Activities			
Net Income (Loss) for the period	$ (717,749)	$(1.299,694)	$ (2,017,443)
Adjustments for non-cash items:			
Unrealized (gain) loss on warrants	--	1,373,290	1,373,290
Amortization	1,380	--	1,380
Foreign Exchange and other		--	--
Stock-based compensation	479,880	92,376	387,504
	(236,489)	(18.780)	(255,269)
Net change in non-cash working capital balances *(note 11)*	(70,443)	33,985	(36,458)
	(306,932)	15,205	(291,727)
Investing Activities			
Additions to exploration properties	(1,209,214)	7,532	(1,201,682)
Additions to property, plant and equipment	(118,388)	--	(118,388)
	(1,327,602)	7,532	(1,320,070)
Financing Activities			
Shares and warrants issued for cash, net of cost	5,548,850	(15,205)	5,533,645
Contribution from Non-controlling Interest	7,532	(7,532)	0
	5,556,382	22,737)	5,533,645
Change in cash - For the period	3,921,848	--	3,921,848
Cash - beginning of period	108,341	--	108,341
Cash - end of period	$ 4,030,189	--	$4,030,189

NOTES TO RESTATEMENT OF EQUITY FROM PREVIOUS GAAP to IFRS

ADJUSTMENT REQUIRED TO RECONCILE EQUITY FROM PREVIOUS GAAP TO IFRS

IFRS Adjustments

Adjustment 1 - IFRS 2 Stock Based Compensation Expenses

The Company issues share-based compensation in the form of stock options that vest evenly (semi-annually) over a two year period. Under Canadian GAAP, the Company recognized the fair value of the compensation expenses, determined at the time of the grant, on a straight-line basis over the eighteen month vesting period. Under IFRS 2 Share Based Payments, the fair value of each tranche of the award is considered to be a separate grant, based on its vested period. The fair value of each tranche is determined separately and recognized as compensation expense over the term of this respective vesting period. Accordingly, compensation expense under IFRS was recognized at more accelerated rates than under Canadian GAAP.

The Company computed all non-vested stock options at January 1, 2010 on a graded basis separating tranches for amortization over respective vesting periods. Stock option forfeitures were also estimated on a historical basis. The Black Scholes valuation method was used to prepare the valuations, calculations and details for disclosure for Stock Option expense and comparative stock option expense estimated for prior year comparisons. As a result, Stock Option Reserves were increased by $29,629 as at January 1, 2010 and $261,482 as at December 31, 2010. Of these amounts, $4,986 and $133,144 were capitalized as salaries to exploration and evaluation cost as at January 1, 2010 and December 31, 2010 respectively.

The adjustment to Canadian GAAP September 30, 2010 resulted from a reclassification of Stock Based Compensation expense that was capitalized to exploration properties in December 31, 2010 and a portion was prorated to the September 30 2010 period.

Adjustment 2 – IAS 21 Foreign Exchange

The Company's subsidiaries (Gcwihaba and Newdico) operate in a functional currency in Botswana Pula. Under Canadian GAAP the subsidiaries were considered integrated operations for foreign exchange considerations and calculations. Under IFRS, since there is no integrated operation option and because of the difference in functional currency between these subsidies and the Company's U.S. Dollars, IFRS provides guidance on presenting the foreign operations in the presentation currency. Non-monetary assets and liabilities are translated at year-end exchange rates and income and expenses are translated at the rates at which they have been incurred. This differs from previous GAAP reporting which required non-monetary assets to be translated at the historical exchange rate in effect when the assets were acquired.

For December 31, 2009, ($124,899) was the decrease adjustment to Plant, Property and Equipment, and ($447,538) was the decrease adjustment to Exploration and evaluation cost. For December 31, 2010, ($82,254) was the cumulative decrease adjustment to Plant, Property and Equipment, ($159,633) was the decrease adjustment to Exploration and Evaluation Cost, and ($1,994) was the decrease adjustment to Accounts Payable.

Adjustment 3 – IAS 32 Warrants Denominated in Non-functional Currency

The Warrants issued by the Company provide the right to purchase stock in Canadian dollars. Since the Company's functional currency is the U.S. dollar, IFRS requires that the warrants be accounted for as derivative liabilities. As a result, the Company has reclassified its Warrants from Equity to liabilities and will account for warrants as derivative liabilities with changes in fair value being recognized in profit or loss.

At inception January 1, 2010 the value of the warrants increased by $1,745,547 resulting in corresponding charge to deficit.

The adjustment to Canadian GAAP September 30, 2010 resulted from the valuation of warrants a portion of which was allocated to Common shares at December 31, 2010 and a portion was prorated to the period September 30, 2010.

Adjustment 4 – Non-Controlling Interest Reclassification into Equity

The Company reclassified its non-controlling interest at January 1, 2010 and December 31, 2010 to equity.

Canadian GAAP Adjustments

During the preparation of the interim condensed consolidated financial statements, the Company identified the following Canadian GAAP adjustments that were required to be recorded:

a) In estimating the value of the warrants issued in June 2010, the Company used an incorrect input in its Black Scholes valuation model. As a result of this error, the amount initially allocated to the value was overstated by $744,318. Accordingly, an adjustment has been made in the reconciliation to reduce the amount initially assigned to the warrants by $744,318 and to increase share capital by a corresponding amount. Legal expense associated with this issuance was adjusted for $34,003.

b) Previously, the Company expensed $191,065 in stock based compensation relating to the nine month period ended September 30, 2010 that should have been capitalized. Accordingly, the Company has made an adjustment so that this stock based compensation is properly capitalized.