TSODILO RESOURCES LIMITED
Management's Discussion and Analysis

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014

The Management's Discussion and Analysis has been authorized for release by the Company's Board of Directors on November 19, 2014

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements of the Company and the notes thereto for the periods ended September 30, 2013 and 2014. The Company's condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Company's functional and reporting currency is United States dollars and all amounts stated are in United States dollar unless otherwise noted. In addition, the Company has two operating subsidiaries, Newdico and Gcwihaba which have a functional currency of the Botswana Pula. This management's discussion and analysis has been prepared as at November 19, 2014.

OVERVIEW

Tsodilo Resources Limited ("Tsodilo" or the "Company") was organized under the laws of the Province of Ontario in 1996 and continued under the laws of the Yukon in 2002. It is incorporated under laws of the Yukon Territory, Canada, under the Business Corporations Act of Yukon and the address of the Company's registered office is 161 Bay Street, P.O. Box 508 Toronto, Ontario, Canada, M5J 2S1. The Company currently exists under the Business Corporations Act of Yukon and its common shares are listed on the Toronto Venture Stock Exchange (TSX-V) under the symbol TSD.

Tsodilo is an exploration stage company which is engaged principally in the acquisition, exploration and development of mineral properties in the Republic of Botswana. The Company is considered to be in the exploration and development stage given that none of its properties are in production and, to date, has not earned any significant revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the renewal of exploration licenses, obtaining the necessary permits to operate a mine, obtaining the financing to complete exploration and development, and future profitable production.

The Company is also actively reviewing additional diamond and base and precious metal opportunities within southern Africa.

Corporate

At a special meeting of the holders of common shares of the Company held on April 9, 2002 shareholders approved a restructuring of the Company that incorporated the sale of substantially all of the Company's assets. The assets were transferred in settlement on debt due of $612,783 and owing to Trans Hex Group Limited ("Trans Hex Group"), the principal shareholder and creditor of the Company prior to restructuring. The Company retained an interest in all future dividends that may be paid by either Northbank Diamonds Limited, Hoanib Diamonds (Proprietary) Limited or Trans Hex (Zimbabwe) Limited. In addition, the Company was released from the long-term loans due to Trans Hex Group by the subsidiaries being sold, of $3,341,690, and Trans Hex Group agreed to return the 10,688,137 common shares in the capital of the Company, representing 73.22% of the issued and outstanding shares of the Company at that time, to treasury for cancellation. The special meeting of shareholders also approved the discontinuance of the Company from the Province of Ontario and its continuance under the Business Corporations Act (Yukon), the change of name of the Company from Trans Hex International Ltd. to

Tsodilo Resources Limited, the election of new directors and the repeal of the existing stock option plan of the Company and adoption of a new stock option plan. Following the restructuring of the Company, as approved by shareholders in April 2002, Tsodilo has no long-term debt.

Outstanding Share Data

As of November 19, 2014, 31,829,288 common shares of the Company were outstanding. Of the options to purchase common shares issued to eligible persons under the stock option plan of the Company, 3,208,890 options remain outstanding of which 2,838,890 are exercisable at exercise prices ranging from CAD $0.55 - $2.23.

As of November 19, 2014, 7,733,909 warrants are outstanding. The warrants were issued by way of private placements utilized by the Company for financing purposes. Each warrant entitles the holder thereof to purchase one common share of the Company. 2,272,727 warrants expiring on April 22, 2015 are priced at USD $1.21; 2,702,702 warrants expiring on June 29, 2015 are priced at CAD $2.17; 1,818,181 warrants expiring on June 29, 2015 are priced at USD $1.21; 306,183 warrants expiring on May 29, 2016 are priced at USD $1.40; and 634,116 warrants expiring on July 29, 2016 are priced at USD $1.40. If all warrants were converted, 7,733,909 common shares of the Company would be issued.

Principal Shareholders of the Company

The principal shareholders (greater than 5%) of the Company as of November 19, 2014 are as follows:

Name	Description	Shares - Owns, Controls or Directs	% of the Issued and Outstanding Shares
Azur LLC	Private Investment Vehicle	4,996,065	15.70%
International Finance Corporation	Member of the World Bank Group	4,520,883	14.20%
James M. Bruchs	Director and CEO	2,285,619	7.20%
First Quantum Minerals	Global Mining Company	2,272,727	7.14%
David J. Cushing	Director	2,250,770	7.07%

Exploration Activities for the 3rd Quarter 2014

Subsidiaries

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

The Company has a 100% interest in its wholly owned Botswana subsidiary, Gcwihaba Resources (PTY) Limited ("Gcwihaba"), which has one diamond prospecting license covering approximately 494 km^2, twenty-two metal (base, precious, platinum group, and rare earth) licenses covering 11,534 km^2 (not including licenses currently in renewal) and eight radioactive minerals licenses currently in renewal.

The Company has a 75% interest in its wholly owned Botswana subsidiary, Bosoto (Pty) Limited, which as of October 1, 2014, holds the precious stone prospecting license for the area (1.02 km^2) which contains the BK16 kimberlite.

The Company holds a 70% interest in its South African subsidiary, Idada Trading 361(Pty) Limited ("Idada"). Idada has made application for an exploration license (Ref: MP30/5/1/1/2/1047PR) in the Barberton area in February 2012. This application was accepted in February 2013 and consultation was conducted with interested and affected parties in April and June 2013. An Environmental Management Plan (EMP) was submitted in April 2013 and a site visit was made by various governmental departments (DMR, EWT, REMDEC) in September 2013. The Company is now awaiting a decision by the DMR to award the prospecting permit or not.

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

1. DIAMOND PROJECTS

The Company holds 3 Prospecting Licences (1,346 km²) for precious stones, one registered each to Newdico, Gcwihaba and Bosoto. These licenses are summarized in Table 1. The Gcwihaba license PL 195/2012 covers 494 square kilometers and the initial license grant expires June 30, 2015. The Newdico license (PL 64/2005) covers 851 square kilometres and the term of the license is April 1, 2014 to June 30, 2016. The Bosoto license (PL369/2014) covers 1.02 square kilometres and the term of the license is October 1, 2014 to September 20, 2017.

Table 1. Precious Stone Prospecting Licenses as at September 30, 2014

PL number	Km²	Grant Date	Expiry date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 9.30.14
PL 195/2012	494	7/01/12	7/01/15	Initial Grant	2,470	100,000	307,410	33,669
PL 064/2005	851	4/01/14	3/31/16	Extension	4,255	200,000*	408,510	44,742
PL 369/2014	1.02	10/01/14	9/30/17	Initial Grant	1,000	35,407,000# 138,275,000# 64,200,000#	237,885,000#	26,054,040
Total	1,346.02						238,600,920	26,132,451

*The minimum annual expenditure for each year one and two is P200 000. If after year 1 a decision is made based on the micro-diamond results that further work is warranted, the Company estimates that P4 585 000 would be required for bulk sampling.

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

PL 64/2005

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

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

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

And fourthly, microdiamond work on K10 produced 14 stones from 229 kg of kimberlite core (61.23 stones per ton). This is the highest number of microdiamonds that have been recovered from any of the 40 kimberlites in the Nxau Nxau cluster indicating that, like any other kimberlite province in the world, some kimberlites are more interesting than others. Because of the relative limited number of stones a grade curve with some level of confidence cannot be produced and hence more microdiamonds are required from K10. Samples for micro-diamonds have been prepared for kimberlite K11 and will be submitted to the microdiamond laboratory once the results of additional microdiamond analysis for K10 have been completed. K11's mineral chemistry signature is similar to K10 and this body is approximately 2.5 ha in size. In addition, a third kimberlite K29 (B7), directly south of and almost adjacent to K10 and K11, appears to be very similar to the two known kimberlites in this tight cluster.

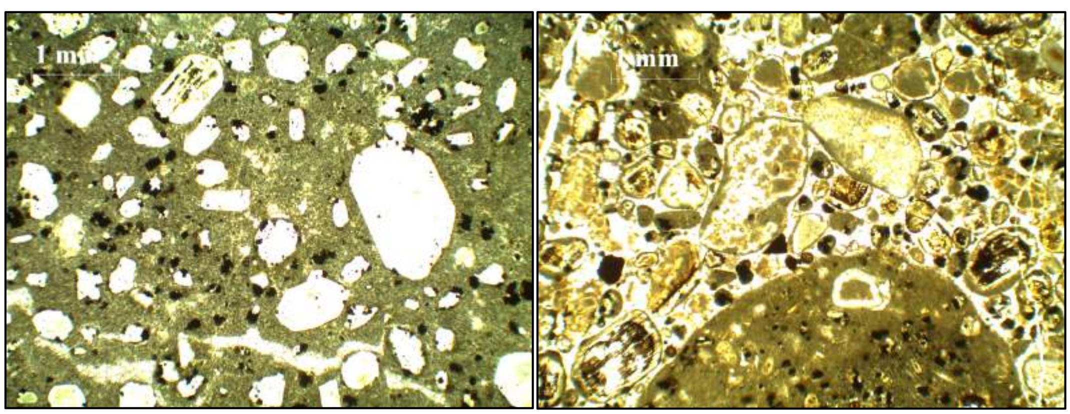

Figure 1. Photomicrograph (after Skinner 2014) of K29 (left) and K30 (right). K29 is a coherent poorly macrocrystic kimberlite with abundant olivine phenocrysts set in a fine matrix of brown carbonate and scattered opaque spinels. K30 is a poorly sorted pelletal lapilli-rich, air-fall pyroclastic kimberlite. Note the slightly coated altered olivine phenocrysts and the larger kimberlite magmaclast (bottom).

The petrography of samples from the latest discoveries (K29 and K30) have been completed. Kimberlite K29 consists of fresh olivine macrocrysts and abundant phenocrysts up to 3 mm (together ~35 vol.%) set in a fine matrix of mainly carbonate, scattered opaque spinels up to 0.25 mm and scattered perovskite of smaller size (Fig. 1). Scattered country rock xenoliths are extensively carbonated. The rocks from K30 consist of abundant pelletal lapilli consisting of individual altered olivine grains (mainly phenocrysts) surrounded by either thin coats of very fine-grained material or larger sized lapilli of kimberlite containing several olivine grains set in a fine matrix. This fine matrix consists of masses of fine brown carbonate, some small laths of phlogopite, scattered opaque spinels (up to 0.28 mm) and perovskite (Fig. 1). Approximately 20 vol. % of country rock xenoliths of mainly shale are also either finely coated or are contained or partly contained by more substantial kimberlite. The matrix to the pyroclasts is mainly clear carbonate. K29 has been interpreted as a coherent poorly macrocrystic kimberlite and K30 was classified as an air-fall, pyroclastic kimberlite (Skinner 2014).

Representative samples from both kimberlites were submitted to the MSA laboratory (Report J2953) in Johannesburg for heavy mineral analysis (HMA). Results have failed to recover any garnet in these samples but K29 has an abundance of ilmenite and visually medium-interest spinel, whilst K30 contains no ilmenite but an abundance of visually high-interest spinel and olivine (Table 2). These grains will now be submitted to the microprobe for major element mineral chemistry.

Table 2. Kimberlite samples submitted for heavy mineral analysis and results

Sample ID	Original sample weight (Kg)	HCL leached residue: -2.0mm +0.3mm (g)	Ilmenite	Spinel	Olivine
K 29 (B7)	9.7	52.73	64	30 (Med)	Nil
K30 (A16)	7.6	3.47	nil	30 (High)	30

PL 95/2012

The heavy mineral sorting of the 36 samples that the Company collected over license PL 95/2012 in order to confirm the old De Beers results produced 4 spinel and 2 garnets. These grains were sent to the electron microprobe for further analysis and those results confirmed that five of the grains are kimberlitic in origin and that one grain is a none-kimberlitic ilmenite. The five grains consists of four high titanium chrome-spinel and the garnet is of G9 paragenesis. Although there are not sufficient grains to rate the source in terms of interest with any confidence, the mere presence confirms that the source is an ilmenite-poor kimberlite: either an ilmenite-poor Group-1 kimberlite, such as Venetia or The Oaks, or a Group-2 kimberlite which is devoid of any ilmenite like Finsch or Marsfontein.

The ground magnetic survey, completed in February, has highlighted several drill targets and the Company has completed a ground gravity survey in October 2014 to assist in determining future drill positions.

PL 369/2014 (BK 16)

The Company was notified on the 19th September that its application on behalf of its subsidiary Bosoto for BK16, one of the kimberlites in the Orapa Kimberlite province, has been approved and will be effective as of October 1, 2014. The Orapa Kimberlite Field covers an area of 2,600 km^2, and includes at least 83 kimberlite bodies varying in size from dykes to the 110 ha AK1 kimberlite (Debswana's Orapa Mine). All are late Early to Late Cretaceous in age and of the 83 known kimberlite intrusions, nine pipes, AK01 (Orapa Mine), AK06 (Karowe Mine), BK01, BK09, BK12, BK15 (all Damtshaa Mine), BK11 (Firestone Mine), DK1 and DK2 (both Lethlakane Mine) have been or are currently being mined.

Percussion drilling by De Beers under State Grants in the 1970s and later by Auridiam under PL119/94 showed the BK16 kimberlite to consist of one main lobe with a gravity low south-east which has never been drilled. The BK16 kimberlite intrusion is reported as a kimberlite diatreme, or pipe of approximately 3.5 hectares in size, which was probably the upper part of a feeder to a now eroded kimberlite crater. The pipe is covered by some 25 meters of Kalahari Group sediments.

Bosoto intends to commence with a desktop study in parallel with a ground geophysical program, comprising of both high intensity magnetic and gravity surveys in order to define outline the kimberlite with more accurately and to start some diamond drilling in order to develop a robust geological model. The surveys were completed in October and initial draft modelling utilizing historic drill holes in conjunction with the detailed geophysical surveys is ongoing.

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

The Company's Prospecting Licences have evolved with time into a package which covers some 11,534.30 km^2 not including licenses currently in renewal (Table 3).

Table 3. Gcwihaba Metal License Areas as at September 30, 2014

PL numbers	Km^2	Grant Date	Expiry / Renewal date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum (BWP)	BWP	USD as at 9.30.2014
PL 119/2005	831.80	07/01/14	07/01/16	Extension	4,160	125,000	258,320	28,293
PL 051/2008	TBD	07/01/11	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 052/2008	TBD	07/01/11	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 386/2008	570.00	01/01/12	12/31/14	1st renewal	2,850	100,000	308,550	33,794
PL 387/2008	964.90	01/01/12	12/31/14	1st renewal	4,825	100,000	314,475	34,443
PL 388/2008	317.10	01/01/12	12/31/14	1st renewal	1,590	100,000	304,770	33,380
PL 389/2008	978.60	01/01/12	12/31/14	1st renewal	4,895	100,000	314,685	34,466
PL 390/2008	807.30	01/01/12	12/31/14	1st renewal	4,040	100,000	312,120	34,185
PL 391/2008	454.50	01/01/12	12/31/14	1st renewal	2,275	100,000	306,825	33,605
PL 392/2008	828.10	01/01/12	12/31/14	1st renewal	4,145	100,000	312,435	34,219
PL 393/2008	937.50	01/01/12	12/31/14	1st renewal	4,690	100,000	314,070	34,399
PL 394/2008	649.20	01/01/12	12/31/14	1st renewal	3,250	100,000	309,750	33,925
PL 395/2008	971.40	01/01/12	12/31/14	1st renewal	4,860	100,000	314,580	34,454
PL 595/2009	TBD	07/01/09	07/01/12	in renewal	TBD	TBD	TBD	TBD
PL 596/2009	TBD	07/01/09	07/01/12	in renewal	TBD	TBD	TBD	TBD
PL 597/2009	TBD	07/01/09	07/01/12	in renewal	TBD	TBD	TBD	TBD
PL 588/2009	413.00	07/01/14	07/01/16	2nd renewal	2,065	125,000	254,130	27,834
PL 093/2012	433.70	04/01/12	04/01/15	Initial Grant	2,170	*	166,510	18,237
PL 094/2012	679.80	04/01/12	04/01/15	Initial Grant	3,400	*	170,200	18,641
PL 095/2012	421.60	04/01/12	04/01/15	Initial Grant	2,110	*	166,330	18,217
PL 096/2012	676.50	04/01/12	04/01/15	Initial Grant	3,385	*	170,155	18,636
PL 097/2012	599.30	04/01/12	04/01/15	Initial Grant	3,000	*	169,000	18,510
TOTAL	11,534.30				57,710		4,466,905	489,238
* 1st year 50,000; 2nd year 50,000 : and 3rd year 60,000								

The Company's exploration work had initially indicated that the sulphide-rich Matchless Amphibolite Belt ('MAB') traverse the Company's southern licences in northwest Botswana in an area where the Damara Belt connects with the Lufilian Arc. Petrology, geochemistry and geochronology work was conducted by AEON's (Africa Earth Observatory Network) research group located at the NMMU (Nelson Mandela Metropolitan University) in Port

Elizabeth, South Africa. This work has identified Archaean granite-gneisses between 2.548 and 2.641 Ma in age in Ngamiland, whilst paleoproterozoic granites (ca. 2,000 Ma) seem to have been tectonically interlayered with Copper Belt (Lufilian Arc)-equivalent metasediments (including graphitic schist, carbonates and diamictites), and metabasites and gabbros (535 Ma), all of which were intersected during the initial drilling program by the Company.

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

Table 4

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

2.1 STRATEGIC PARTNERSHIP

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

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

◊ funding exploration expenditures within the Project Area in the aggregate amount of US$6 million by November 20, 2015 (the "Tranche 1 Funding Commitment");
◊ funding an additional US$9 million in exploration expenditures within the Project Area by November 20, 2017; and

◊ completing a technical report ("**Technical Report**") on a designated area within the Project Area prepared in compliance with National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators and that meets certain requirements with respect to resources as described below.

The Tranche 1 Funding Commitment is a firm commitment by First Quantum and must be satisfied irrespective of whether First Quantum elects to pursue the other requirements to earn an interest in Gcwihaba's licences. Tranche 1 funding obligations have been met. As of September 30, 2014, First Quantum reported that it has spent $10,535,645 on Prospecting Licenses covered by the MOU.

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

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

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

First Quantum has reported that expenditures as per the MOA amounted to \$2,623,671 in the 3rd Q of 2014 (\$224,336 - 2013).

2.2 XAUDUM MAGNETITE BANDED IRON FORMATION (XIF)

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

Because of the large size of this deposit, which has an exploration target of between 5 and 7 billion tonnes, it was decided to subdivide the target into several exploration blocks. During the quarter SRK Consulting (U.K.) completed Gcwihaba'smaiden National Instrument 43-101 Resource report of Block 1 of this large XIF deposit and SRK has derived an Inferred Mineral Resource of 441 Mt grading 29.4% Fe, 41.0% SiO2, 6.1% Al2O3 and 0.3% P.

The deposit has been subdivided into four geodomains:

1. MBA – Magnetite Banded Iron Formation
2. MBW – Partially oxidised (weathered) BIF
3. DIM – Magnetite schist or magnetite diamictite
4. MDS – Magnetic amphibole Schist

The results of magnetic concentrate sizing, referred to as Davis Tube Recovery (DTR) test work, confirm that there is a significant potential for a premium magnetite product in the order of >68% Fe that can be produced from the Xaudum Iron Project's full range of mineralised rocks, including lower grade (15-25% Fe) and partially oxidised material.

A start was made with the detailed drilling of Block 2a to extend the resource tonnage of the XIF. Block 2a is nearly 45 km^2 in size and occurs in the central part of this deposit (Figure 2). Some 85 drill holes to a depth of 200 m have been planned. During the quarter seven holes were drilled in Block 2a (Figure 3) to a cumulative depth of 1103.3 meters and 915.8 meters of core has been extracted from the Ironstones (Table 5).

The cores have been logged and the relevant sections have been sampled and assayed by the ALS Minerals Laboratory in Johannesburg.

Table 5. Drill progress on the Xaudum Ironstones during 2014 with the Company's two drill rigs.

	Q1	Q2	Q3	Q4	2014 Total
Metres drilled	2,986	2,868	1,103.3		
Metres core	2,332	2,146	915.8		
No of holes	19	14	7		

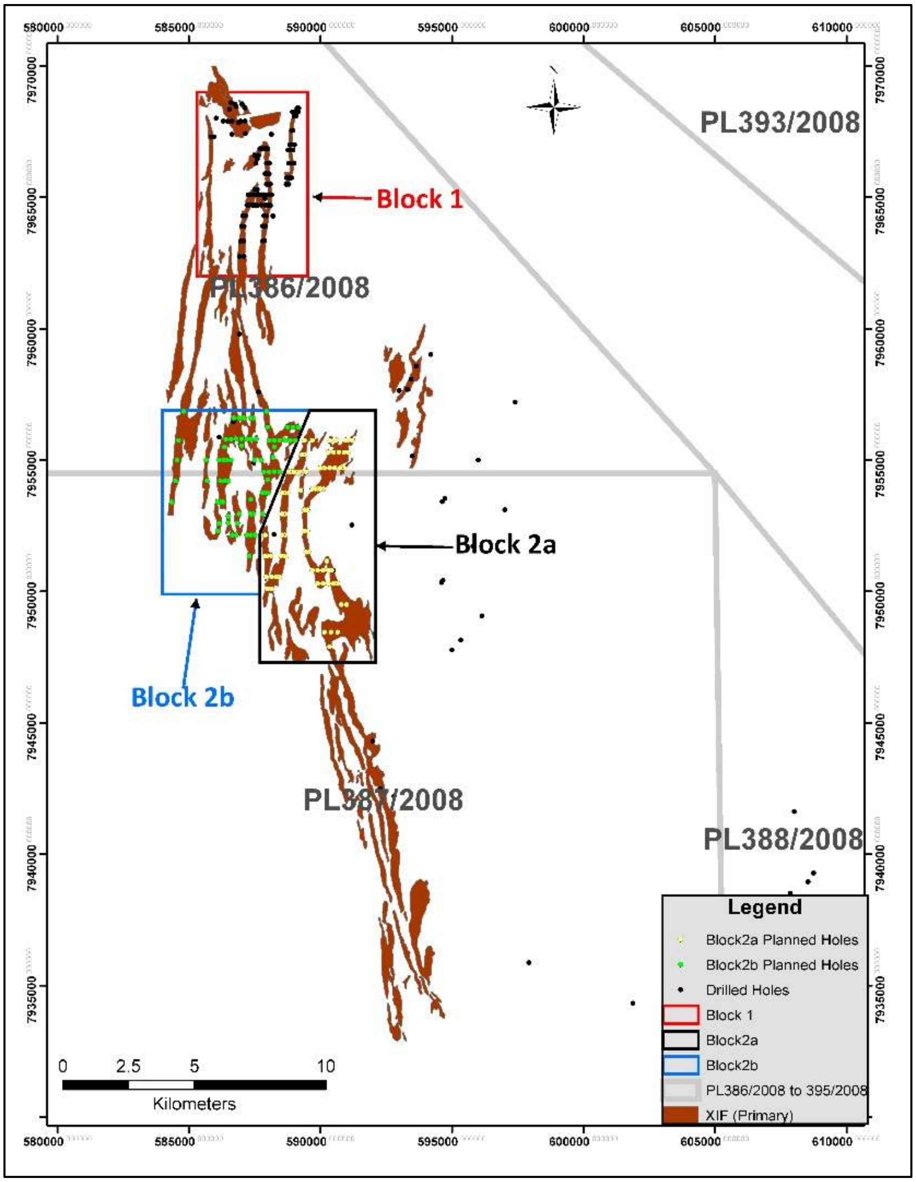

Figure 2. The completed block 1 and the planned drill blocks 2a and 2b. The XIF ground coverage is outlined in brown.

Most of these holes intersected magnetite bearing rocks consisting of massive magnetite, banded magnetite and/or magnetic diamictite. The use of the Reflex Gyro instruments, capable of recording core orientation
and down-the-hole drill direction was applied to two Gcwihaba holes and eleven of the FQM holes (BWADD0022 - 0024, -0025, -0026, -0027, -0028, -0029, -0030, -0031, -0032 and -0033). Magnetic susceptible readings were also collected from all the holes.

The Company continues to collect high resolution ground magnetic data over the Xaudum Magnetite body. Areas of potential high XIF grade/tonnage were selected using various filters, including the Analytical Signal, in Block2a of the XIF iron project. These filters give a response proportional to the magnetic content of the rock and are highlighted as high-interest picks. Magnetic surveys were then carried out over these with lines surveyed at a spacing of 20 meters perpendicular to the north-south iron formation units and station intervals of 3 meters. During the Quarter, 1,104 line-kilometers of ground magnetic data was collected which equals 25 km^2.

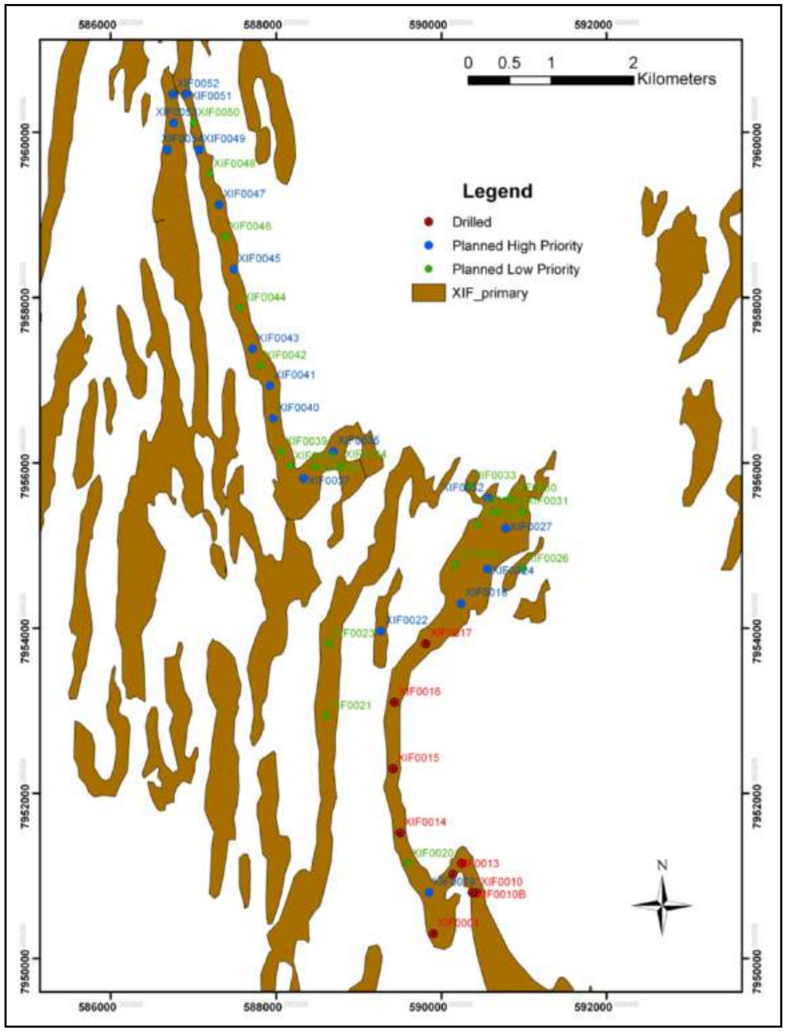

Figure 3. Location of the boreholes drilled in Block2a in the central part of the Xaudum Iron Ore Formation (XIF). Hole drilled during Q3 in red, holes planned in green and blue.

During the Quarter, the Company sent 49 samples for assaying. And these results (49 assays) were received and have been incorporated in to the resource model. All the samples were analyzed using the ME- ICP61 technique at the ALS Laboratory in Johannesburg.

2.3 KATAGNE-LIKE META-SEDIMENTS

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

Target drilling

Faloxia continued with the target drilling mainly on conceptual targets since the results from the Kalahari Geochemical and the Hydrogeochemical programs have not yet been received. The drilling focused on eight conceptual targets (Table 6) on which ten holes were drilled. Hole BWADD0024 was started at the end of Q2 and hole BWADD0026 was abandoned at 198 m due to water loss in a biotite-quartz schist with abundant foliation.

During the quarter, 10 core boreholes (BWADD0024 – BWADD0033) were drilled over eight targets to a cumulative depth of 4,043.17m (Table 6).

Table 6. Diamond core holes drilled by FQM on conceptual targets

Target	Hole number	Depth (m)	Main rock type	Dip	Azimuth
Laharpo	BWADD0024	457.32	'Grainy-textured' quartz-biotite schist with minor granite, quartz and shale clasts. Mainly pyrrhotite, chalcopyrite (trace) and isolated pyrite.	-70°	280°
Cluster	BWADD0025	467.37	Diamictites (with granite and quartz clasts), gabio schist (fine disseminated magnetite), shales and carbonates (Mwashya Gr), bio schist.	-60°	270°
	BWADD0028	347.35	Carbonate and graphite-rich shale (Mwashya Gr), garnetiferous diamictite, thin BIF.	-60°	270°
Ferry	BWADD0026	198.50	Quartz-bio schist, carbonaceous shale. Hole abandoned.	-60°	095°
	BWADD0030	410.65	Shales, carbonates and amphibolite schist (Mwashya Gr), talcose schist.	-60°	100°
River side	BWADD0027	469.17	Carbonaceous shales, minor silica and feldspar alteration. Pyrite dominant, minor chalcopyrite.	-55°	095°
Nxamasere Fields West	BWADD0029	548.25	Scapolitic schist, carbonate-shale (Mwashya), biotite schist; disseminated pyrrhotite.	-65°	250°
Basement East	BWADD0032	215.55	Feldspathised quartz-biotite schists.	-60°	280°
Hockey Stick	BWADD0031	407.36	Pyritic shales (some carbonates), ironstones, biotite schist, diamictites (local felspathisation and kyanite porphyroblasts(?).	-70°	210°
Laharpo East	BWADD0033	521.65	Shales (weakly graphitic, scapolite schist, biotite and garnetiferous schist, pseudo-diamictite; mineralization and alteration along entire length, pyrrhotite dominant with chalcopyrite.	-61°	092°
Total		**4,043.17**			

The Laharpo target (Hole BWADD0024) is located on the eastern side of the pan handle and was initially drilled by Gcwihaba which intersected black shales with some encouraging signs for mineralization such as porphyroblastic kyanite, sulphides (incl chalcopyrite) and intense core-scale brittle and ductile deformation.

Shales intersected in BWADD0027 are moderate to strongly carbonaceous, explaining the strong EM conductivity response. The amount of carbonate units inter-bedded with the shales is minimal, with shales dominating. The core displays only minor silica and feldspar alteration. Sulphides in the graphitic shale unit are mainly strataform, comprising on average 2% of the rock mass. Pyrite dominates over pyrrhotite, and chalcopyrite is present only in trace amounts. This hole also occurs on the east side of the Okavango River just north on BWADD0024 and BWADD0033.

Mineralization and alteration in hole BWADD0033, just east of BWADD0024, are present in trace amounts along the entire length of the borehole, with greatest concentration occurring between 250 and 400 meters depth. Pyrrhotite is the dominant sulphide, with concentrations of 0.5 to 1 % in the latter section. Accessory chalcopyrite and lessor pyrite are present. Sulphides occur as centimeter-scale clots and in 1 – 2 cm wide calcite (some quartz) veins. The style of mineralization is disseminated and stratiform chalcopyrite, accompanied by approximately 5% pyrrhotite (visual). The rocks seem almost devoid of graphite so no redox gradient is evident. The highest copper grades (visual) are located in an inferred fold hinge (Figure 4).

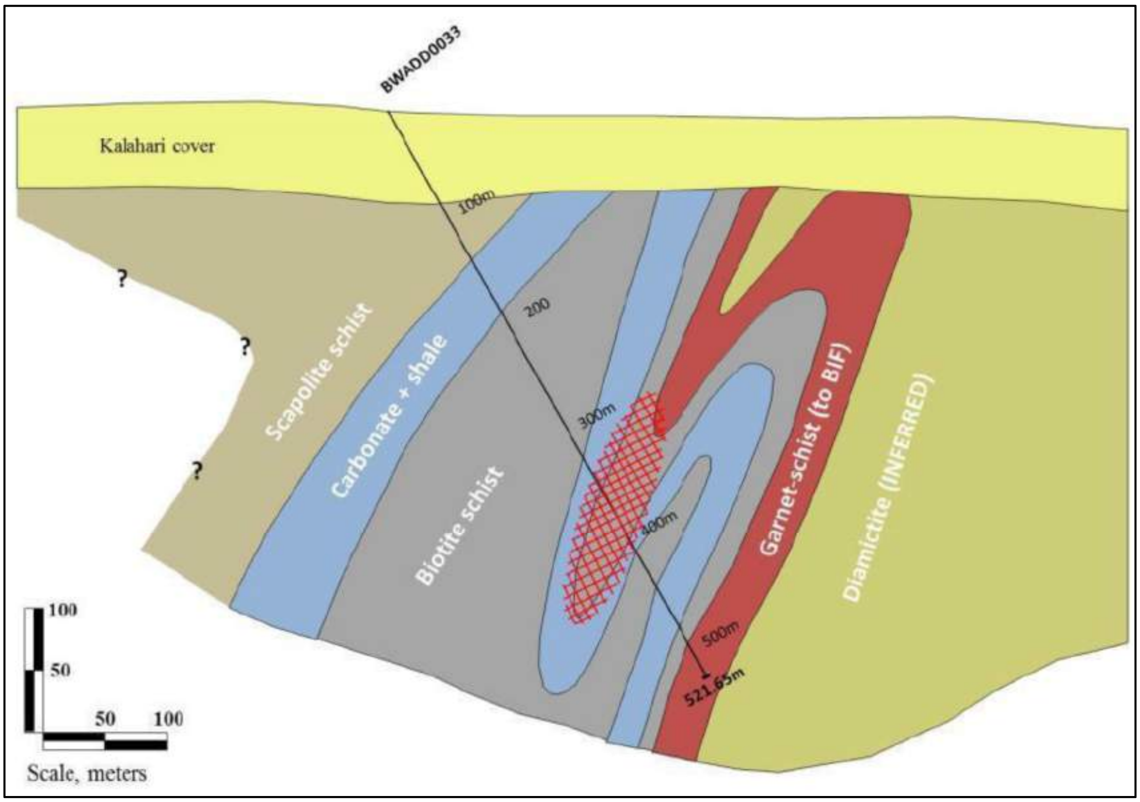

Figure 4. Solid geology cross section interpretation of BWADD0033, viewed towards north. Red crosshatching denotes mineralization which is inferred to have accumulated in a fold nose (after Jones 2014)

Kalahari Geochemistry Program

The drilling of the Kalahari Geochemistry Program (KGP) was designed to sample the Kalahari/Bedrock interface with sub-Kalahari geochemistry over 730 km^2 of the license area. A variety of different samples was prepared and analyzed from the 13,689.08 meters (220 boreholes) Kalahari and weathered bedrock drill intersections (Figure 5).

The drilling was completed in Q2 and samples from the unconsolidated parts of the 220 boreholes were completed and consigned to the ALS Chemec laboratory in Johannesburg. All results have been received and are being evaluated.

Generally elevated concentrations of Au, Cu, Zn and Co are confined to the Fe-rich sediments which represents the paleo-water table, although the unit is by no means ubiquitously enriched in metals. Also Au and Co form vertically 'thick' anomalies in the Kalahari sequence whilst Cu and Zn form 'thin' and laterally more extensive anomalies. Cu anomalies is observed in multiple 'stacked' horizons suggesting that the Kalahari sequence contains multiple horizons linked to different paleo-water tables.

Sampling of the consolidated cores started and at the end of the quarter 70% of the material has been sampled and consigned to the same laboratory. All cores will be sampled and samples consigned to the laboratory early in Q4.

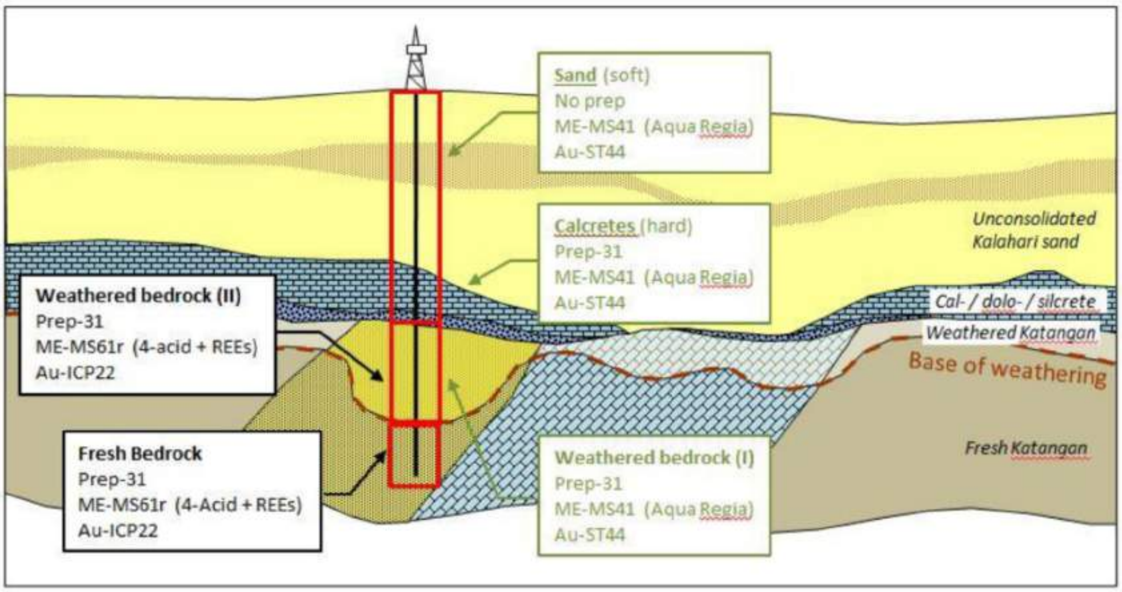

Figure 5. Schematic representation of digest and analytical techniques on the Kalahari Geochemistry Program samples (after Jones 2014).

Hydrogeochemistry

The regional water sampling program outside the more detailed Kalahari Geochemistry Drill Program was completed during the quarter. In total 85 samples were collected from wells and government boreholes between the Delta in the east and the Namibian border in the west. In the west the hydrological regime is controlled by WNW – ESE trending paleo-drainages. The surface channels are dry but these contain water at a minimum depth of 4m. Generally the flow within these paleo-channels is to the east towards the Okavango River. Most of the Government boreholes are drilled on the interfluves and the majority of these are dry. The best results from the regional program to date were received from the extreme NW extremity of the area with very low pH levels down to 2.8 in water containing anomalous values of Cu, Co and Zn.

Ten samples were collected as part of the Kalahari Geochemistry Program after completion of the above mentioned regional work program. Progress has been hampered by problems with the pump due to the abrasive nature of the suspended sand particles within the samples. It has therefore been decided to reduce the sample interval from the planned 2 x 2 km to 4 x 4 km grid. Initial results of the copper isotope data (University of Pennsylvania) are variable but require further interpretation.

Soil geochemistry

More test work was done in the quarter to determine the effectiveness of soil geochemistry in the area. Some 835 soil samples were collected and analyzed over a mafic intrusion (1822_C26) for pH levels which is thought to be recognizable by acidic plumes and alkaline halos. However the organic acids produced by decomposing vegetation in the soils have negatively influencing the results (Figure 6). Further interpretation is however ongoing particular with the comparison with these data and the multi-element results.

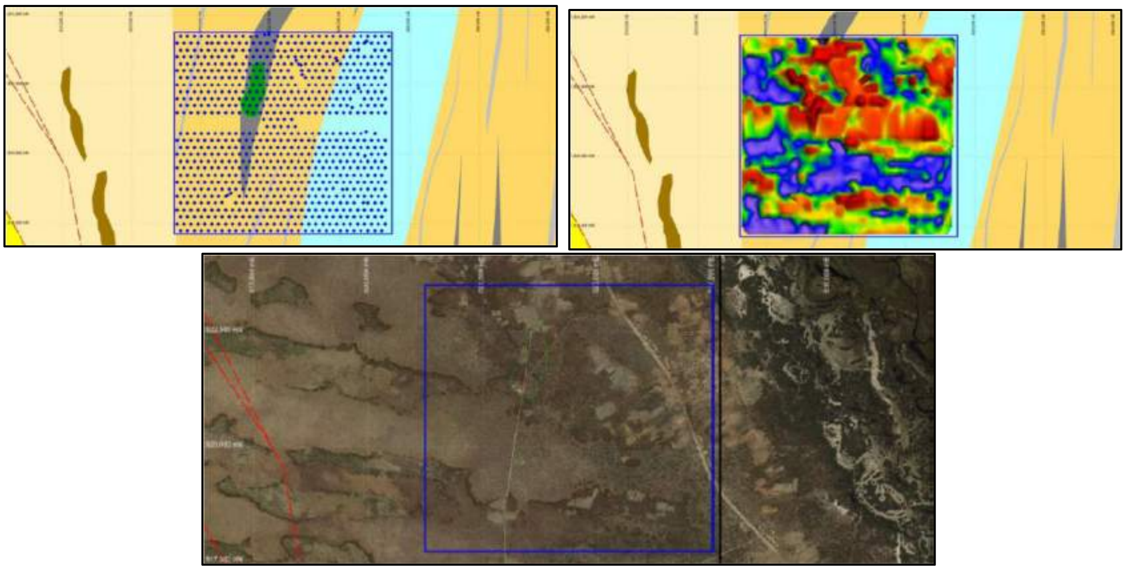

Figure 6. Top left: interpreted lithology map with sample position. Mafic intrusion in green. Top right: gridded image using pH values. Bottom: satellite image reflecting changes in soil and vegetation types indicating pH on soils is not an effective method for exploring under cover.

Geophysics

The GyroLAG airborne gravity survey which commenced in May 2014 is ongoing. During the quarter 8,504.97 line kilometres were flow (Figure 7). This represents 47% of the originally planned survey and would mean that the survey would only be completed by March 2015. It has therefore been decided to reduce the survey over the focus area which represents 14,078 line kilometres. The GyroLAG aircraft is currently in South Africa undergoing maintenance and repair.

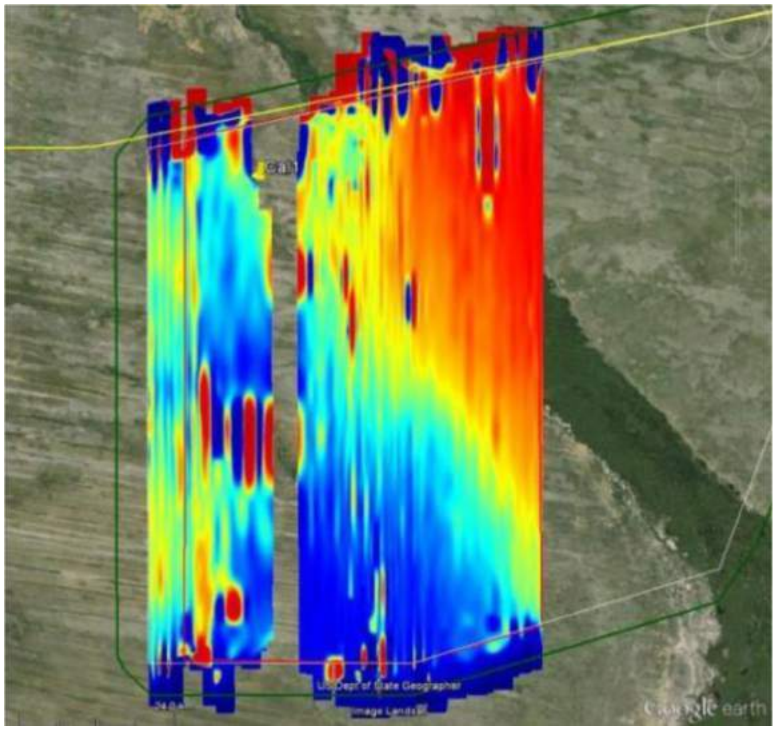

Figure 7. Updated airborne gravity data image showing raw gridded flight line data. Data is pending processing (This figure is presented only for the purpose of demonstrating survey progress).

Geochronology

Results for the 16 geochronology (14 core samples, one grab sample and one sediment stream sample) samples which were sent to GEMOC in Australia in 2013 have been received and are reported in the form of U-Pb isotope Concordia diagrams and Hf model-isotope plots. The idea was to identify periods of magmatism and sources to assist in the stratigraphic correlation and identifications of metamorphic events.

The pre-Katangan basement in Shakawe is 2.7 Ga but the Hf-isotope ages do not indicate a juvenile mantle input in to the crust. Two samples had zircons with 580 to 520 Ma and one sample had a zircon population of 460 Ma which is identical to the Kipushi mineralisation event in Zambia. There are no zircon age populations in the 750 to 735 Ma range, which is generally part of the Mwashya extensional event. Further interpretation of these results will be conducted by an expert in this field (Dr G Begg of Minerals Targeting International) and his results will be available at the end of Q4.

Other base metal targets

Gcwihaba completed the drilling over targets TOD029 and TOD030. These anomalies were initially identified as kimberlite targets but since these are associated with Ni and Zr/Cr soil anomalies, that were generated by the 1999 governments Ngamiland Geochemical soil sampling program, it is likely that these represent metal targets and were drilled under the base metal licences PL 051/2008 and PL 052/2008. TOD029 had to be abandoned due to drilling problems in the Kalahari cover and TOD030 returned basement and is of no further interest.

Assay results from the relatively un-deformed shales and siltstones with veinlets rich in pyrite and traces of chalcopyrite from borehole TOD017, drilled in Q2, were received and did not return high interest results.

Table 7. Base Metal holes drilled by Gcwihaba

Hole number	Depth (m)	Core (m)	Main rock type	Drill	Azimuth	Dip
TOD029_1	76.0	40.0	Kalahari Group Sediments	D2	Vertical	-90°
TOD030_1	101.6	68.6	Granitic Gneiss with pebbly biotite schist interbeds	D2	Vertical	-90°
Total	**172.6**	**108.6**				

3. Radioactive Licenses

The Company holds eight prospecting permits for radioactive minerals through its wholly owned subsidiary Gcwihaba Resources (Pty) Ltd in northwest Botswana. The area of the licenses in renewal cover 6,925 km^2 (Table 6) and overlap with some of the Gcwihaba diamond and metal permits. Applications for renewal for both sets of permits have been submitted to the Ministry of Minerals, Energy and Water Resources (MMEWR) and the Company is awaiting confirmation of the renewals from MMEWR.

Table 6. Gcwihaba – Radioactive License Areas as at September 30, 2014

PL numbers	Km^2	Grant Date	Renewal date	Current Stage	Expenditure		Total Expenditure From Grant and if held to Full License Term	
					Rental Fee Per Annum (BWP)	Work Program Per Annum* (BWP)	BWP	USD as at 9.30. 2014
PL 150/2010	TBD	07/01/10	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 151/2010	TBD	07/01/10	07/01/13	in renewal	TBD	TBD	TBD	TBD
PL 045/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 046/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 047/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 048/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 049/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD
PL 050/2011	TBD	01/01/11	01/01/14	in renewal	TBD	TBD	TBD	TBD

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

The age and origin of these types of calcretes further south has been incorporated in a research project conducted by AEON and the following field observations indicated the presence of two types of duricrust both slightly radioactive (1500 cpm). These represent good potential hosts for uranium, similarly to the well-known

Langer Heinrich and Klein Trekkopje uranium deposits in Namibia that developed within Tertiary paleo-channel systems of the Namid Desert (Iiluende 2012). In addition Uranium-rich soils (3,000-6,000 cpm) were identified in the Chadum and Kkhaudum drainages.

Recent core drilling by Gcwihaba on overlapping metal licences have returned anomalous uranium assay results in some of the Proterozoic meta-sedimentary units that are overlain by the Kalahari Group sediments. Values of up to 100 and 40 ppm U in some of the cores have been encountered. The link between these anomalous meta-sedimentary rocks and the surface uranium anomalies in the Kalahari calcretes is yet to be established.

Borehole BWADD0014 was drilled during the quarter in PL047/2011 on a geophysical target with a low magnetic and anomalous electromagnetic response and a thick succession of at least 615 meters of Upper Dwyka and Lower Ecca (Lower Karoo) rocks was intersected. The cores were logged and a down the hole survey was performed using the Company's Ludlum Model 3 Survey meter, an analog ratemeter to measure external radiation was conducted.

The section between 162 and 168 m, a carbonaceous dark grey siltstone, give Ludlum readings between 3,800 and 4,100 cpm (Figure 7) which is four times the background and is anomalous in terms of radioactivity. Samples will be been selected and will be submitted to the laboratory more detailed assay results.

Figure 7. Borehole BWADD0014. Section 162 to 168 meters has high values of radioactivity which are mainly carbonaceous siltstones.

Exploration and Evaluation Additions

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

Exploration and evaluation additions for the year ended December 31, 2013 are summarized as follows:

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

Exploration and Evaluation additions for the period ended September 30, 2014 are summarized as follows:

	Newdico Botswana	**Gcwihaba Botswana**				**Total**
	Precious Stones	**Precious Stones**	**Metals**	**Radio-Active Minerals**	**Subtotal**	
Drilling Expenditures	$ 45,110	$ 19,101	$ 99,661	$ 25,733	$ 144,495	$ 189,605
Amortization Drill Rigs, Vehicles & Trucks	22,363	19,495	90,947	19,524	129,966	152,329
GIS & Geophysics	290	1,686	65,907	565	68,158	68,448
Lab Analyses & Assays	4,532	235	129,413	235	129,883	134,415
License Fees	391	197	3,449	0.0	3,646	4,037
Office, Maintenance, & Consumables	39,184	13,355	59,548	15,195	88,098	127,282
Salaries, Wages & Services	71,095	147,176	337,917	145,307	630,400	701,495
Balance at September 30, 2014	**$ 182,965**	**$ 201,245**	**786,842**	**$ 206,559**	**$ 1,194,646**	**$ 1,377,611**

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2014, the Company had a negative working capital surplus of ($328,924) [September 2013: positive $1,048,767], which included cash of $191,998 (September 2013: $1,204,485). These funds are managed in-house in accordance with specific investment criteria approved by the board of directors, the primary objective being the preservation of capital to assure funding for exploration activities. In the 1st and 2nd quarter 2014, the Company received proceeds of $168,922 and $68,864 respectively from the exercise of options. In the 2nd and 3rd quarter, the company received proceeds of $1,118,317 from the issuance of units (common shares and warrants).

During the year ended December, 2013, the Company received proceeds of $112,571 from the exercise of Stock Options and $2,409,340 from the issuance of Units in a private placement. During the year ended 2012, the Company received proceeds of $319,947 from the exercise of Stock Options and $2,008,780 from the issuance of Units in a private placement. See further discussion in Financing Activities below. The Company does not hedge its activities. As at September 30, 2014, the Company did not have any material contractual obligations except for minimum spending requirements on exploration licenses and lease commitments of $33,759. The Company is required to spend a minimum on prospecting over the period of its licenses. On licenses current and not in renewal as of September 30, 2014, the expenditure requirements inclusive of license fees from the date of grant to and if held to their full terms are as follows:

Project Description	**Required Expenditure**	
	BWP	USD
Newdico - Diamond	_	_
Gcwihaba - Diamond	307,410	$35,518
Gcwihaba - Metals	3,954,455	$456,894
Gcwihaba - Radioactive Minerals	_	_

Financial Instruments

The carrying amounts reflected in the consolidated Statement of Financial Position for cash, accounts receivable, accounts payable, and accrued liabilities approximate their fair values due to the short maturities of these instruments. Certain of the Company's warrants are classified as derivative liabilities and are recorded at their estimated fair value. The liability recognized at September 30, 2014 for those warrants is $452,833 (2013: $202,514). 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 ($505,357) for the period ended September 30, 2013 to ($575,088) for the period ended September 30, 2014. Increases in corporate remuneration resulted from concentrating more expenses to corporate activities, and resulting in savings capitalized by focusing Botswana activities with local personnel. Other expenses fluctuated but on the whole remained relatively the same. The largest impact was the unrealized loss on the valuation of warrants of ($268,569), which is a non-cash item that varies with market valuation and is recorded as a liability under IFRS, but this liability does not require an outlay of cash and is primarily for disclosure on warrants expressed in Canadian dollars.

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

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

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

Investing Activities

Cash flow applied in investing activities decreased to ($1,099,739) for the period ended September 30, 2014 (September 30, 2013: $1,506,480).

Total expenditures of $1,377,611 on exploration properties for the period ended September 30, 2014 were attributable to the Newdico and Gcwihaba projects in northwest Botswana. Included in this amount is the proportionate contributory share, ranging from 2.42% to 2.36% attributed to the Trans Hex Group for the Newdico project. Trans Hex Group has a 2% interest for funding the expenses of Newdico. There were no material disposals of capital assets or investments during the period.

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 year ended December 31 2011, the Company received gross proceeds in the amount of $1,926,547 from the exercise of Warrants related to private placements. During the year ended December 31 2012, the Company received proceeds of $319,947 from the exercise of Stock Options and $2,008,780 from the issuance of Units in private placements. During the year ended December, 2013, the Company received proceeds of $112,571 from the exercise of Stock Options and $2,409,340 from the issuance of Units in private placements. During the period ended September 30, 2014 the Company received proceeds of $238,787 from the exercise of Stock Options and $1,118,317 from the issuance of Units in a private placement.

Private Placement Date	**No. of Units**	**Price per Unit**	**Net Proceeds USD**
September 7, 2012	1,181,181	C$1.10	$2,008,780
April 22, 2013	2,272,727	C$1.10	$2,409,340
May 29, 2014	306,183	C$1.28	$ 358,325
July 29, 2014	634,116	C$1.28	$759,992
Warrant Exercise Date	**No. of Shares**	**Price per Share**	**Proceeds USD**
None			
Options Exercised Date	**No. of Shares**	**Price per Share**	**Proceeds USD**
May 1, 2012	250,000	C$0.80	$204,073
May 7, 2012	100,000	C$0.80	$80,368
December 19, 2012	50,000	C$0.70	$35,506
January 2, 2013	50,000	C$0.70	$35,285
April 24, 2013	50,000	C$0.70	$34,094
December 16, 2013	50,000	C$0.70	$32,913

December 31, 2013	20,000	C$0.55	$10,279
June 4, 2014	50,000	C$0.70	$31,649
June 13, 2014	75,000	50,000 : C$0.70 25,000 : C$0.90	$51,725
June 21, 2014	40,000	C$1.00	$35,564
June 25, 2014	72,111	50,000 : C$0.70 22,111 : C$1.00	$49,985
April 24, 2014	110,000	C$0.70	$69,864

Tsodilo expects to raise the amounts required to fund its 98% share of the Newdico project, the Gcwihaba and the Bosoto projects and corporate general and administration expenses, by way of non-brokered private placements and joint ventures.

RESULTS OF OPERATIONS

On a consolidated basis, the Company recorded a comprehensive net loss of ($1,868,395) for the period ended September 30, 2014 ($0.06) per common share) compared to a comprehensive net loss of ($1,524,679) for the period ended September 30, 2013 ($0.05) per common share). The change in the loss in 2014 was due primarily due to increases in corporate remuneration, and stock-based compensation expenses, and due to increase in foreign currency translation losses.

Cumulative exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to $12,851,472 as at September 30, 2014 compared to $11,844,757 as at September 30, 2013. Cumulative exploration expenditures incurred on the Newdico project as at September 30, 2014 was $6,598,370 compared to $6,883,142 as at September 30, 2013. A net exchange translation difference accounted for a ($364,170) reduction. The principal components of the Newdico and Gcwihaba exploration program were: (a) additional soil sampling and the completion of the processing and analysis of the soil samples; (b) commissioning of further ground magnetic surveys of selected aeromagnetic anomalies; (c) analyzing detailed proprietary aeromagnetic maps covering the target areas; and (d) commencement of a diamond core drilling program on selected targets. A table is presented above with specific details. Cumulative exploration expenditures incurred on Gcwihaba's projects as at September 30, 2014 were $6,253,102 compared to $4,961,615 as at September 30, 2013. A net exchange translation difference accounted for a ($287,143) reduction.

PERSONNEL

At September 30, 2014, the Company and its subsidiaries employed forty (32individuals compared to thirty-eight (38) at September 30, 2013, including senior officers, administrative and operations personnel including those on a short-term service basis.

QUARTER ENDED SEPTEMBER 30, 2014

The period ended September 30, 2014 was a normal operating period. Operating expenses were at normal levels for the period.

RISKS AND UNCERTAINTIES

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

Additional Funding Requirements

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a loss of $1,868,395 during the period ended September 30, 2014, and as of that date, the Company had an accumulated deficit of $34,834,448 and net working capital of ($328,924). Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is insufficient to finance exploration and resource evaluation at the 2014 and 2013 levels, and may be insufficient to finance continued operations for the 12 month period subsequent to September 30, 2014. The continuity of the Company's operations is dependent on raising future financing for working capital, the continued exploration and development of its properties and for acquisition and development costs of new projects. The Company's failure to raise additional funds could result in the delay in the work performed on the Company's exploration properties and may lead to an impairment charge on the Company's exploration and evaluation assets. Management believes that it will be able to secure the necessary financing through a combination of the issue of new equity or debt instruments, the entering into of joint venture arrangements or the exercise of warrants and options for the purchase of common shares. However there is no assurance the Company will be successful in these actions. There can be no assurance that adequate financing will be available, or available under terms favorable to the Company. During the period ended September 30, 2014, the Company received proceeds of $238,787 from the exercise of Stock Options and $1,118,317 from the issuance of Units in private placements. Should it be determined that the Company is no longer a going concern, adjustments, which could be significant, would be required to the carrying value of assets and liabilities. These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the consolidated statement of operations and comprehensive income (loss), and consolidated statement of financial position classifications that would be necessary were the going concern assumption not be appropriate.

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

Uncertainties Related to Mineral Resource Estimates

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

Commodity Prices and Marketability

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

Currency Risk

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

Foreign Operations Risk

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

Mineral Exploration and Development

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

Title Matters

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

Infrastructure

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

Uninsured Risks

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

Competition

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

Key Personnel

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

ADOPTION OF NEW ACCOUNTING STANDARDS

New Accounting Standards, Amendments and interpretations

The following new standards and issued amendments to standards and interpretations are effective for the quarter ended September 30, 2014 and have been adopted when preparing these condensed interim consolidated financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

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

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

IFRS 11, *Joint Arrangements*

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

IFRS 12, *Disclosures of Involvement with Other Entities*

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

IAS 27, *Separate Financial Statements*

The requirements relating to separate financial statements are unchanged and included in the amended IAS 27. The consolidation guidance currently included in IAS 27 is replaced by IFRS 10.

IAS 28, *Investment in Associates and Joint Ventures*

IAS 28 is amended to conform to changes resulting from issuance of IFRS 10, IFRS 11, and IFRS 12.

Each of the above five standards has an effective date for annual periods beginning on or after January 1, 2013.

The adoption of these standards did not have a significant impact on the Company's condensed interim consolidated financial statements, and certain additional disclosures thereof are included in these statements.

IFRS 13, *Fair Value Measurement*, issued May 2011

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 13 did not have a significant impact on the Company's methodologies in determining fair values.

New Standards, Amendments and Interpretations, Not Yet Adopted

IFRS 9, *Financial Instruments*, issued in November 2009

This standard is the first step in the process to replace IAS 39, *Financial Instruments: Recognition & Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held for maturity, available for sale, loans and receivables and other financial liabilities categories. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 has an effective date of January 1 2015, with early adoption permitted. The Company continues to monitor and assess the impact of this standard.

RELATED PARTY TRANSACTIONS

During the period ended September 30, 2014 and 2013, the Company incurred leave benefits payable to an officer and director of the Company, however all amounts for 2013 were paid by year end.

Remuneration of Key Management Personnel of the Company

	2014	2013
Short term employee remuneration and benefits	**$ 322,502**	$ 278,334
Stock based compensation	**161,868**	185,017
Post employment benefits*	**87,766**	48,952
Total compensation attributed to key management personnel	**$ 572,136**	$ 512,303

*Post employment benefits include $21,552 of accrued leave benefits.

There are no other related party transactions.

OUTLOOK

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

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

ADDITIONAL INFORMATION

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

FORWARD-LOOKING STATEMENTS

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

"s"

James M. Bruchs
Chairman and Chief Executive Officer
November 19, 2014

"s"

Gary A. Bojes
Chief Financial Officer
November 19, 2014

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014

(expressed in United States dollars)

Unaudited – Prepared by Management

These condensed 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 condensed interim consolidated financial statements have been authorized for release by the Company's Board of Directors on November 19, 2014.

CONTENTS:

Management's Responsibility for Condensed 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 19th day of November, 2014.

TSODILO RESOURCES LIMITED

"s"	"s"
James M. Bruchs Chairman and Chief Executive Officer November 19, 2014	Gary A. Bojes Chief Financial Officer November 19, 2014

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Financial Position
(In United States dollars)

	September 30 2014	September 30 2013	December 31 2013
ASSETS			
Current			
Cash	**$ 191,998**	$1,204,485	$ 610,622
Accounts receivable and prepaid expenses	**96,477**	145,217	85,046
	288,475	1,349,702	695,668
Exploration and Evaluation Assets *(note 3)*	**12,851,472**	11,844,757	12,125,174
Property, Plant and Equipment *(note 4)*	**364,300**	610,720	544,388
Deposits on Equipment *(note 4)*	**--**	--	--
Total Assets	**$13,504,247**	$13,805,179	$13,365,230
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 164,565**	$ 98,421	$ 210,805
Warrants *(note 5b)*	**452,833**	202,514	184,264
Total Liabilities	**617,398**	300,935	395,069
SHAREHOLDERS' EQUITY			
Share capital *(note 5a)*	**41,605,623**	40,040,395	40,094,987
Contributed surplus *(note 5c)*	**10,040,386**	9,638,732	9,765,939
Foreign translation reserve	**(4,104,341)**	(3,129,652)	(3,340,515)
Deficit	**(34,834,448)**	(33,251,844)	(33,724,583)
Equity attributable to Owners of the Parent	**12,707,220**	13,297,631	12,795,828
Non-controlling Interest *(note 3)*	**179,629**	206,613	174,333
Total Equity	**12,886,849**	13,504,244	12,970,161
Total Liabilities and Equity	**$13,504,247**	$13,805,179	$13,365,230

Commitments *(note 11)*
Subsequent events *(note 13)*

See accompanying notes to the condensed interim 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
Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
(In United States dollars)

	Three months ended		Nine months ended	
	September 30 2014	**September 30 2013**	**September 30 2014**	**September 30** 2013
Administrative Expenses				
Corporate remuneration	**$ 102,452**	$235,356	**$ 312,631**	$270,636
Corporate travel and subsistence	**15,936**	3,595	**20,496**	19,794
Investor relations	**5,250**	15,000	**20,787**	31,533
Legal and audit	**4,055**	(1,563)	**11,120**	77,825
Filings and regulatory fees	**12,105**	8,095	**29,090**	24,786
Administrative expenses	**48,369**	40,310	**123,320**	101,805
Amortization	**419**	1,345	**2,456**	4,853
Stock-based compensation (note 5c)	**72,729**	181,032	**302,467**	420,638
	$ 261,315	483,170	**822,368**	$951,870
Other Income (Expense)				
Interest Income	**--**	177	**26**	382
Gain on disposal of assets	**--**	--	**--**	
Unrealized gain on warrants (Note 5b)	**572,785**	25,397	**(268,569)**	681,698
Foreign exchange loss	**(491)**	(4,128)	**(13,658)**	(34,686)
	572,294	21,466	**(282,201)**	647,394
Loss for period	**310,979**	(461,724)	**(1,104,569)**	(304,475)
Other Comprehensive Income (Loss)				
Foreign currency translation	**(671,864)**	70,004	**(763,826)**	(1,220,204)
Total Other Comprehensive Income (Loss)	**(671,864)**	70,004	**(763,826)**	(1,220,204)
Total Comprehensive Income (Loss) for the period	**($ 360,705)**	($391,720)	**($1,868,395)**	($1,524,679)
Net Income (Loss) attributable to shareholders of the parent	**$310,790**	($463,017)	**($1,104,766)**	($305,292)
Non-controlling interest	**189**	1,293	**197**	817
	$310,790	($461,724)	**($1,104,569)**	($304,475)
Total Comprehensive Income (Loss) attributable to owners of the parent	**($357,068)**	($394,537)	**($1,873,691)**	($1,525,496)
Non-controlling Interest	**(3,637)**	2,817	**5,296**	817
	($360,705)	($391,720)	**($1,868,395)**	($1,524,679)
Basic income (loss) per share attributable to owners of the parent (note 7)	**$0.01**	($0.00)	**($0.04)**	($0.01)
Fully diluted income (loss) per share attributable to the owners of the parent (note 7)	**$0.01**	($0.00)	**($0.04)**	($0.01)
Basic comprehensive income (loss) per share attributable to the owners of the parent (note 7)	**($0.01)**	($0.01)	**($0.06)**	($0.05)
Fully diluted comprehensive income (loss) per share attributable to the owners of the parent (note 7)	**($0.01)**	($0.01)	**($0.06)**	($0.05)

See accompanying notes to the condensed interim consolidated financial statements

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(In United States dollars except for shares)

	Share Capital		Contributed Surplus	Foreign Translation Reserve	Deficit	Total attributable to equity holder of the parent	Non-Controlling Interest	Total Equity
	Shares Issued	Amount						
Balance January 1, 2014	**30,541,878**	**$40,094,987**	**$9,765,939**	**($3,340,515)**	**($33,724,583)**	**$12,795,828**	**$174,333**	**$12,970,161**
Units Issued	**940,299**	**1,118,294**	**--**	**--**	**--**	**1,118,294**	**--**	**1,118,297**
Exercised Options	**347,111**	**392,342**	**(153,562)**	**--**	**--**	**238,780**	**--**	**238,780**
Stock Based Compensation			**428,009**			**428,009**	**--**	**428,009**
Comprehensive Income (loss)				**(763,826)**	**(1,109,865)**	**(1,873,691)**	**5,296**	**(1,868,395)**
Balance September 30, 2014	**31,829,288**	**$41,605,623**	**$10,040,386**	**($4,104,341)**	**($34,834,448)**	**$12,707,220**	**$179,629**	**$12,886,849**

See accompanying notes to the condensed interim consolidated financial statements.

Tsodilo Resources Limited

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(In United States dollars except for shares)

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

See accompanying notes to the condensed interim consolidated financial statements.

Tsodilo Resources Limited

Condensed interim Consolidated Statements of Cash Flows

(In United States dollars)

	Period Ended September 30	
	2014	2013
Cash provided by (used in):		
Operating Activities		
Net Income (Loss) for the period	**($1,104,569)**	($ 304,475)
Adjustments for non-cash items:		
Unrealized (gain) loss on warrants	**268,569**	(681,698)
Gain on disposal of equipment	**--**	--
Amortization	**2,456**	4,853
Foreign exchange loss	**13,658**	34,686
Stock-based compensation	**302,467**	420,637
	(517,419)	(525,997)
Net change in non-cash working capital balances *(note 12)*	**(57,670)**	20,640
	(575,089)	(505,357)
Investing Activities		
Additions to exploration properties	**(1,099,739)**	(1,506,480)
Deposit on equipment	**--**	43,670
Proceed received from disposal of equipment	**--**	--
Additions to property, plant and equipment	**(99,474)**	(200,243)
	(1,199,213)	(1,663,053)
Financing Activities		
Shares and warrants issued for cash, net of costs	**1,357,074**	2,488,915
	1,357,074	2,488,915
Impact of exchange on cash and cash equivalents	**(1,396)**	(98,071)
Change in cash - for the period	**(418,624)**	222,434
Cash - beginning of period	**610,622**	982,051
Cash - end of period	**$ 191,998**	$ 1,204,485

See accompanying notes to the condensed interim consolidated financial statements

1. NATURE OF OPERATIONS

Tsodilo Resources Limited ("Tsodilo" or "the Company") is an exploration stage company which is engaged principally in the acquisition, exploration and development of mineral properties in the Republic of Botswana.

The Company is considered to be in the exploration and development stage given that none of its properties are in production and, to date, have not earned any revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the renewal or extension of exploration licenses, obtaining the necessary permits to operate a mine, obtaining the financing to complete exploration and development, and future profitable production. The Company is incorporated under laws of the Yukon Territory, Canada, under the Business Corporations Act of Yukon and the address of the Company's registered office is 161 Bay Street, P.O. Box 508 Toronto, Ontario, Canada, M5J 2S1. The Company currently exists under the Business Corporations Act of Yukon and its common shares are listed on the Toronto Venture Stock Exchange (TSXV) under the symbol TSD.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a loss of $1,868,395 during the period ended September 30, 2014, and as of that date, the Company had an accumulated deficit of $34,834,448 and net working capital of ($328,923). Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is insufficient to finance exploration and resource evaluation at the 2014 and 2013 levels, and may be insufficient to finance continued operations for the 12 month period subsequent to September 30, 2014. The continuity of the Company's operations is dependent on raising future financing for working capital, the continued exploration and development of its properties and for acquisition and development costs of new projects. The Company's failure to raise additional funds could result in the delay in the work performed on the Company's exploration properties and may lead to an impairment charge on the Company's exploration and evaluation assets. Management believes that it will be able to secure the necessary financing through a combination of the issue of new equity or debt instruments, the entering into of joint venture arrangements or the exercise of warrants and options for the purchase of common shares. However there is no assurance the Company will be successful in these actions. There can be no assurance that adequate financing will be available, or available under terms favorable to the Company. Should it be determined that the Company is no longer a going concern, adjustments, which could be significant, would be required to the carrying value of assets and liabilities. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the condensed interim consolidated statement of operations and comprehensive income (loss), and condensed interim consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate. Please see subsequent events for additional cash proceeds raised after this report date and before the issuance date.

2. Significant Accounting Policies

(a) ***Statement of Compliance with International Financial Reporting Standards***

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been authorized for release by the Company's Board of Directors on November 19, 2014.

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

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

	2014	2013
Tsodilo Resources Bermuda Limited ("Bermuda") [Bermuda]	**100%**	100%
Bosoto (Proprietary) Limited ("Bosoto") [Botswana]	**75%**	100%
Gcwihaba Resources (Proprietary) Limited ("Gcwihaba") [Botswana]	**100%**	100%
Newdico (Proprietary) Limited ("Newdico") [Botswana]	**98%**	98%
Indada Trading 361 (Pty) Ltd. ("Indada") [South Africa]	**70%**	70%
All intercompany transactions have been eliminated on consolidation		

The accounting policies set out below have been applied consistently to all periods presented.

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

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of polices and reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Accounts that require estimates as the basis for determining the stated amounts include warrant liability, contributed surplus, stock-based compensation expense, and amortization expense. The amounts estimated for the warrant liability and stock based compensation are calculated using the Black-Scholes Merton valuation model, which requires significant estimates with respect to the expected life and volatility of such instruments. The estimated depreciation is influenced primarily by the estimated useful life of the Company's Property, Plant & Equipment.

Significant judgments are required with respect to the carrying value of the Company's exploration and evaluation assets, the determination of the functional currency of the Company and its subsidiaries and the recoverability of the Company's deferred tax assets. In particular, the carrying value of the Company's exploration and evaluation assets is dependent upon the Company's determination with respect to the future prospects of its exploration and evaluation assets and the ability of the Company to successfully complete the renewal or extension process for its exploration properties as required.

(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.

(e) ***Exploration and Evaluation Assets***

Exploration and evaluation assets include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. The amounts shown for exploration and evaluation assets represents all direct and indirect costs relating to the acquisition, exploration and development of exploration properties, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the exploration and evaluation assets are abandoned or sold. The Company has classified exploration and evaluation assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimates of proven and probable reserves.

Ownership of exploration and evaluation assets involves certain inherent risks, including geological, 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 or extension of exploration licenses, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate the mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its Botswana exploration and evaluation assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of exploration and evaluation assets carrying values. See footnote 3 for additional disclosures related to license commitments and strategic partners commitments and earn-in agreement.

Exploration and Evaluation Assets (Farm-Out)

The Company has entered into a farm-out arrangement during the year, in which the Company is the farmor. Farm-out arrangements will be recorded at cost during the exploration and evaluation phase of the projects. The farmor will not record any exploration costs of the farmee. There are no accruals for future commitments in farm-out agreements in the exploration and evaluation phase, and no profit or loss is recognized by the farmor. In the development phase, a farm-out agreement will be treated as a transaction recorded at fair value as represented by the costs borne by the farmee.

(f) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost, less accumulated depreciation.

Depreciation is calculated on a straight line basis over the following terms:

Vehicles and drilling equipment	5 Years
Furniture and equipment	3 Years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of 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 currencies of the Company's subsidiaries are as follows:

Tsodilo Resources Bermuda Limited		U.S. Dollar
Gcwihaba Resources (Pty) Limited	('Gcwihaba')	Botswana Pula
Newdico (Pty) Limited	('Newdico')	Botswana Pula
Bosoto (Pty) Limited	('Bosoto')	Botswana Pula
Indada Trading 361 (Pty) Ltd.	('Indada')	South African Rand

Each subsidiary and the Company's parent entity determine their own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date.

(iii) Translation of foreign operations

As at the reporting date the assets and liabilities of Gcwihaba, Newdico, Bosoto and Indada are translated into the presentation currency of the Company at the rate of exchange prevailing at the reporting date and their revenue and expenses are translated at the average exchange for the period. On consolidation, the exchange differences arising on the translation are recognized in Other Comprehensive Income and accumulated in the foreign translation reserve.

If Gcwihaba, Newdico, Bosoto and Indada were sold, the amount recognized in the foreign currency reserve would be realized and reflected in the Statement of Operations and Comprehensive Income (Loss) as part of the gain and loss on disposal.

(i) Income Taxes

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

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

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

(j) Share-based Compensation

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

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

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

(k) ***<u>Severance Benefits</u>***

Under Botswana law, the Company is required to pay severance benefits upon the completion of 5 years of continued service or upon the termination of employment. Severance is earned at the rate of one day per month for an employee with less than five years of service and two days per month for employees with greater than five years of service. The specifics and benefits of the severance program mandated in Botswana is extended to full-time employees residing and working outside of Botswana. The cost of these severance benefits is accrued immediately to the extent that the benefits are amortized on a straight line basis over the period of service until the benefit becomes payable. Portions of the severance expenses are capitalized to exploration and evaluation assets.

(l) ***<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 activities include dismantling and removing structures, rehabilitating mines and tailings dams, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected 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 nominal, 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 charge to the statement of operations and comprehensive income (loss) to reflect the passage of time and the liability is accreted by a charge to the statement of operations and comprehensive income (loss) 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 reporting date and the cost is charged to the statement of operations and comprehensive income (loss).

The Company had no asset retirement obligations as of September 30, 2014 and 2013, and December 31, 2013.

(m) ***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, 2014 and 2013, and December 31, 2013 the Company has not classified any financial assets as available for sale. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(n) ***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.

(o) ***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.

(p) ***Related Party Transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

(q) ***New Standards, Amendments and Interpretations***

The following new standards and issued amendments to standards and interpretations are effective for the quarter ended September 30, 2014 and have been adopted when preparing these condensed interim consolidated financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

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

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

IFRS 11, *Joint Arrangements*

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

IFRS 12, *Disclosures of Involvement with Other Entities*

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

IAS 27, *Separate Financial Statements*

The requirements relating to separate financial statements are unchanged and included in the amended IAS 27. The consolidation guidance currently included in IAS 27 is replaced by IFRS 10.

IAS 28, *Investment in Associates and Joint Ventures*

IAS 28 is amended to conform to changes resulting from issuance of IFRS 10, IFRS 11, and IFRS 12.
Each of the above five standards has an effective date for annual periods beginning on or after January 1, 2013.

The adoption of these standards did not have a significant impact on the Company's condensed interim consolidated financial statements, and certain additional disclosures thereof are included in these statements.

IFRS 13, *Fair Value Measurement*, issued May 2011

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 13 did not have a significant impact on the Company's methodologies in determining fair values.

(r) ***New Standards, Amendments and Interpretations, Not Yet Adopted***

IFRS 9, *Financial Instruments*, issued in November 2009

This standard is the first step in the process to replace IAS 39, *Financial Instruments: Recognition & Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held for maturity, available for sale, loans and receivables and other financial liabilities categories. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 has an effective date of January 1 2015, with early adoption permitted. The Company continues to monitor and assess the impact of this standard.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are summarized as follows:

	Newdico Botswana	Gcwihaba Botswana				Total
	Precious Stones	Precious Stones	Metals	Radio-Active Minerals	Subtotal	
Balance at December 31, 2012	**$7,518,224**	**$2,048,700**	**$1,039,199**	**$544,058**	**$3,631,956**	**$11,150,180**
Additions	102,199	288,637	1,683,464	300,140	2,272,241	2,374,440
Net Exchange Differences	(840,848)	(70,957)	(413,856)	(73,785)	(558,598)	(1,399,446)
Balance at December 31, 2013	**$6,779,575**	**$2,266,380**	**$2,308,807**	**$770,413**	**$ 5,345,599**	**$12,125,174**
Additions	182,965	201,245	786,842	206,559	1,194,646	1,377,611
Net Exchange Differences	(364,170)	(48,371)	(189,124)	(49,648)	(287,143)	(651,313)
Balance at September 30, 2014	**$6,598,370**	**$2,419,254**	**$2,906,525**	**$927,323**	**$6,253,102**	**$12,851,472**

Exploration and Evaluation additions for the period ended September 30, 2014 are summarized as follows:

	Newdico Botswana	Gcwihaba Botswana				Total
	Precious Stones	Precious Stones	Metals	Radio-Active Minerals	Subtotal	
Drilling Expenditures	$ 45,110	$ 19,101	$ 99,661	$ 25,733	$ 144,495	$ 189,605
Amortization Drill Rigs, Vehicles & Trucks	22,363	19,495	90,947	19,524	129,966	152,329
GIS & Geophysics	290	1,686	65,907	565	68,158	68,448
Lab Analyses & Assays	4,532	235	129,413	235	129,883	134,415
License Fees	391	197	3,449	0.0	3,646	4,037
Office, Maintenance, & Consumables	39,184	13,355	59,548	15,195	88,098	127,282
Salaries, Wages & Services	71,095	147,176	337,917	145,307	630,400	701,495
Balance at September 30, 2014	**$ 182,965**	**$ 201,245**	**786,842**	**$ 206,559**	**$ 1,194,646**	**$ 1,377,611**

The Company's significant exploration and evaluation assets are summarized as follows:

General

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of permits and the potential for problems arising from government conveyance accuracy, prior unregistered agreements or transfers, native land claims, confirmation of physical boundaries, and title may be affected by undetected defects. The Company does not carry title insurance. The Company has evaluated title to all of its mineral properties and believes, to the best of its knowledge, that evidence of title is adequate and acceptable given the current stage of exploration.

Newdico (Proprietary) Limited ("Newdico") – Botswana

Newdico's Prospecting License ("PL") is located in the Ngamiland District of northwest Botswana. 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 three remaining licenses totaling 3,949 square kilometers were renewed for a two-year period and expired in June 2012. Two of the three remaining licenses totalling 3,098 square kilometres were relinquished in 2012. These were the subject of extensive exploration during their license terms and were determine not to be prospective for an economic kimberlite. The relinquishment of these licenses will not have an adverse impact on the Ngamiland's kimberlite exploration program

A two year extension application for Newdico's remaining license covering 851 square kilometres was submitted in order to continue and complete the first stage exploration and evaluation program. The application was made in April 2012 and a two year exploration extension license was granted on February 27, 2014. PL 64/2005 covers 851 square kilometres and the term of the license commences as of April 1, 2014 and may continue to March 31, 2016. The minimum annual expenditure for each year one and two is P200 000. If after year 1, a decision is made based on the micro-diamond results that further work is warranted, the Company estimates that P4 585 000 would be required for bulk sampling.

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

Starting in 2005, THG decided not to fund its proportionate share of expenditures on certain cash calls. Accordingly, the Company's interest in Newdico has increased from 75% to 97.6% at September 30, 2014.

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

Gcwihaba, a wholly owned subsidiary of the Company, holds one (1) prospecting license for precious stone in the Kgalagadi District; twenty-two (22) metal prospecting licenses in the North-West district of which seven (5) are currently in renewal; and, eight (8) radioactive mineral licenses located in the North-West district, all of which are currently in renewal.

Diamond Exploration

Gcwihaba currently holds one precious stone prospecting license as at September 30, 2014. PL 195/2012 has an initial expiry date of July 1, 2015 and requires a minimum spending commitment of Botswana Pula 307,410 (US$35,358) if held to its full term. As of September 30, 2014, the Company has fulfilled the spending requirements associated with this license.

Metal Exploration

Gcwihaba holds twenty-two (22) metal (base, precious, platinum group, and rare earth) prospecting licenses inclusive of 5 licenses currently in renewal in the North-West District of Botswana. The current licenses, those not presently in renewal, cover 11,534 square kilometers. The Company initially acquired the various licenses in 2005, 2008, 2009 and 2012. In October 2010, PL's 118 and 119/2005 were relinquished in part and in December 2010, PL's 051 and 052/2008 were relinquished in part. In 2012, PL118 was relinquished in its entirety. The relinquishment of the aforementioned licenses or portions thereof did not cause a reduction or change in the continuing overall exploration program nor impact the chances of the overall success of the program. The expiry /renewal dates of the 17 current licenses range from December 31, 2014 to June 30, 2016 and require a minimum spending commitment of Botswana Pula 4,466,905 (US $513,666) over the term of the licenses, if held to their full-term. The Company has fulfilled the spending commitments associated with these licenses except for the two licenses (PL64/2005 and PL588/2009) which were renewed or extended effective July 1, 2014.

Strategic Exploration and Evaluation Partner

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

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

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

The Tranche 1 Funding Commitment is a firm commitment by First Quantum and must be satisfied irrespective of whether First Quantum elects to pursue the other requirements to earn an interest in Gcwihaba's licences. First Quantum has reported that it has satisfied its Tranche 1 Funding Commitment by spending $10,535,645 on Prospecting Licenses covered by the MOU through the 3rd Quarter of 2014.

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

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

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

First Quantum has reported that expenditures as per the MOA amounted to $2,623,671 in the 3rd Q of 2014.

Radioactive Minerals

As at September 30, 2014, Gcwihaba holds prospecting permits for eight (8) radioactive mineral licenses in the North-West District of Botswana. In general, these licenses overlap or are contiguous to the Company’s metal licenses. PL’s 150 and 151/2013 had an initial grant expiration date of June 30, 2013 and first renewal applications have been filed and are pending. PL's 045/2011 - 050/2011 had an initial grant date of December 31, 2013 and first renewal applications have been filed and are pending.

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

The Company was notified on September 19, 2014 that its application on behalf of its subsidiary Bosoto for BK16, one of the kimberlites in the Orapa Kimberlite province, has been approved and would become effective as of October 1, 2014. The Orapa Kimberlite Field covers an area of 2,600 km^2, and includes at least 83 kimberlite bodies varying in size from dykes to the 110 ha AK1 kimberlite (Debswana's Orapa Mine). All are late early to late Cretaceous in age and of the 83 known kimberlite intrusions, nine pipes, AK01 (Orapa Mine), AK06 (Karowe Mine), BK01, BK09, BK12, BK15 (all Damtshaa Mine), BK11 (Firestone Mine), DK1 and DK2 (both Lethlakane Mine) have been or are currently being mined.

BK16 is known to contained diamonds and grade and value are yet to be determined. Bosoto intends to commence with a desktop study in parallel with a ground geophysical program, comprising of both high intensity magnetic and gravity surveys in order to define outline the kimberlite with more accurately and to start some diamond drilling in order to develop a robust geological model. The surveys were completed in October and initial draft modelling utilizing historic drill holes in conjunction with the detailed geophysical surveys is ongoing.

It is not possible at this stage to determine with any degree of accuracy the costs of evaluating the economic potential of BK16 although costs in the form of services provided or expenditures are substantial. Tsodilo has 75% interest in Bosoto.

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

The Company holds a 70% interest in its South African subsidiary, Idada Trading 361(Pty) Limited ("Idada"). Idada has made application for an exploration license (Ref: MP30/5/1/1/2/1047PR) in the Barberton area in February 2012. This application was accepted in February 2013 and consultation was conducted with interested and affected parties in April and June 2013. An Environmental Management Plan (EMP) was submitted in April 2013 and a site visit was made by various governmental departments (DMR, EWT, REMDEC) in September 2013. The Company is now awaiting a decision by the DMR to award the prospecting permit or not.

Tsodilo Resources Bermuda Limited – Bermuda

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

4. PROPERTY, PLANT, AND EQUIPMENT AND DEPOSITS ON EQUIPMENT

Property, Plant, and Equipment

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

	Vehicles	Furniture and Equipment	Total
As at December 31, 2013	$1,523,375	$ 233,249	$ 1,756,624
Additions	--	3,719	3,719
Disposals			
Net Exchange Difference	(81,829)	(10,025)	(91,854)
As at September 30, 2014	$ 1,441,546	$ 226,943	1,668,489

Accumulated Depreciation

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

	Vehicles	Furniture and Equipment	Total
As at December 31, 2013	$ 1,011,566	$ 200,670	$ 1,212,236
Depreciation	141,900	12,886	154,786
Disposals			
Net Exchange Difference	(54,337)	(8,496)	(62,833)
As at September 30, 2014	$1,099,129	$ 205,060	1,304,189

Net book value

As at December 31, 2013	$ 511,809	$ 32,579	$ 544,388
As at September 30, 2014	$ 342,417	$ 21,883	$ 364,300

For the Quarter ended September 30, 2014, an amount of $152,330 (2013: $170,517) of amortization has been capitalized under exploration properties.

5. SHARE CAPITAL

(a) Common Shares

Authorized, Issued and outstanding

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

Issued and outstanding: 31,829,288 Common Shares as at September 30, 2014 (December 31, 2013: 30,541,878)

1) **During the period ending September 30, 2014:**
   - i. On March 4, 2014, 50,000 options were exercised at a price of C$0.70 for proceeds to the Company of $31,649 (C$35,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $16,072.
   - ii. On March 13, 2014, 75,000 options were exercised, 50,000 at a price of C$0.70 and 25,000 at a price of C$0.90 for proceeds to the Company of $51.725 (C$57,500). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $34,983.
   - iii. On March 21, 2014, 40,000 options were exercised at a price of C$1.00 for proceeds to the Company of $35,564 (C$40,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $33,431.
   - iv. On March 25, 2014, 71,110 options were exercised. 50,000 at a price of C$0.70 and 21,110 were exercised at a price of C$1.00 for proceeds to the Company of $49,985 (C$57,111). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $33,716.
   - v. On April 24, 2014, 110,000 options were exercised at a price of C$0.70 for proceeds to the company of $69,864 (C$77,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $35,360.
   - vi. On May 29, 2014 306,183 Units were issued at a price of C$1.28 for gross proceeds to the Company of $358,325 (C$391,924). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a period until the close of business on May 29, 2016 at USD $1.40
   - vii. On July 29, 2014, 634,116 Units were issued at a price of C$1.28 for gross proceeds to the Company of $759,992 (C$811,668). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a period until the close of business on July 29, 2016 at USD$1.40. $5,433 of issuance costs were netted against the proceeds.

2) **During the year ending December 31, 2013:**
   - i. On January 3, 2013, 50,000 options were exercised at a price of C$0.70 for proceeds to the Company of $35,285 (C$35,000). The fair value associated with the exercised options that were reclassified from contributed surplus to share capital was $20,130.
   - ii. On April 22, 2013, 2,272,727 Units were issued at a price of C$1.10 for gross proceeds to the Company of $2,434,510 (C$2,500,000). Each unit includes one common share and one warrant entitling the holder to purchase one common share of the Company for a

period until the close of business on April 22, 2015 at USD$1.21. $25,170 of issuance costs were netted against the proceeds.

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

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

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

(b) Warrants

As at September 30, 2014, the following warrants were outstanding:

		Number of Warrants - Units				
Expiry	**Exercise Price**	**December 31, 2013**	**Issued**	**Exercised**	**Expired**	**September 30 2014**
June 29, 2015	C$2.17	2,702,702	--	--	--	2,702,702
June 29, 2015	USD$1.21	1,818,181	--	--	--	1,818,181
April 22, 2015	USD$1.21	2,272,727	--	--	--	2,272,727
May 29, 2016	USD$1.40		306,183			306,183
July 29, 2016	USD$1.40	--	634,116			634,116
		6,793,610	940,299	--	--	7,733,909

On April 22, 2013, the Company issued 2,272,727 warrants with an exercise price of USD$1.21, expiring on April 22, 2015. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units equals the value of the Common Shares, and no amount was allocated to the warrants.

On May 29, 2014, the Company issued 306,183 warrants with an exercise price of USD$1.40, expiring on May 29, 2016. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units equals the value of the Common Shares, and no amount was allocated to the warrants.

On July 29, 2014, the Company issued 634,.116 warrants with an exercise price of USD$1.40, expiring on July 29, 2016. As the strike price of these warrants is in U.S. Dollars, the warrants were classified as equity instruments. The value of the Units equals the value of the Common Shares, and no amount was allocated to the warrants.

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 period ended September 30, 2014 the Company recorded a mark to market gain of $268,569 (2013 – gain $681,698) on the revaluation of warrants. As at September 30, 2014, the outstanding liability portion of the warrants have a fair value of

$452,833 (2013: $202,514) which is determined using the Black-Scholes Option Pricing Model with an expected volatility of 65.58%, expected life of 0.75 years at a risk free rate of 1.12%.

On January 20, 2012, 465,245 warrants with an exercise price of C$1.00 expired.

	Warrant Liability	
	Number of Units	Value of Warrants
Balance December 31, 2012	2,702,702	**$ 884,212**
Additions	--	--
Exercise	--	--
Expiry	--	--
Valuation Change	--	(699,948)
Balance December 31, 2013	2,702,702	**$ 184,264**
Additions	--	--
Exercise	--	--
Expiry	--	--
Valuation Change	--	268,569
Balance September 30, 2014	2,702,702	**$452,833**

c) Stock Option Plan

The Company has a stock option plan providing for the issuance of options that cannot exceed 5,629,830 shares of common stock. The Company may grant options to directors, officers, employees, and contractors, and other personnel of the Company or its subsidiaries. The exercise price of each option cannot be lower than the market price of the shares being the closing price of the Company's common shares on the Toronto Stock Exchange the day before the grant date. Options generally vest ratably over an eighteen- month period, beginning with the date of issuance and every 6 months thereafter, and expire in five years from the date of grant as determined by the Board of Directors.

The following Table summarizes the Company's stock option activity for the ended December 31, 2013 and the period ended September 30, 2014:

	Number of Options	Weighted average exercise price (C$)
Outstanding as at December 31, 2012	3,045,000	C$1.13
Granted	685,000	C$1.09
Exercised	(170,000)	C$0.70
Cancelled	(25,000)	C$1.00
Expired	(360,000)	C$0.70
Outstanding as at December 31, 2013	3,175,000	C$1.19
Granted	740,000	C$1.07
Exercised	(236,110)	C$0.80
Cancelled	(210,000)	C$1.10
Expired	(260,000)	C$.0.70
Outstanding as at September 30, 2014	3,208,890	C$1.24

2013

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

On January 3, 2013, 50,000 options granted under its Stock Option Plan ('SOP') were exercised pursuant to the SOP at C$0.70 for total proceeds of C$35,000 (USD $35,285).

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

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

On April 24, 2013, 50,000 options granted under its Stock Option Plan ('SOP') were exercised pursuant to the SOP at C$0.70 for total proceeds of C$35,000 (USD $34,094).

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

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

On December 16, 2013, 50,000 options granted under its Stock Option Plan ('SOP') were exercised pursuant to the SOP at C$0.70 for total proceeds of C$35,000 (USD $32,913).

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

2014

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

On January 2, 2014, 150,000 stock options issued at C$0.70 expired.

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

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

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

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

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

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

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

The following table summarizes the stock option compensation expense and capitalized stock compensation for the periods ended September 30, 2014 and 2013.

	2014	2013
Stock-based compensation expense	**$ 302,466**	$ 420,638
Capitalized Stock-based compensation expense	**125,542**	69,855
	$ 428,008	$ 490,493

The following assumptions were used in the Black Scholes option pricing model to fair value the stock options granted during the periods ended September 30, 2014 and 2013:

	2014	2013
Expected lives	**3.2 to 4.7 years**	3.1 to 4.7 years
Expected volatilities (based on Company's historical prices)	**95.5% - 108.0%**	93.8% - 147.8%
Expected dividend yield	**0%**	0%
Risk free rates	**0.87– 1.60%**	0.42% - 0.73%
Weighted average fair value of option	**$0.74**	$0.82

The following table summarizes stock options outstanding as at September 30, 2014:

Options Outstanding				**Options Exercisable**		
Exercise Price (C$)	Number of Outstanding Options	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life (Years)	Number of Exercisable Options	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life (Years)
C$0.55	80,000	C$0.55	0.09	80,000	C$0.55	0.09
C$2.23	500,000	C$2.23	.59	500,000	C$2.23	.59
C$0.90	210,000	C0.90	2.26	210,000	C$0.90	2.26
C$1.00	458,890	C$1.00	1.88	458,890	C$1.00	1.88
C$1.20	235,000	C$1.20	3.26	235,000	C$1.20	3.26
C$1.04	700,000	C$1.04	2.65	700,000	C$1.04	2.65
C$0.75	260,000	C$0.75	4.26	130,000	C$0.75	4.26
C$1.25	765,000	C$1.25	3.27	525,000	C$1.25	3.27
	3,208,890	C$1.24	2.45	2,838,890	C$1.26	2.20

6. INCOME TAXES

The recovery of income taxes varies from the amounts that would be computed by applying the Canadian federal and provincial statutory rate for 2013 of approximately 26.5% (2012: 26.5%) to net income (loss) before income taxes as follows:

	December 31, 2013	December 31 2012
Net Income (Loss) for the year	**($778,389)**	($293,095)
Canadian statutory Income tax rates	**26.50%**	26.50%
Expected tax expense (recovery)	**(206,273)**	(77,670)
Effect of statutory tax rate change	**--**	(36,853)
Foreign operation taxed at lower rates	**426,351**	3,233
Permanent differences	**(351,434)**	(65,396)
Change in benefits not recognized	**573,714**	88,980
Expiry of tax losses	**115,622**	--
Changes in estimate and foreign exchange	**(567,980)**	5,273
Other	**--**	82,383
Provision for (recovery of) income taxes	**$ --**	$ --

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

	December 31, 2013	December 31, 2012
Losses carried forward - Botswana	**2,458,000**	$2,602,000
Exploration & Development - Botswana	**(2,401,000)**	(2,470,000)
Property, Plant and Equipment - Botswana	**(57,000)**	(132,000)
Net future income tax asset recorded	$ --	$ --

As at December 31, 2013 the following temporary differences have not been recognized :

	December 31, 2013	December 31, 2012
Losses carried forward - Botswana	**1,290,000**	556,000
Losses carried forward - Canadian	**3,860,000**	2,387,000
Property Plant & Equipment	**--**	86,000
Reserve Properties - Canadian	**137,000**	302,000
Other	**468,000**	218,000
	$5,763,000	$3,549,000

As at December 31, 2013, the Company has Canadian net operating losses carried forward that expire as follows:

Year of Expiry	**Loss**	**Year of Expiry**	**Loss**
2014	$580,000	2028	$213,000
2015	$275,000	2030	$272,000
2019	$136,000	2031	$457,000
2026	$335,000	2032	$468,000
2027	$235,000	2033	$889,000
		Total	$3,860,000

	December 31, 2013	December 31, 2012
Total assessable losses relating to the activity in Botswana	**$12,464,920**	$10,961,093

7. EARNINGS (LOSS) PER SHARE

Net earnings (loss) per share were calculated based on the following:

Period ended September 30	**2014**	2013
Net income (loss) for the period	**($ 1,104,569)**	($ 304,475)
Effect of Dilutive Securities		
Stock options and warrants	**--**	--
Diluted net earnings (loss) for the period	**($ 1,104,569)**	($304,475)

Net loss per share from for the periods ended September 30 were calculated based on the following:

	2014	2013
Basic weighted-average number of shares outstanding	**30,939,366**	29,154,182
Effect of dilutive securities:		
Stock Options	**560,194**	144,011
Warrants	**--**	--
Diluted weighted-average number of shares outstanding	**31,499,560**	29,298,193

The diluted loss per share is the same as the basic loss per share for the period ended September 30, 2014 because the stock options and warrants that were dilutive did not have a material impact on the EPS calculation. In addition, the number of stock options and warrants outstanding as at the period ended September 30, 2014, was 10,942,799, of which 10,382,605 were anti-dilutive.

8. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2014 and 2013, the Company incurred leave benefits payable to an officer and director of the Company, however all amounts for 2013 were paid by period end.

Remuneration of Key Management Personnel of the Company

	2014	2013
Short term employee remuneration and benefits	**$ 322,502**	$ 278,334
Stock based compensation	**161,868**	185,017
Post employment benefits*	**87,766**	48,952
Total compensation attributed to key management personnel	**$ 572,136**	$ 512,303

*Post employment benefits include $21,552 of accrued leave benefits.

There are no other related party transactions.

9. SEGMENTED INFORMATION

The Company is operating in one industry. As at September 30, 2014 the Company's Property, Plant, and Equipment in the United States was $1,675 (2013: $5,407) and in Botswana was $362,625 (2013: $605,313). No revenues or expenses were realized for Exploration and Evaluation Properties that are detailed in note 3 above. Segment long term Exploration and Evaluations properties in the United States were zero (2013: nil) and in Botswana $12,851,472 (2013: $11,844,757).

10. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, accounts receivable and accounts payable and accrued warrants liabilities. The carrying value of cash, restricted cash, accounts receivable, accounts payable, and accrued liabilities as presented in the financial statements are reasonable estimates of fair values due to the relatively short periods to maturity and the terms of these instruments.

The Company's financial instruments have been classified as follows:

Financial Instrument	Classification	Fair Value Hierarchy
Cash and cash equivalents	Loans and receivables	n/a
Accounts receivable	Loans and receivables	n/a
Accounts payable and accrued liabilities	Other financial liabilities	n/a
Warrants	Fair value through Profit and Loss	Level 3

See the Company's statement of financial position for financial instrument balances.

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other that quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices): and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobserved inputs).

Risk Exposure and Management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign exchange risk, and interest rate risk. Where material these risks are reviewed and monitored by the Board of Directors.

(a) Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash on hand. In 2014 and 2013 the Company raised cash capital as shown in note 5(a) in the amount of $1,357,097 and $2,521,911, respectively.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company anticipates continuing to access equity markets to fund continued exploration of its mineral properties and the future growth of the business. However, there is no guarantee that such financing will be available when required.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

(c) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet it contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents and accounts receivable, there are no amounts at risk. 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.

(e) Foreign Exchange Risk

The Company is exposed to currency risks on its Canadian dollar denominated working capital balances due to changes in the USD/CAD exchange rate and the functional currency of the parent company. As at September 30, 2014, a ten percentage change in the exchange rate would result in a $701 impact to the Company's net income (loss).

The Company issues equity in Canadian dollars and the majority of its expenditures are in U.S. dollars. The Company purchases U.S. dollars based on its near term forecast expenditures and does not hedge its exposure to currency fluctuations.

Based on the net Pula denominated, asset and liability exposures as at September 30, 2014 at a 10% change in the USD/Pula exchange rate would not materially impact the Company's earnings. A ten percentage change in the exchange rate would result in a $4,290 impact the Company's net income (loss).

11. COMMITMENTS

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

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

2015	$ 33,759
Total	$ 33,759

The lease commitment is for storage space in Maun, Botswana at an annual rental of Pula 196,185 inclusive of VAT for year 2015 and office space in Gaborone, Botswana at an annual rental of Pula 96,000 inclusive of VAT for year 2015 at an exchange rate as at September 30, 2014 to US dollars.

The Company holds prospecting licenses which require the Company to spend a specified minimum amount on prospecting over the period of the terms as outlined in note 3.

12. NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	September 30 2014	September 30 2013
Net change in noncash working capital balances		
Decrease in accounts receivable and prepaid expenses	**($11,430)**	$36,186
Increase in accounts payable and accrued liabilities	**(46,240)**	(15,546)
Total	**($57,670)**	$20,640

13. SUBSEQUENT EVENTS

None