NOTICE TO SHAREHOLDERS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004

TSODILO RESOURCES LIMITED

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Tsodilo Resources Limited have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. These statements are unaudited and have not been reviewed by the Company's auditors. The most significant of these accounting principles have been set out in the March 31, 2004 audited consolidated financial statements. Only changes in accounting information have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgement. Recognizing that the Corporation is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

TSODILO RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS

	September 30, 2004 (Unaudited) *$000*	March 31, 2004 (Audited) *$000*
ASSETS		
Current		
Cash and equivalents	369	194
Amounts receivable and prepaid expenses	8	18
	377	212
Exploration properties and joint ventures (Note 2)	1,528	1,169
Property, plant and equipment	57	62
	1,962	1,443
LIABILITIES		
Current		
Accounts payable and accrued liabilities	81	42
MINORITY INTEREST (Note 6)	340	309
SHAREHOLDERS' EQUITY		
Share capital (Note 3(a))	34,145	33,518
Warrants (Note 3(b))	288	195
Contributed surplus (Note 3 (c))	8,776	8,702
Deficit	(41,668)	(41,323)
	1,541	1,092
	1,962	1,443

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

TSODILO RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited)

	Three Months Ended September 30, 2004 $000	Three Months Ended September 30, 2003 $000	Six Months Ended September 30, 2004 $000	Six Months Ended September 30, 2003 $000
Expenses				
Accounting and corporate fees	5	-	18	-
Consulting fees	2	10	2	10
Corporate remuneration	35	61	61	111
Corporate travel and subsistence	20	10	36	14
Filing fees	5	-	8	-
Investor relations	25	5	37	20
Legal and audit	30	-	38	-
Office and administration	49	53	65	59
Stock based compensation (Note 3(d))	72	-	80	-
Taxation	-	(18)	-	(16)
	243	121	345	198
Loss before minority interest	(243)	(121)	(345)	(198)
Minority interest	-	-	-	1
Loss for the period	(243)	(121)	(345)	(197)
DEFICIT, beginning of period	(41,425)	(40,734)	(41,323)	(40,658)
DEFICIT, end of period	$ (41,668)	$ (40,855)	(41,668)	(40,855)

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

TSODILO RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2004	2003	2004	2003
	$000	*$000*	*$000*	*$000*
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Loss for the period	(243)	(121)	(345)	(198)
Adjustments for non-cash items:				
Stock based compensation	72	-	80	-
Net change in non-cash working capital	51	35	50	(92)
	(120)	(86)	(215)	(290)
FINANCING ACTIVITIES:				
Issue of common shares	47	614	714	889
Contribution by joint venture partner	31	42	31	101
	78	656	745	990
INVESTING ACTIVITIES:				
Exploration properties and joint ventures	(86)	(194)	(355)	(274)
Additions to property plant and equipment	-	(57)	-	(64)
	(86)	(251)	(355)	(338)
CHANGE IN CASH AND CASH EQUIVALENTS, for the period	(128)	319	175	362
CASH AND CASH EQUIVALENTS, beginning of period	497	81	194	38
CASH AND CASH EQUIVALENTS, end of period	369	400	369	400

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

1. ACCOUNTING POLICIES

These interim consolidated financial statements are unaudited and are not reviewed by the Company's auditors. The management of Tsodilo Resources Limited (the "Company") has prepared these unaudited consolidated financial statements for the six months ended September 30, 2004 in accordance with generally accepted accounting principles in Canada. These financial statements should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2004.

The disclosures in these interim financial statements do not include the full disclosure required under generally accepted accounting principles in Canada for annual financial reporting.

Operating results for the six months ended September 30, 2004 are not indicative of the results that may be expected for the full year ending March 31, 2005.

The Company uses the same methods and accounting policies described in the March 31, 2004 audited consolidated financial statements.

2. EXPLORATION PROPERTIES AND JOINT VENTURES

At September 30, 2004 accumulated costs with respect to the Company's interest in mineral properties consisted of the following:

	Opening Balance April 1, 2004 *$000*	Additions *$000*	Ending Balance September 30, 2004 *$000*	Ending Balance March 31, 2004 *$000*
Ngami, Botswana	1,147	255	1,402	1,147
Gcwihaba, Botswana	22	104	126	22
	1,169	359	1,528	1,169

3. SHARE CAPITAL

a) AUTHORIZED

Unlimited common shares without par values

COMMON SHARES ISSUED	No of Shares	Value
Balance, beginning of year (April 1, 2004)	7,891,580	$ 33,518,130
Private placement	687,409	515,557
Warrant valuation	-	(103,111)
Exercise of warrants (b)	416,749	170,635
Exercise of warrants - warrant valuation (b)	-	5,742
Exercise of stock options	100,000	28,000
Exercise of stock options - option valuation	-	10,000
Balance, end of period (September 30, 2004)	9,095,738	$ 34,144,953

3. SHARE CAPITAL (CONTINUED)

PRIVATE PLACEMENT

On June 1, 2004, the Company closed a non-brokered private placement financing of 687,409 units of the Company at a price of $0.75 per unit for proceeds of $515,557. Each unit consists of one common share of the Company and half a warrant of the Company, each full warrant entitles the holder to purchase one common share of the Company at a price of $0.75 until June 1, 2006. The fair value of the purchase warrants were estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate at 4%, expected life of 2 years, expected dividend rate of 0%, and volatility of 69%. As a result, the fair value was determined to be $103,111.

b) WARRANTS

A summary of the outstanding warrants as of September 30, 2004 are as follows:

Expiry Date	Exercise Price	Opening Balance	Warrants Issued / (Exercised/ Expired)	Closing	Opening (dollars)	Value Issued / (Exercised/ Expired)	Closing (dollars)
June 13, 2004	$0.40	765,501	(765,501)	-	7,655	(7,655)	-
October 14, 2004	$0.25	62,020	-	62,020	620	-	620
November 14, 2004	$0.50	118,065	(39,355)	78,710	5,903	(1,968)	3,935
March 24, 2005	$0.50	161,561	-	161,561	8,078	-	8,078
May 27, 2005	$0.50	267,953	-	267,953	67,978	-	67,978
August 18, 2005	$0.50	162,854	-	162,854	23,527	-	23,527
September 30, 2005	$0.50	373,406	-	373,406	60,494	-	60,494
January 15, 2006	$0.75	83,432	-	83,432	20,652	-	20,652
June 1, 2006	$0.75	-	343,704	343,704	-	103,111	103,111
		1,994,792	(461,152)	1,533,640	194,907	93,488	288,395

During the period, 416,749 warrants were exercised for proceeds to the Company of $170,635. This exercise resulted in the issuance of 416,749 common shares. $5,742 attributed to the warrants exercised during the period was reallocated to share capital. In addition, 388,107 warrants expired during the period. $3,881 attributed to these warrants was reallocated to contributed surplus.

c) CONTRIBUTED SURPLUS

	$000
As at April 1, 2004	8,702
Relating of issue of stock options	80
Relating to exercise of stock options	(10)
Valuation of expired warrants	4
As at September 30, 2004	8,776

3. SHARE CAPITAL (CONTINUED)

d) STOCK OPTIONS

The following are the stock option transactions during the period:

	Number of Stock Options	Weighted Average Exercise Price
Balance, beginning of year	935,000	$ 0.39
Granted during the period	300,000	0.75
Exercised during the period	(100,000)	0.28
Cancelled during the period	-	-
Outstanding at the end of the period	1,135,000	$ 0.49

As of September 30, 2004, the following stock options were outstanding:

EXERCISABLE OPTIONS	NUMBER OF OPTIONS	EXERCISE PRICE $	EXPIRY DATE
150,000	150,000	0.15	June 24, 2007
200,000	200,000	0.23	September 18, 2007
115,000	115,000	0.41	December 31, 2007
157,500	210,000	0.50	July 8, 2008
55,000	110,000	0.75	January 1, 2009
25,000	50,000	0.75	January 26, 2009
10,000	40,000	0.75	June 30, 2009
65,000	260,000	0.75	August 31, 2009
777,500	1,135,000		

During the first quarter, 41,250 stock options issued on December 31, 2002 became fully vested. The fair value of these options were calculated on the date of grant using the Black-Scholes pricing model. The fair value is charged to the statement of operations and deficit as they vest. Accordingly, $8,291 relating to these options was recorded as stock based compensation and contributed surplus.

During the period, the Company granted 300,000 stock options to purchase common shares of the Company. The fair value of these options were calculated on the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free interest rate at 4%, expected life of 5 years, expected dividend rate of 0%, and volatility of 69%. The fair value of these option will be charged to the statement of operations and deficit as they vest. During the period 25% of these options had vested and accordingly, $33,750 was recorded as stock based compensation and contributed surplus.

An additional $38,362 was recorded as stock based compensation and contributed surplus during the period relating to the vesting of previously granted stock options.

4. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share. Stock options and warrants were not included in the diluted loss per share calculation since the calculation would have been anti-dilutive.

The following table sets out the computation for basic and diluted loss per share:

	September 30, 2004 *$000*	September 30, 2003 *$000*
Numerator:		
Loss for the period	(345)	(197)
Denominator:		
Average number of common shares outstanding	8,580,136	6,550,902
Basic and diluted loss per share - cents	4	3

5. INCOME TAXES

The estimated taxable income for the period is nil. Based upon the level of historical taxable income, it cannot be reasonably estimated at this time, if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities.

Consequently, the future recovery or loss arising from differences in tax values and accounting values have been reduced by a valuation allowance. The estimated valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion of or all of the future tax assets or future tax liabilities will be realized.

For further information on the Company's actual losses for tax purposes, refer to the March 31, 2004 audited consolidated financial statements. The benefit of these losses and the estimated loss for the six months ended September 30, 2004 have not been recognized in these unaudited consolidated financial statements.

6. RELATED PARTY

During the period, the Company entered into transactions with related parties at standard commercial rates and prices.

At September 30 and March 31, 2004, the Company had no long-term debt. The Minority interest disclosed in the consolidated balance sheet of the Company relates to 25% of the accumulated expenditure of Newdico that was funded by Trans Hex Group Limited.

7. SEGMENTED INFORMATION

Substantially all working capital balances of the Company are situated at the head office in Canada and in Botswana. The fixed assets of the Company are presently located in Canada ($5,000) and Botswana ($52,000). The geographic distribution of the property acquisition costs and exploration expenditures is evident from the details presented in note 2.

8. COMMITMENTS

Minimum lease payments for leased equipment are as follows:

	$000
2005	2
2006	3
	5

9. SUBSEQUENT EVENT

(i) Subsequent to September 30, 2004, the Company completed a non-brokered private placement financing of 113,938 units of the Company. The units were issued at a price of $1.12 per unit for gross proceeds of $127,611. Each unit consists of one common share and one half common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $1.12 for a period of two years.

(ii) In November 2004 the Company closed a non-brokered private placement of 53,336 units at a price of $2.35 per unit for proceeds to the Company of $125,340.00. Each unit consists of one common share of the Company and half a warrant of the Company, each full such warrant entitling the holder to purchase one common share of the Company at a price of $2.35 for a period of two years. The common shares, warrants and warrant shares are subject to a hold period of 12-months as agreed to by the parties, expiring on November 8th, 2005 and the certificates evidencing such securities will bear a legend to that effect. Proceeds from this financing will be added to the Company's working capital.

(iii) In November 2004, Trans Hex Group Limited failed to fund their portion of expenditure at the Mgami project for the second quarter ended September 30, 2004 as committed in the terms of the joint venture agreement. The Company is exercising its rights under the agreement and its proportionate interest will be increased accordingly.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current period.

Management's Discussion and Analysis

The following discussion and analysis for the second quarter 2005 should be read in conjunction with the unaudited Consolidated Financial Statements included in this report, and the Management Discussion and Analysis filed in August of 2004 together with the Annual Report for the year ended March 31, 2004. This quarterly report is intended to provide the reader with a review of the factors that affected the Company's performance during the three and six month periods ending September 30, 2004 and those factors reasonably expected to impact on future operations and results. The unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles applicable in Canada. The Company's functional and reporting currency is Canadian dollars and all amounts stated are in Canadian dollars unless otherwise stated.

OVERVIEW

Tsodilo Resources Limited ("Tsodilo" or the "Company") was organized under the laws of the Province of Ontario in 1996 and continued under the laws of the Yukon in 2002. The shares of the Company are listed and posted for trading on the TSX Venture Exchange under the symbol: TSD. Tsodilo is an international diamond exploration company with the majority interest in a kimberlite exploration project in northwest Botswana. The Company has not yet determined whether these properties contain reserves that can be economically mined. As an exploration stage company, the recoverability of amounts shown for exploration expenditures is dependent upon the discovery of reserves that can be economically mined, the securing and maintenance of the interests in the properties, the ability of the Company to obtain the necessary financing to complete the development, and future production or proceeds from the disposition thereof. The Company is also actively reviewing additional opportunities within southern Africa.

Outstanding Share Data

As of November 26, 2004, 9,753,922 common shares of the Company were outstanding. Of the options to purchase common shares issued to service providers under the share option plan of the Company, 852,500 options remain outstanding at exercise prices ranging from $0.15 - $0.75. If exercised, 852,500 common shares of the Company would be issued.

As of November 26, 2004, 1,143,865 warrants were outstanding. The warrants were issued by way of the private placements utilized by the Company for financing purposes. Each warrant entitles the purchaser of the unit to purchase one common share of the Company at prices ranging from $0.50 - $2.35 for a period of two years from the date of issuance. If converted, 1,143,865 common shares of the Company would be issued.

The largest shareholder of the Company is its President and Chief Executive Officer, James M. Bruchs, who controls 2,474,001 or 25.36% of the issued and outstanding common shares as of November 26, 2004.

Subsidiaries

The Company has a 100% interest in its wholly owned Botswana subsidiary, Gcwihaba Resources (Proprietary) Limited ("Gcwihaba"), which has prospecting licenses covering approximately 6,793 square kilometers.

The Company currently has a 75% operating interest in its Botswana subsidiary, Newdico (Proprietary) Limited ("Newdico"), which holds prospecting licensees and applications covering approximately 12,726 square kilometers in northwest Botswana on which there is encouragement for the existence of undiscovered kimberlites in at least three separate areas of the property. The Company's minority partner in this project, Trans Hex Group ("THG"), is an established South African diamond mining company. During the 2005 fiscal year, THG funded their 25% share of the exploration expenditure for the 1st quarter at this project but has not funded their proportionate share of the 2nd and 3rd quarter program expenditures. Pursuant to the terms of the applicable agreement, the Company will increase its direct ownership of the Newdico project. The Company's percentage increase in ownership will be determined once all expenditures for the 3rd quarter are allocated. The non-funding by THG has not and will not have an impact on the Company's ability to fund and carry out its exploration activities. Some, or all, of the current licenses held by Newdico are subject to the granting of a 2% free carried interest in any mine or mines that may result thereon.

Exploration Activities

Newdico

At the current time, a systematic drilling program is underway in the Newdico license blocks. To date:

- The Company achieved its objective of obtaining coarser-grained samples with a higher probability of carrying micro-diamonds than previous drill hole samples from the A37 kimberlite body.
- The Company announced the discovery of a new kimberlite body at target 1821 – C12.
- The Company announced the discovery of a new kimberlite body at target A15.
- The completion of a series of drill holes along the Namibia / Botswana border to determine the presence of paleochannels and any associated alluvial sediments.

A gravity and magnetic survey continues over additional selected targets in the Newdico license block.

Gcwihaba

At the current time, several targets in the Gcwihaba license are in the process of being drilled. These targets were selected as a result of the soil sampling and the ground gravity and magnetics survey, which were recently completed.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Annual Information
(in thousands of Canadian dollars, except per share data)

Fiscal Year	**2004**	**2003**	**2002**
Total Revenues	–	–	45
Loss before minority interest	(545)	(390)	(9,585)
Minority Interest	–	4	–
Loss for the Year	(545)	(386)	(9,585)
Basic and diluted loss per share - cents	(7)	(8)	(66)
Total Assets	1,443	756	1,191
Liabilities (Long-Term)	309	177	5,240
Cash dividends declared	–	–	–

QUARTERLY INFORMATION
The quarterly results have been as follows:
(in thousands of Canadian dollars, except per share data)

	Quarter 1	**Quarter 2**	**Quarter 3**	**Quarter 4**
Fiscal Year 2003				
Revenue	–	–	–	–
Loss for the period	54	145	80	111
Loss per share - cents	1	3	2	2
Total assets	576	538	650	756
Total long term liabilities	112	114	155	177
Fiscal Year 2004				
Revenue	–	–	–	–
Loss for the period	77	121	109	238
Loss per share - cents	1	2	2	2
Total assets	938	1,464	1,400	1,443
Total long term liabilities	235	277	277	309
Fiscal Year 2005				
Revenue	–	–	–	–
Loss for the period	102	243	--	--
Loss per share - cents	1	3	--	--
Total assets	2,005	1,962	--	--
Total long term liabilities	309	340	--	--

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2004, the Company had net working capital of $296,000 (March 31, 2004: $170,000), which included cash and equivalents of $369,000 (March 31, 2004: $194,000). These funds are managed in-house in accordance with specific investment criteria approved by the board of directors, the primary objective being the preservation of capital to assure funding for exploration activities. The Company does not hedge its activities or otherwise use derivatives.

Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and equivalents, amounts receivable and prepaid expenses, and accounts payable and accrued liabilities approximate their fair values due to the short maturities of these instruments.

Operating Activities

Cash outflow from operating activities increased from $95,000 in the first quarter of 2005, to $120,000 in the period under review. Operating activities represented, are those typical for junior public exploration companies, including corporate consulting fees, legal and accounting services, investor relation activities and office and administration.

Investing Activities

Cash flow applied in investing activities decreased to $86,000 in the three months ended September 30, 2004 from $269,000 in the three months ended June 30, 2004, but are expected to increase substantially in the third quarter as a result of the sampling, surveying and drilling activities currently underway. All expenditure on exploration properties in the period under review was attributable to the Newdico and Gcwihaba projects in northwest Botswana. There were no material acquisitions or disposals of capital assets or investments during the period under review. In March 2004, the board of directors of Newdico including the representatives of joint venture partner Trans Hex Group, approved an exploration program and budget for the period April 2004 to March 2005 that calls for expenditures totaling approximately Pula 2.7 million (approximately $0.78 million). Trans Hex Group is responsible for funding their proportionate share of the expenses of this company, which holds the licenses for the northern portion of the Company's Ngami project. The approved exploration program includes provision for additional soil sampling, ground magnetic and gravity surveying and geophysical interpretation, as well as a program of reverse circulation drilling.

The required first year exploration program expenditures, including license fees, for Gcwihaba amounted to approximately Pula 0.28 million (approximately $0.08 million). Gcwihaba's expenditures exceeded this required amount in the first year. The required expenditure in the second year exploration program amounts to approximately Pula 0.42 million (approximately $0.12 million). Gcwihaba expects to meet or exceed this requirement.

Financing Activities

In October 2004, the Company completed the issue and sale, through a non-brokered private placement, of 113,938 units of the Company. These units were issued at a price of $1.12 per unit for proceeds to the Company of $127,611. Each unit consisted of one common share of the Company and half a warrant of the Company, each full such warrant entitling the holder to purchase one common share of the Company at a price of $1.12 for a period of two years.

In November 2004, the Company completed a non-brokered private placement of 53,336 units of the Company. These units were issued at a price of $2.35 per unit for proceeds to the Company of $125,340.00. Each unit consists of one common share of the Company and half a warrant of the Company, each full such warrant entitling the holder to purchase one common share of the Company at a price of $2.35 for a period of two years.

In addition, the Company has received proceeds in the amount of $520,000 through the exercise of options and warrants to date. Tsodilo expects to raise the amounts required to fund the Newdico project, the Gcwihaba project and corporate general and administration expenses, by way of non-brokered private placements.

RESULTS OF OPERATIONS

On a consolidated basis Tsodilo recorded a net loss of $243,000 in the quarter ended September 30, 2004 (3 cent per common share), compared to a net loss of $121,000 in the quarter ended September 30, 2003 (2 cent per common share). This increase is due to increases in promotional activities, as well as audit and legal fees. The single largest expense (not recorded during the comparable period of fiscal 2004) however, was the book entry reflecting the accounting valuation (in terms of the Black-Scholes option pricing model) of the options issued to directors, officers and consultants that vested during the period, of $72,000. International travel expenses were also higher, reflecting the additional efforts of management to increase awareness of the Company and its projects, including the attendance at targeted trade shows.

PERSONNEL

At September 30, 2004 the Company and its subsidiaries employed 7 personnel compared to 4 personnel in fiscal 2004, including senior officers, administrative and operations personnel including those on short-term contract bases. Individual components of the exploration program, such as soil sampling, geophysical surveying and reverse circulation drilling, are contracted out to independent third parties operating under the control and direction of the Company’s Chief Executive Officer, James M. Bruchs, and the Company’s Exploration Vice President, Peter Walker.

RISKS AND UNCERTAINTIES

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

Capital Requirements

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

Exploration Risks

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

Currency Risks

The Company’s financing has generally been received in United States dollars while significant portions of its operating expenses have been and will be incurred in Botswana Pula. In fiscal 2004, the Pula has shown unexpected and substantial strength against most major world currencies including the US dollar and the strength in the Pula, if it continues, may adversely affect the Company’s exploration expenditures due solely to currency exchange factors.

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 person insurance on these individuals.

ACCOUNTING STANDARDS

Tsodilo follows Canadian generally accepted accounting principles. In line with accepted industry practice, the Company has adopted the policy of deferring property specific acquisition and exploration costs. Deferred costs relating to properties that are relinquished, or where continued exploration is deemed inappropriate, are written off in the year such assessment is made. If Tsodilo adopted a policy of expensing all exploration costs, the Company's asset base, shareholders' equity, and loss from operations would be materially different.

OUTLOOK

Diamond exploration remains a high-risk undertaking requiring patience and persistence. Despite difficult capital markets in the junior resource sector, the Company remains committed to international diamond exploration through carefully managed programs. The design and conduct of the Company's exploration programs is the responsibility of Peter Walker, a professional geologist registered with the South African Council for Natural Scientific Professions.

ADDITIONAL INFORMATION

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

FORWARD-LOOKING STATEMENTS

The Quarterly Report for the three months ended September 30, 2004, 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 and of the Management's Discussion & Analysis for the year ended March 31, 2004. Consequently, actual results and events may differ materially from those included in, contemplated or implied by such forward looking statements for a variety of reasons. Readers are therefore cautioned not to place undue reliance on any forward-looking statement. The Company disclaims any intention and assumes no obligation to update any forward-looking statement even if such information becomes available as a result of future events or for any other reason.

James Bruchs
Chief Executive Officer
November 26, 2004