TSODILO RESOURCES LIMITED

Management's Discussion and Analysis of Results of Operations and Financial Condition

For The Three and Six Month Periods Ended September 30, 2005

The following discussion and analysis for the second quarter results should be read in conjunction with the unaudited Consolidated Financial Statements included in this report, and the Management Discussion and Analysis filed in July of 2005 together with the Annual Report for the year ended March 31, 2005. This interim report is intended to provide the reader with a review of the factors that affected the Company's performance during the six month period ending September 30, 2005 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. In fiscal 2005, the Company's functional and reporting currency has been changed to United States dollars and all amounts stated are in United States dollars unless otherwise stated. On August 18, 2005 the board of directors of the Company approved the change of fiscal year end from March 31 to December 31, commencing December 31, 2005. This information is presented as at November 9, 2005 unless otherwise indicated.

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 9, 2005, 11,045,045 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, 985,000 options remain outstanding at exercise prices ranging from Canadian $0.15 - $1.85. If exercised, 985,000 common shares of the Company would be issued.

As of November 9, 2005, 379,446 warrants are outstanding. The warrants were issued by way of the private placements utilized by the Company for financing purposes. Each warrant entitles the holder thereof to purchase one common share of the Company at purchase prices ranging from Canadian $0.50 - $2.35 for a period of two years from the date of issuance. If converted, 379,446 common shares of the Company would be issued.

Principal Shareholders of the Company:

- James M. Bruchs (Beneficially Owned, Controlled or Directed) 2,542,083 (23.01%)
- Firebird Global Master Fund 1,410,322 (12.76%)
- John R. Redmond (Beneficially Owned, Controlled or Directed) 1,133,997 (10.26%)

Subsidiaries

The Company has an 81% operating interest in its Botswana subsidiary, Newdico (Proprietary) Limited ("Newdico"), which holds prospecting licenses and applications covering approximately 16,800 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, is an established South African diamond mining company. During the 2005 fiscal year, Trans Hex Group funded all but two quarters of their proportionate exploration expenditure at this project, the result of which reduced their interest in the project from 25% to 19% effective January 1, 2005. Some, or all, of the current licenses held by Newdico may be subject to the granting of a 2% free carried interest in any mine or mines that may result thereon.

The Company has a 100% interest in its wholly owned Botswana subsidiary, Gcwihaba Resources (Proprietary) Limited ("Gcwihaba"), which has diamond prospecting licenses covering approximately 6,793 square kilometers and base and precious metal licenses covering 3,770 square kilometers.

Exploration Activities

◊ **Newdico (Proprietary) Limited - Botswana**

A drilling program was completed in mid-August at kimberlite A15 in the Company's Nxau Nxau kimberlite field. Approximately six hundred meters were drilled in A15 for the purpose of obtaining a representative sample for micro-diamond analysis. These samples have been submitted to the Canadian laboratory contracted by the Company to conduct micro-diamond analysis.

Additional gravity and magnetic surveys were completed in the Guma area of our license block. The Company has received the results of this survey and based on the Company's review and analysis of this data, there are 9 first-order, 6 second-order and 1 third-order magnetic, gravity and KIM anomaly targets in the Guma field awaiting drill evaluation. A total of 3,200 meters of percussion, RC and air-flush coring drilling have been allocated to this evaluation program. Due to the unavailability of a contract drill rig, further drilling will be scheduled to commence in the 1st quarter of 2006.

The Company continues to analyzing proposals received from several contractors for a low-level airborne magnetic survey. This survey will be flown at a 10 – 20 meter height and 100 meter line spacing to distinguish subtle kimberlite magnetic signature from the strong dolerite dyke signature which characterizes a very broad zone, the "dyke swarm", which transects the licenses just south of the Nxau Nxau field. This survey method has been employed in similar conditions in and around the Orapa kimberlite field with excellent results.

Soil sampling is currently in process over selected targets and features in the license blocks. The results of these surveys will determine which targets will be selected in addition to the Nxau Nxau and Guma targets for drill testing beginning in early 2006.

◊ **Gcwihaba Resources (Proprietary) Limited - Botswana**

Soil sampling, gravity and magnetic surveys were initiated and completed over target anomaly 2021 A7 and the results have provided target areas where drill testing should be initiated on this substantial target. Drill testing is scheduled to commence in the first half of 2006.

The Company's application with the Botswana Ministry of Minerals Energy and Water Resources for 4 base and precious metals exploration licenses covering a total area of 3,770 square kilometers was granted effective October 1, 2005. Soil sampling has been initiated in these base and precious metal licenses as well as further sampling over target anomalies in the Gcwihaba license blocks. The results of these surveys will determine which targets will be added to the drill testing program in 2006.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Annual Information

(in US dollars)	Fiscal Year		
Year Ended March 31	2005	2004	2003
Total Revenues	--	--	4,460
Loss before Non-controlling Interest	620,822	405,814	253,012
Basic and diluted loss per share - cents	$0.07	$0.06	$0.05
Non-controlling Interest	--	--	2612
Net Loss for the Year	620,822	405,814	250,400
Basic and diluted loss per share - cents	$0.07	$0.06	$0.05
Total Assets	2,087,421	1,010,432	487,332
Total long term liabilities	237,008	213,549	117,237
Cash dividends declared	--	--	--

QUARTERLY INFORMATION

The quarterly results have been as follows:

(in US dollars)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal Year 2004 (ended March 31, 2004)				
Total Revenues	--	--	--	--
Loss for the period	54,423	87,810	82,849	180,732
Basic and diluted loss per share - cents	$0.01	$0.01	$0.01	$0.03
Total assets	631,366	1,016,261	979,147	1,010,432
Total long term liabilities	158,770	189,249	189,249	213,549
Fiscal Year 2005 (ended March 31, 2005)				
Total Revenues	--	--	--	--
Loss for the period	75,106	185,742	113,981	245,993
Basic and diluted loss per share - cents	$0.01	$0.02	$0.01	$0.03
Total Assets	1,422,230	1,408,529	1,842,605	2,087,421
Total long term liabilities	213,549	237,245	237,245	237,008
Fiscal Year 2005* (ended December 31, 2005)				
Total Revenues	--	--		
Loss for the period	83,068	190,070		
Basic and diluted loss per share - cents	$0.01	$0.02		
Total Assets	2,171,006	2,166,670		
Total long term liabilities	305,669	305,669		

* Transitional year for year end change to December 31

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2005, the Company had net working capital of $500,581 (March 31, 2005: $609,979), which included cash and equivalents of $522,849 (March 31, 2005: $637,805). 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 to $131,240 for the three months ended September 30th and to $221,781 for the six month period. This compares to outflows of $78,374 and $160,370 for the same periods respectively for the previous year. 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 was $93,040 and $192,378 for the three and six months ended September 30, 2005 respectively and compares to $66,500 and $266,782 for the same respective three and six periods ended September 30, 2004. The decrease was attributable to a delay in the initiation of the drilling program. 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 February 2005, 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 2005 to March 2006 that calls for expenditures totaling approximately Pula 3.9 million (approximately $0.7 million as of November 9, 2005). Trans Hex Group is presently responsible for funding 19% of the expenses of this company. 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 second year exploration program expenditures, including license fees, for Gcwihaba amounted to approximately Pula 0.42 million (approximately $0.08 million as of November 9, 2005). Gcwihaba expenditures will exceeded this required amount in the second year. The required expenditure in the third second year exploration program amounts to approximately Pula 0.45 million (approximately $0.08 million as of November 9, 2005). As with previous years, Gcwihaba expects to meet or exceed this requirement.

Financing Activities

The Company received proceeds in the amount of $230,542, through the exercise of 563,419 warrants during the six moth period..

Tsodilo expects to raise the amounts required to fund its 81% share of the Newdico project, the Gcwihaba project and corporate general and administration expenses, by way of negotiated non-brokered private placements.

RESULTS OF OPERATIONS

On a consolidated basis Tsodilo recorded a net loss of $190,070 in the quarter ended September 30, 2005 ($0.02 per common share) compared to a net loss of $185,742 for the quarter ended September 30, 2004 ($0.02 per common share). For the six month periods ended September 30, 2005 and 2004 respectively, the company incurred losses of $273,138 and $260,848. The single largest expense 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 $67,015 and $98,248 for the three and six month periods. This compares with the expensing of $55,035 and $60,925 respectively for the same periods the previous year.

PERSONNEL

At September, 2005 the Company and its subsidiaries employed 6 personnel compared to 7 personnel in fiscal 2005, 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.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet financing arrangements.

Currency Risks

The Company's financing has generally been received in United States dollars while significant portions of its operating expenses has been and will be incurred in Botswana Pula. In fiscal 2005, the Pula has shown unexpected and substantial strength against most major world currencies including the US dollar. On May 29, 2005 the Botswana Minister of Finance and Development Planning announced a 12% devaluation of the pula against a basket of currencies, as well as a change in the system of exchange-rate adjustments to a crawling peg rather than the discrete steps previously used, in order to improve Botswana's competitiveness. This action resulted in current pula / dollar rates similar to those in 2002.

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. Peter W. A. Walker, a professional geologist registered with the South African Council for Natural Scientific Professions is the qualified person responsible for the design and conduct of the Company's exploration programs.

COMMUNICATIONS

We endeavour to keep our shareholders informed of our progress through a comprehensive annual report, quarterly interim reports, and periodic press releases.
Tsodilo maintains a web site that provides summary information on the company and ready access to our published reports, press releases, statutory filings, supplementary information and stock information.

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 six months ended September 30, 2005, 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, 2005. 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.

L. Kirk Boyd
Chief Financial Officer
November 9, 2005

TSODILO RESOURCES LIMITED

INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIOD
ENDED SEPTEMBER 30, 2005

(expressed in United States dollars)

Unaudited – Prepared by Management

CONTENTS:

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

TSODILO RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT September 30

(in United States dollars)

(MANAGEMENT PREPARED)

	September 30 2005 (Unaudited)	March 31 2005 (Audited)
ASSETS		
Current		
Cash and equivalents	**522,849**	637,805
Amounts receivable & prepaid expense	**15,283**	14,616
	538,132	652,421
Exploration Properities	**1,589,017**	1,396,639
Property, Plant and Equipment	**39,521**	38,361
	$ 2,166,670	$ 2,087,421
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	**37,551**	42,442
NON-CONTROLLING INTEREST	**305,669**	237,008
SHAREHOLDERS' EQUITY		
Share Capital	**26,218,171**	25,909,032
Warrants	**140,112**	233,057
Contributed Surplus	**5,944,966**	5,846,718
Cumulative Translation	**(863,250)**	(837,425)
Deficit	**(29,616,549)**	(29,343,411)
	1,823,450	1,807,971
	$ 2,166,670	$ 2,087,421

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

The accompanying notes form an integral part of, and should be read in conjunction with, these consolidated financial statements.

TSODILO RESOURCES LIMITED
CONSOLIDATED STATEMENT OF DEFICIT
AS AT SEPTEMBER 30

(in United States dollars)

(UNAUDITED - MANAGEMENT PREPARED)

	For the 3 Month Period		For the 6 Month Period	
	September 30 2005	September 30 2004	**September 30 2005**	September 30 2004
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Deficit at beginning of the period	**$ 29,426,479**	$ 29,660,956	**$ 29,343,411**	$ 29,585,850
Loss of the period	**190,070**	185,742	**273,138**	260,848
Deficit at the End of the Period	**$ 29,616,549**	$ 29,846,698	**$ 29,616,549**	$ 29,846,698

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

The accompanying notes form an integral part of, and should be read in conjunction with, these consolidated financial statements.

TSODILO RESOURCES LIMITED
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT SEPTEMBER 30

(in United States dollars)

(UNAUDITED - MANAGEMENT PREPARED)

	Three Month Period Ended		Six Month Period Ended	
	September 30 2005	September 30 2004	**September 30 2005**	September 30 2004
REVENUES	**$ -**	$ -	**$ -**	$ -
EXPENSES				
Consulting fees	**12,080**	1,529	**12,080**	1,529
Corporate renumeration	**40,202**	26,753	**65,459**	45,898
Corporate travel and subsistence	**4,068**	15,287	**4,068**	27,069
Investor relations	**24,707**	22,931	**31,846**	33,976
Legal and audit	**21,093**	22,931	**23,338**	28,822
Office and adminstration	**17,253**	40,983	**27,607**	62,177
Amortization	**404**	293	**809**	452
Foreign exchange loss/(gain)	**3,248**	-	**9,683**	-
Stock-based compensation	**67,015**	55,035	**98,248**	60,925
Loss before non-controlling interest	**190,070**	185,742	**273,138**	260,848
Non-controlling interest	**-**	-	**-**	-
Loss for period	**190,070**	185,742	**273,138**	260,848
Basic and diluted loss per share	**$ 0.02**	$ 0.02	**$ 0.03**	$ 0.03

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

The accompanying notes form an integral part of, and should be read in conjunction with, these consolidated financial statements.

TSODILO RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
AS AT SEPTEMBER 30

(in United States dollars)

(UNAUDITED - MANAGEMENT PREPARED)

	Three Month Period Ended		Six Month Period Ended	
	September 30 2005	September 30 2004	**September 30 2005**	September 30 2004
CASH PROVIDED BY/(USED IN)				
OPERATING ACTIVITIES				
Loss for the period	**(190,070)**	(185,742)	**(273,138)**	(260,848)
Adjustments for non-cash items:				
Amortization	**404**	293	**809**	452
Stocked-based compensation	**67,015**	55,035	**98,248**	60,925
	(122,651)	(130,414)	**(174,081)**	(199,471)
Net change in non-cash working capital balances	**(8,589)**	52,040	**(47,700)**	39,101
	(131,240)	(78,374)	**(221,781)**	(160,370)
INVESTING ACTIVITIES				
Exploration properities	**(93,040)**	(66,500)	**(192,378)**	(266,782)
Disposals of/(additions to)	**-**	-	**-**	-
Property, Plant and Equipment	**(93,040)**	(66,500)	**(192,378)**	(266,782)
FINANCING ACTIVITIES				
Issue of Common Shares	**134,572**	65,730	**230,542**	545,710
Contribution from Non-Controlling Interest		-	**68,661**	23,695
	134,572	65,730	**299,203**	569,405
Change in cash and equivlents - for period	**(89,708)**	(79,144)	**(114,956)**	142,253
Cash and equivalents - Beginning of period	**612,557**	369,768	**637,805**	148,371
Cash and equivalents - end of period	**$ 522,849**	$ 290,624	**$ 522,849**	$ 290,624

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

The accompanying notes form an integral part of, and should be read in conjunction with, these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended September 30, 2005 and 2004
(in United States dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Tsodilo Resources Limited ("Tsodilo" or the "Company") is an international diamond exploration company engaged in the process of exploring its mineral properties 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.

As at September 30, 2005, the Company reported an accumulated deficit of $29,616,549 (March 31, 2005: $29,343,411) and cash outflows from operations of $221,781 (2004: $160,370) for the six month period then ended. The cash position of the Company is insufficient to finance continued exploration. The continuity of the Company's operations is dependent on Tsodilo raising future financing for working capital, the continued exploration and development of its properties, and for acquisition and development costs of new project opportunities. There can be no assurance that adequate financing will be available, or available under terms favorable to the Company. These financial statements have been prepared on a going concern basis that assumes the continuity of operations and realization of assets and settlement of liabilities in the normal course of business. 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.

2. NOTICE OF NO AUDITOR REVIEW OF FINANCIAL STATEMENTS

Under National Instrument 51-102 "Continuous Disclosure Requirements", Part 4, Subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financials have not been reviewed by an auditor.
The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor, PriceWaterhouseCoopers, has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation and preparation of the financial statements

The consolidated financial statements have been presented in US dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its direct and indirect subsidiaries. All inter-company transactions and balances have been eliminated.

Change in reporting currency

Management have elected to change the reporting currency of the Company from Canadian to United States dollars, as this more accurately reflects the requirements of the Company's investors and other users of the financial statements. Accordingly, the financial statements for the period ended September 30, 2005 and the fiscal year ended March 31, 2005 have been presented in US dollars, and the financial statements from prior periods have been represented in US dollars to provide information on a consistent basis. The change in reporting currency did not have a material impact on the reported results for prior periods.

Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates are related to the recoverability of exploration expenditures, fixed assets and contingencies. Actual results could differ from those estimates.

Exploration properties

All costs relating to the acquisition, exploration and development of non-producing mining properties are capitalized as incurred. Some of the exploration activities of the Company are conducted jointly with others and accordingly, where the arrangements are of a joint venture nature; these financial statements reflect only the Company's proportionate interest in these activities. The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular properties.

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

Exploration costs that do not relate to specific non-producing mining properties are expensed as incurred.

Amortization

Property, plant and equipment are amortized principally on a straight-line basis over their estimated useful lives of three to ten years. Property, plant and equipment awaiting installation on site are not amortized until they are commissioned, but are reviewed for impairment and if deemed impaired, an impairment loss is measured and recorded based on the net recoverable value of the asset.

Foreign currency translation

The US dollar is the currency in which the financial statements are presented. Foreign currency transactions and balances, and the financial statements of foreign operations, all of which are integrated, are translated into US dollars using the temporal method. Under this method, monetary assets and liabilities of the Company and its subsidiaries denominated in foreign currencies are translated into US dollars at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the historical rates. Revenue and expense items are translated at the average rate prevailing during the year, except for depreciation, depletion, amortization and write downs, which are translated at the same exchange rates as the assets to which they relate with gains and losses arising on settlement recognized in the statement of operations. Gains and losses on translation from functional currencies into US dollars are reflected in cumulative translation account.

4. EXPLORATION PROPERTIES

These may be summarized as follows:

	Ngami Botswana	**Gcwihaba Botswana**	**Total**
	$	*$*	*$*
Balance at March 31, 2005	1,204,949	191,690	1,396,639
1st quarter expenditures	54,954	22,864	77,818
2nd quarter expenditures	106,128	8,432	114560
Balance at September 30, 2005	1,366,031	222,986	1,589,017

5. SHARE CAPITAL

(a) Common Shares

Authorized

The authorized capital stock of the Company comprises an unlimited number of common shares.

Issued and outstanding

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

	Shares (number)	**Amount (dollars)**
Issued and outstanding at March 31, 2005	10,481,626	25,909,032
Shares issued on exercise of warrant	563,419	309,139
Issued and outstanding at September 30, 2005	11,045,045	26,218,171

(b) Warrants

As at September 30, 2005, the following warrants were outstanding:

		Number of Warrants			**Value**		
Expiry Date	Exercise Price	Opening	Issued/ Exercised/ Expired	Closing	Opening (dollars)	Issued/ Exercised/ Expired	Closing (dollars)
May 26, 2005	C$0.50	**267,953**	**(267,953)**	**---**	**51,487**	**(51,487)**	**---**
August 17, 2005	C$0.50	**162,854**	**(162,854)**	**---**	**17,415**	**(17,415)**	**---**
September 29, 2005	C$0.50	**373,406**	**(373,406)**	**---**	**44,811**	**(44,811)**	**---**
January 15, 2006	C$0.75	**83,432**	**(83,432)**	**---**	**15,795**	**(15,795)**	**---**
June 1, 2006	C$0.75	**---**	**65,024**	**65,024**	**---**	**14,164**	**14,164**
October 14, 2006	C$1.12	**---**	**56,969**	**56,969**	**---**	**20,156**	**20,156**
November 8, 2006	C$2.35	**---**	**26,668**	**26,668**	**---**	**20,622**	**20,622**
March 4, 2005	C$1.15	**---**	**230,785**	**230,785**	**---**	**85,170**	**85,170**
		887,645	**(508,199)**	**379,446**	**129,508**	**(4,067)**	**140,112**

During the period, 563,419 warrants were exercised for proceeds to the Company of $230,542. This exercise resulted in the issuance of 563,419 common shares. In addition, $106,308 attributed to the warrants exercised during the year has been reallocated to share capital.

(c) **Contributed Surplus**

As at March 31, 2005	5,846,718
Relating to the issue of stock options	98,248
As at September 30, 2005	5,944,966

(d) **Stock Option Plan**

Outstanding stock options granted to directors, officers and employees at September 30, 2005 were as follows:

Expiry	**Price**	**Outstanding September 30, 2005**	**Exercisable Options**
June 24, 2007	C$0.15	100,000	100,000
September 18, 2007	C$0.23	100,000	100,000
December 31, 2007	C$0.41	50,000	50,000
July 8, 2008	C$0.50	100,000	100,000
January 1, 2009	C$0.75	60,000	60,000
August 31, 2009	C$0.75	210,000	157,500
January 3, 2010	C$1.85	85,000	42,500
August 19, 2010	C$1.25	280,000	70,000
		985,,000	680,000

Weighted average exercise price

- outstanding **$0.83**
- exercisable **$0.65**

6. INCOME TAXES

The company uses the asset and liability method of accounting for income tax. Assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

7. LOSS PER SHARE

Loss per share is based on a weighted average number of common shares outstanding of 10,891,085 for period ended September 30, 2005 (2004: 9,095,738). Diluted loss per share assumes that outstanding stock options and warrants are exercised at the beginning of the period (or at the time of issuance, if later) and the proceeds used to purchase common stock at the then ruling closing price. The effect of conversion in computing diluted per share amounts for the period ended September 30, 2005 and 2004 is anti-dilutive.

8. RELATED PARTY TRANSACTIONS

During the period, the Company did not enter into transactions with related parties

9. SEGMENTED INFORMATION

Substantially all working capital balances of the Company are situated at the head office in Canada and in Botswana. Materially all of the Company's property plant and equipment is presently located in Canada ($7,941) and Botswana ($31,580).

10. COMMITMENTS

Minimum lease payments for leased equipment or space are as follows:

2006	**0**