



SECOND QUARTER RESULTS: 2004 **for the three and six months ended September 30, 2003**

PRESIDENT'S MESSAGE

SHAREHOLDERS AND INVESTORS,

In early September, the Company commenced an initial drilling program on select targets within our Ngamiland concession in northwest Botswana. We are extremely pleased to have intersected kimberlite in each of two holes drilled on the magnetic target designated A12. Ground gravity and magnetic surveys carried out over A12 indicate a surface area in the order of 12 to 16 hectares and thus significantly larger than any of the kimberlites previously discovered in the Nxau Nxau area. This is encouraging, as in southern Africa the largest pipes in a cluster are typically the economic pipes. Additional information on the A12 kimberlite can be found in our news release of October 6, 2003: "Kimberlite confirmed at A12".

At our next drill target, designated A38, we drilled three holes but did not intersect kimberlite. The drilling did not identify the source of the isolated bulls-eye magnetic anomaly associated with this target and further investigation is needed to formulate a complete and accurate analysis of this target.

Six holes were then drilled on the final target, designated A37, to varying depths. At the present time, we are awaiting the chemical analysis from an independent laboratory in order to determine the substance of the A37 anomaly.

We will be processing the samples collected during the drilling program, from all the targets, over the coming months in order to increase our understanding of these bodies. We continue to examine other targets within our Ngamiland license areas, and will shortly commence a soil sampling program on the Gcwihaba license areas immediately to the south.

The necessary funding for our exploration programs is raised in the capital markets through the issuance of stock by way of private placements. Our current share base consists of 7,644,917 issued and outstanding (10,411,076 on a fully diluted basis) common shares. I would like to welcome all new investors and thank them, and our existing shareholders for their continued support and belief in our common goal. Tsodilo has no debt, a 75% interest in the Ngamiland project, together with Trans Hex Group, and will operate a 50/50 joint venture with SouthernEra Resources on the licenses held as part of the Gcwihaba project.

I would like to direct your attention to the information set forth below and also to that which is contained on the company's website (www.tsodiloresources.com).

James Bruchs
President and Chief Executive Officer
November 26, 2003

REVIEW OF ACTIVITIES

THE NGAMILAND KIMBERLITE PROJECT, NORTHWEST BOTSWANA

During the quarter under review, a first-pass reverse circulation drill programme commenced at the Company's Ngamiland project, in northwest Botswana, to investigate magnetic and gravity anomalies outlined by ground geophysical surveys carried out earlier during the year. Drilling took place at three targets, designated A12, A37 and A38 respectively. The results of this drilling programme are summarized below, in the order in which the targets were investigated:

A12

A12 is a bulls-eye magnetic target, with an isolated gravity "low" located immediately to the south. This is typical of kimberlite pipes with a crater-fill sequence. Two holes were drilled on this target. The first, sited approximately in the centre of the inferred source of the magnetic anomaly, was terminated at a depth of 147 meters. The second, located 100 meters to the south, was terminated at 200 meters. The holes intersected a limited thickness of Kalahari cover (approximately 40 meters), followed by a sedimentary sequence interpreted to represent infill of a kimberlite crater. These results are consistent with the interpretation of the geophysical results. The upper portions of the inferred crater infill are dominated by shales, mudstones and fine-grained sandstones. These are interpreted to represent the waning phase of infill of a former crater lake. Lower down in the sequence, coarser fragmental rocks dominate. The latter are tentatively interpreted as a mixture of volcanic tuffs (derived from volcanic ash) and debris flows, formed when material from an unstable volcanic cone collapsed into the crater lake. The lowermost portions of the second hole included several sections dominated by quartzites, which are interpreted to represent large wall rock inclusions.

A preliminary examination of drill chips indicate that these rocks represent the upper sections of a kimberlite crater sequence; in other words a relatively uneroded kimberlite pipe. A more detailed petrological examination is currently being carried out to refine our understanding of the nature of the crater sequence.

The gravity results indicate that A12 is somewhat elongate to the northeast, with a length of approximately 500 meters and width of some 350 to 400 meters; with an estimated surface area of 12 to 16 hectares. This is considerably larger than any of the kimberlites found during the course of previous exploration work carried out in Ngamiland.

A38

The target designated A38 is a prominent magnetic bulls-eye feature, closely associated with a northwest trending dolerite dyke. It is also associated with a major gravity "low", displaced to the south of the magnetic bulls-eye. Further gravity "lows" associated with subtle magnetic "highs" are present to the northwest and southeast.

The hole drilled to investigate the A38 magnetic bulls-eye intersected thick yellow muds containing abundant fragments of dolomite under 29 meters of Kalahari cover. While these results are not considered encouraging, the source of the prominent A38 bulls-eye magnetic anomaly remains unexplained, and requires further investigation. Two further holes were drilled to investigate gravity "lows to the northeast and southwest of the first hole respectively. Both intersected basement dolomites beneath relatively thin Kalahari cover.

A37

The magnetic target designated A37 consists of two prominent magnetic “bulls-eye” anomalies and a number of very subtle positive magnetic features. The gravity survey carried out over these magnetic features identified a major gravity “low”, oriented approximately west-northwest – east-southeast. To the east of this feature there is a subsidiary gravity “low”, which may be a continuation of the main negative gravity feature. To the north of the latter feature is a further gravity negative.

Six holes were drilled to investigate the A37 magnetic and gravity anomalies. Five of these, drilled on an approximately west-northwest – east-southeast line, over a distance of some 1,600 meters, all intersected a sequence of shales underlain by fragmental rocks beneath a relatively thin (40 to 45 meter) Kalahari cover. Pitted rock fragments, which superficially resemble weathered kimberlite, were recovered in one of the holes. It is probable that these sediments extend both to the east and west of this line of boreholes. Similar sediments were also intersected in the remaining borehole, drilled in the subsidiary gravity “low” to the north of this line.

The sub-Kalahari sediments identified in the A37 drill holes are interpreted represent a sequence deposited in a pre-Kalahari lake, with a surface area of some 80-100ha. At this stage, management is adopting a cautious policy in interpreting the A37 drill results, as chemical analyses, which are awaited, are required to refine our understanding of this inferred lacustrine sequence.

THE GCWIHABA KIMBERLITE PROJECT, NORTHWEST BOTSWANA

The Gcwihaba project area, located immediately to the south of the Ngamiland licenses, is being investigated via a 50/50 joint venture between the Company and SouthernEra Resources Ltd. Aeromagnetic data covering the Gcwihaba licenses has been reprocessed and is currently being analyzed. A number of magnetic targets, considered to be comparable to those associated with kimberlites, have been identified, suggesting the presence of a virgin kimberlite field. It is planned to commence loam sampling over these magnetic targets in the near future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis should be read in conjunction with the consolidated financial statements as well as the Consolidated Annual Financial Statements for the year ended March 31, 2003, and 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, 2003 and those factors reasonably expected to impact on future operations and results.

OVERVIEW

Tsodilo Resources Limited ("Tsodilo" or the "Company") is an international diamond exploration company with operating interests in two kimberlite exploration projects in northwest Botswana. The Company is actively reviewing additional opportunities within Southern Africa.

Tsodilo has no debt and only 7,644,917 issued and outstanding common shares as at September 30, 2003 (March 31, 2003: 5,676,391); fully diluted 10,411,076 (March 31, 2003: 7,788,437). The Company's common shares trade on the TSX Venture Exchange under the symbol: **TSD**.

The Company has a 75% interest in the 17,000 square kilometres Ngamiland project in northwest Botswana, where there is evidence for the existence of undiscovered kimberlites in three separate areas of the property. The Company's minority partner in this project, Trans Hex Group Limited, is an established South African diamond mining company which has committed to fund their 25% share of the exploration expenditure at this project. To the south of this initial project area, the Company has reached agreement in principal with SouthernEra Resources Limited to establish a 50/50 joint venture to explore the 7,000 square kilometre Gcwihaba project.

Liquidity and Capital Resources

At September 30, 2003 the Company had net working capital of \$420,000, which included cash and equivalents of \$400,000 (March 31, 2003: \$38,000), compared to a working capital deficiency of \$35,000 at March 31, 2003.

OPERATING ACTIVITIES

Cash flow applied in operating activities increased from \$92,000, in the first six months of fiscal 2003, to \$290,000 in the period under review. This increased cash outflow was primarily the result of an increase in working capital, including the settlement of most 2003 year-end obligations.

INVESTING ACTIVITIES

Expenditure on exploration properties in the six months ended September 30, 2003 was attributable principally to the Ngamiland project, although establishment costs were incurred in respect of the new Gcwihaba project. The acquisition of capital assets relates to office equipment acquired in both Toronto and Gaborone, as well as the acquisition of an exploration vehicle in Botswana.

FINANCING ACTIVITIES

The exercise of 50,000 stock options in April 2003 resulted in the Company receiving proceeds of \$7,500.

In August 2003 the Company completed the issue and sale, through a non-brokered private placement of 325,708 units of the Company (the "Units"). These Units were issued at a price of \$0.50 per Unit for proceeds to the Company of \$163,000. 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 \$0.50 for a period of two years. Mr. James Bruchs, the Chief Executive Officer and a director of the Company is the beneficial purchaser of 25,162 Units, to hold 2,019,774 common shares or 30.66% of the issued and outstanding common shares of the Company.

Dr. Andrew Moore, Exploration Vice President and a director of the Company, purchased 20,968 Units, to hold 486,838 common shares, with arms length third parties subscribing for 86% of the Units. Proceeds from these financings were added to the Company's working capital.

Also in August 2003, 310,100 warrants that were issued by the Company in terms of the private placement of September 2002 were exercised, for proceeds to the Company of \$77,525. This exercise resulted in the issuance of 310,100 common shares.

In a non-brokered private placement, a further 746,812 units of the Company (the "Units") were issued in September 2003 at a price of \$0.50 per Unit for proceeds to the Company of \$373,000. 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 \$0.50 for a period of two years. None of the participants are classified as Insiders, and the proceeds were added to the Company's working capital; with a substantial portion specifically allocated to the drilling program on three targets in the Nxau Nxau area of the Ngamiland project area.

The common shares, warrants and warrant shares are subject to a statutory hold period under securities laws of 12 months, and the certificates evidencing such securities will bear a legend to that effect. Consequently, the common shares, warrants and warrant shares may only be resold during such 12 month period in accordance with appropriate statutory exemptions from the prospectus requirements of the securities laws or if appropriate consents or discretionary orders have been obtained.

Tsodilo plans to raise the further \$0.5 million required to fund its share of the exploration expenditures, as well as corporate general and administration expenses, by way of non-brokered private placements at prices of \$0.75 per share or greater. Such private placements are expected to include a half-warrant priced at a similar level to the units sold.

Results of Operations

On a consolidated basis, Tsodilo recorded a net loss from operations in the six months ended September 30, 2003, entirely attributable to general and administration expenses, of \$198,000 (3 cents per common share), compared to \$199,000 in 2002. The principal overhead expense items included in the net loss from operations were the remuneration of officers and staff (four individuals) and office administration, of which the two principal contributors were secretarial fees and insurance. The Company had no employees during the first quarter of fiscal 2003, while the new board of directors and management were appointed in late June 2002.

Exploration expenditure incurred during the quarter ended September 30, 2003 at the Ngamiland project in Botswana, of \$194,000 (2002: \$55,000), related mainly to the drilling program that began in September 2003, management time spent supervising this program and assessing the results, and the maintenance of the prospecting licences in good standing.

Forward-looking Statements

The quarterly 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 the Management's Discussion & Analysis for the year ended March 31, 2003. 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.

TSODILO RESOURCES LIMITED

Consolidated Balance Sheets

(unaudited)

	September 30 2003 \$000	March 31 2003 \$000
ASSETS		
Current:		
Cash and equivalents	400	38
Amounts receivable and prepaid expenses	<u>21</u>	<u>12</u>
	421	50
Exploration Properties and Joint Ventures (note 3)	974	700
Capital Assets	<u>69</u>	<u>6</u>
	<u>1,464</u>	<u>756</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	1	85
Minority Interest (note 8)	277	177
SHAREHOLDERS' EQUITY		
Share Capital (note 4)	33,492	32,640
Warrants (note 4)	63	26
Contributed Surplus	8,486	8,486
Deficit	<u>(40,855)</u>	<u>(40,658)</u>
	<u>1,186</u>	<u>494</u>
	<u>1,464</u>	<u>756</u>

Going Concern (note 1)

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

TSODILO RESOURCES LIMITEDConsolidated Statements of Operations and Deficit
(unaudited)

	Three months ended		Six months ended	
	Sept. 30	Sept. 30	Sept. 30	Sept. 30
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Revenue				
Interest received	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
	--	--	--	--
Expenses				
Consulting fees	10	9	10	35
Corporate remuneration	61	52	111	52
Corporate travel and subsistence	10	16	14	18
Investor relations	5	15	20	17
Legal and audit	0	7	0	8
Office administration	52	40	58	62
Taxation	(18)	5	(16)	6
Amortization	1	1	1	1
Mining properties abandoned or where continued exploration is deemed inappropriate	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
	121	145	198	199
Loss before minority interest	<u> (121)</u>	<u> (145)</u>	<u> (198)</u>	<u> (199)</u>
Minority Interest	<u> 0</u>	<u> 1</u>	<u> 1</u>	<u> 3</u>
Loss for the period	<u> (121)</u>	<u> (144)</u>	<u> (197)</u>	<u> (196)</u>
Deficit - Beginning of period	<u> (40,734)</u>	<u> (40,324)</u>	<u> (40,658)</u>	<u> (40,272)</u>
Deficit - End of period	<u> (40,855)</u>	<u> (40,468)</u>	<u> (40,855)</u>	<u> (40,468)</u>
Loss per share - cents (note 6)	(2)	(3)	(3)	(4)

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

TSODILO RESOURCES LIMITED
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended		Six months ended	
	Sept. 30 2003 \$000	Sept. 30 2002 \$000	Sept. 30 2003 \$000	Sept. 30 2002 \$000
Cash provided by (used in):				
Operating Activities				
Loss for the period	(121)	(145)	(198)	(199)
Adjustments for non-cash items:				
Amortization	1	1	1	1
Other non-cash items	--	--	--	--
	<u>(120)</u>	<u>(144)</u>	<u>(197)</u>	<u>(198)</u>
Net change in non-cash working capital balances	<u>34</u>	<u>106</u>	<u>(93)</u>	<u>106</u>
	<u>(86)</u>	<u>(38)</u>	<u>(290)</u>	<u>(92)</u>
Investing Activities				
Exploration properties and joint ventures	(194)	(55)	(274)	(55)
Additions to capital assets	<u>(57)</u>	<u>--</u>	<u>(64)</u>	<u>--</u>
	<u>(251)</u>	<u>(55)</u>	<u>(338)</u>	<u>(55)</u>
Financing Activities				
Issue of common shares and warrants	614	--	889	125
Contribution by joint venture partner	<u>42</u>	<u>3</u>	<u>101</u>	<u>3</u>
	<u>656</u>	<u>3</u>	<u>990</u>	<u>128</u>
Change in cash and equivalents - For the period	319	(90)	362	(19)
Cash and equivalents – Disposed of in restructuring	--	--	--	(12)
Cash and equivalents - Beginning of period	<u>81</u>	<u>107</u>	<u>38</u>	<u>48</u>
Cash and equivalents - End of period	<u>400</u>	<u>17</u>	<u>400</u>	<u>17</u>

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

TSODILO RESOURCES LIMITED

Notes to the Consolidated Financial Statements (unaudited)

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 and 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.

As 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 favourable 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. Significant accounting policies

Basis of consolidation and preparation of the financial statements

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and its direct and indirect subsidiaries and its proportional interest in joint ventures. All inter-company transactions and balances have been eliminated.

Group Companies: September 30, 2003

Tsodilo Resources Bermuda Limited	100%
Newdico (Proprietary) Limited ¹	75%
Gcwihaba Resources (Proprietary) Limited ¹	100%

¹ *Investment held by Tsodilo Resources Bermuda Limited*

The accounting policies followed in preparing these financial statements are those used by the Company as set out in the audited financial statements for the year ended March 31, 2003. Certain information and note disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principals has been omitted. These interim financial statements should be read together with the Company’s audited consolidated financial statements for the year ended March 31, 2003.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements.

3. Exploration properties and joint ventures

These may be summarized as follows:

	Ngamiland Botswana	Gcwihaba Botswana	Skeleton Coast	Total
	\$000	\$000	\$000	\$000
Balance at March 31, 2002	451	--	467	918
2003 expenditures	249	--	--	249
Exploration costs written off to operations or sold	--	--	467	467
Balance at March 31, 2003	700	--	--	700
2004 expenditures, to date	252	22	--	274
Exploration costs written off to operations	--	--	--	--
Balance at September 30, 2003	952	22	--	974

Exploration expenditures do not include any allocation of administration or corporate overhead expenses.

Ngamiland, Botswana

On November 22, 1999 Newdico (Proprietary) Limited ("Newdico") was granted an initial five prospecting licences in the Ngamiland District of northwest Botswana. A further 10 prospecting licences were granted to Newdico in fiscal 2002, five in fiscal 2003 and one in the year under review. A portion of the initial five licences was relinquished in fiscal 2003, and the licences now cover an area of 17,826 square kilometres. The terms of the licences grant Newdico the right to prospect for a total of three years, renewable for a total of four additional years. The equity and long-term loans of Newdico, through which all exploration is funded, are held as to 75% by Tsodilo and 25% by Trans Hex Group Limited. Tsodilo is the operator of the project. Development of this project is subject to the payment of a 2% net profit interest to Dr. A.E. Moore.

Gcwihaba, Botswana

On June 6, 2003 Gcwihaba Resources (Proprietary) Limited ("Gcwihaba"), a wholly owned subsidiary of the Company, was granted seven prospecting licences to the south of the Ngamiland project area. The terms of the licences, covering 6,793 square kilometres, grant Gcwihaba the right to prospect for a total of three years, renewable for a total of four additional years. Subject to execution of a final joint venture agreement and obtaining all necessary regulatory approvals, the Company has entered into a joint venture agreement with SouthernEra Resources Limited in terms of which the project will be developed as a 50/50 joint venture; with Tsodilo as the operator of the exploration program.

4. Share capital

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 <i>(number)</i>	Amount <i>(dollars)</i>
Issued and outstanding at April 1, 2002	14,597,856	32,171,895
Shares returned to treasury for cancellation:		
With restructuring approved by shareholders on April 9, 2002	10,688,137	--
Shares issued:		
On private placement for cash	835,300	125,295
On private placement for cash	372,120	93,030
On private placement for cash	236,130	118,065
On private placement for cash	<u>323,122</u>	<u>157,561</u>
	1,766,672	493,951
Ascribed to warrants issued		(26,055)
Issued and outstanding at March 31, 2003	<u>5,676,391</u>	<u>32,639,791</u>
Shares issued:		
On private placement for cash (i)	535,906	267,953
On private placement for cash (ii)	325,708	162,854
Exercise of warrants (iii)	310,100	77,525
On private placement for cash (iv)	<u>746,812</u>	<u>373,406</u>
	1,918,526	881,738
On conversion of stock options	50,000	7,500
Ascribed to warrants issued		(37,109)
Issued and outstanding at September 30, 2003	<u>7,644,917</u>	<u>33,491,920</u>

(i) **Private Placement**

In May 2003 the Company issued, through a non-brokered private placement, 535,906 units of the Company at a price of \$0.50 per unit for proceeds to the Company of \$267,953. 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 \$0.50 for a period of two years. The common shares, warrants and warrant shares are subject to a statutory hold period under securities laws of 12 months, expiring on May 26, 2004.

(ii) **Private Placement**

In August 2003 the Company issued, through a non-brokered private placement, 325,708 units of the Company at a price of \$0.50 per unit for proceeds to the Company of \$162,854. 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 \$0.50 for a period of two years. The common shares, warrants and warrant shares are subject to a statutory hold period under securities laws of 12 months, expiring on August 17, 2004.

(iii) **Warrants**

In August 2003, 310,100 warrants were exercised for proceeds to the Company of \$77,525. This exercise resulted in the issuance of 310,100 common shares.

(iv) **Private Placement**

In September 2003 the Company issued, through a non-brokered private placement, 746,812 units of the Company at a price of \$0.50 per unit for proceeds to the Company of \$373,406. 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 \$0.50 for a period of two years. The common shares, warrants and warrant shares are subject to a statutory hold period under securities laws of 12 months, expiring on September 29, 2004.

Warrants

As at June 30, 2003 and March 31, 2003, the following warrants were outstanding:

Expiry Date	Exercise Price <i>(dollars)</i>	Number of Warrants <i>(number)</i>	Ascribed to Warrants <i>(dollars)</i>
Issued and outstanding at April 1, 2002		--	--
Warrants issued:			
June 13, 2004	0.40	835,300	8,353
October 14, 2004	0.25	372,120	3,721
November 14, 2004	0.50	118,065	5,903
March 24, 2005	0.50	161,561	8,078
Issued and outstanding at March 31, 2003		1,487,046	26,055
Warrants issued:			
May 27, 2005 (i)	0.50	267,953	13,397
August 18, 2005 (ii)	0.50	162,854	8,143
September 30, 2005 (iv)	0.50	373,406	18,670
Warrants exercised:			
October 14, 2002 (iii)	0.25	310,100	3,101
Issued and outstanding at September 30, 2003		1,981,159	63,164

Stock Option Plan

Outstanding options granted to directors, officers and employees at September 30, 2003 and March 31, 2003 were as follows:

<i>Expiry Date</i>	<i>Price (dollars)</i>	<i>Outstanding April 1, 2002</i>	<i>Granted / (Cancelled)</i>	<i>Outstanding March 31, 2003</i>	<i>Granted / (Exercised)</i>	<i>Outstanding Sept. 30, 2003</i>
May 21, 2003 (ii)	0.40	280,000	(280,000)	--	--	--
July 4, 2005 (ii)	0.30	300,000	(300,000)	--	--	--
June 24, 2007 (ii)	0.15	--	260,000	260,000	(50,000)	210,000 ^a
September 19, 2007	0.23	--	200,000	200,000	--	200,000 ^a
December 31, 2007	0.41	--	165,000	165,000	--	165,000 ^b
July 8, 2008	0.50	--	--	--	210,000	210,000 ^b
		580,000	45,000	625,000	160,000	785,000
Options exercisable at the end of the period				501,250		545,000
Weighted average exercise price						
- Outstanding				\$0.24		\$0.32
- Exercisable				\$0.20		\$0.25

- a. These options vest as to one-half immediately and one-half on the six-month anniversary of the date granted.
- b. These options vest as to one-quarter immediately and one-quarter on each of the six-month, 12-month and 18-month anniversaries of the date granted.

Tsodilo uses the intrinsic method of accounting for stock options granted to directors, officers and employees. Canadian accounting standards require the disclosure of pro forma net earnings and earnings per share information as if the corporation had accounted for the stock options under the fair value method. The fair value of the stock options issued during the 2003 fiscal year was determined using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of between 5.079% and 4.248%; annual dividend yield of 0.0%; expected price volatility of the Tsodilo's shares of 200%; and an expected option life of 5 years. If the fair value method had been used to determine the compensation cost for the stock options granted during the 2003 fiscal year, the Company's loss for three months ended June 30, 2003 and basic loss per share would have increased by \$10,000 and \$0.00 per share respectively.

5. Income taxes

As at September 30, 2003, the Company had net operating losses carried forward for income tax purposes, as well as \$0.3 million (2003: \$0.3 million) of Canadian exploration and development expenditures that may be used to reduce income taxes payable in future periods. The Company has recorded a valuation allowance against its future tax assets.

6. Loss per share

The loss per share is based on the weighted average number of common shares outstanding, of 6,550,902 and 6,241,756 respectively for the three and six month periods ended September 30, 2003 and 4,745,019 and 4,879,044 for the comparative periods of the 2003 fiscal year.

7. **Segmented information**

The Company's working capital balances are situated at either its head office in Canada or in Botswana. The capital assets of the Company are presently situated in Canada \$7,000 (March 31, 2003: \$4,000) and Botswana \$62,000 (March 31, 2003: \$2,000). The geographic distribution of the property acquisition costs and exploration expenditures is evident from the details presented in note 3.

8. **Related party transactions**

At September 30 and March 31, 2003, Tsodilo had no long-term debt. The minority interest disclosed in the consolidated balance sheet of the Company relates to the 25% of the accumulated expenditure of Newdico that was funded by Trans Hex Group Limited.

9. **Commitments**

Minimum remaining lease payments for leased equipment are as follows:

	<u>\$000</u>
2004	2
2005	4
2006	3
	<u>9</u>

10. **Comparable Figures**

The comparable financial statements have been reclassified from statements previously presented to conform to the presentation in the current year.

TSODILO RESOURCES LIMITED

Corporate Information

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Gaborone, Botswana

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Gaborone, Botswana

Patrick C. McGinley ⁺

Washington, D.C.

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⁺ Member of the Audit Committee and the Corporate Governance Committee

Officers

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President and Chief Executive Officer

Andrew E. Moore (Dr.), *MBA., Ph.D., Pr.Sci.Nat.*

Vice President, Exploration

Stephen Woodhead, *B. Com., CA (SA)*

Chief Financial Officer and Secretary

Auditors

PricewaterhouseCoopers LLP.

Toronto, Ontario

Legal Counsel

Cassels Brock & Blackwell LLP

Toronto, Ontario

Bankers

Royal Bank of Canada

Toronto, Ontario

Registrar and Transfer Agent

Computershare Trust Company of Canada

Toronto, Ontario

Stock Exchange Listing

TSX Venture Exchange

Trading Symbol: **TSD**