



THIRD QUARTER RESULTS: 2004 for the three and nine months ended December 31, 2003

PRESIDENT'S MESSAGE

SHAREHOLDERS AND INVESTORS,

Our work in the third quarter confirmed our previous stated view (see, news release of Dec. 11, 2003: "Drilling Results at A37" that A37 is indeed a kimberlite which measures somewhere in the range of 80 – 120 hectares inclusive of the subsidiary basins. A37 is clearly the second or third largest kimberlite discovered in the Republic of Botswana, the largest producer of diamonds, by value, in the world.

Samples from both A12 and A37 are currently being prepared for transport to a third-party laboratory for micro-diamond analysis. We would expect to have these results in the 2nd quarter of our 2005 fiscal year.

We have selected a contractor to perform a soil sampling survey over 117 additional targets in both our Newdico and Gcwihaba license areas. This work will commence in the next few weeks and the results of this sampling will determine those targets for which we will do additional ground gravity and magnetic surveys. It is contemplated that we will commence a drilling program on A12 and A37 and additional targets, which we have selected as a result of our current work, in late summer of 2004.

We continue to raise the necessary funding for our exploration expenditures in the capital markets through the issuance of stock by way of private placements. Our current share base consists of 7,821,781 issued and outstanding (10,806,372 on a fully diluted basis) common shares. I would like to welcome these 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 our Ngamiland project, with Trans Hex Group, and an agreement in principal has been reached with SouthernEra Resources for their participation as to 50% on the licenses held in our 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
February 25, 2004

REVIEW OF ACTIVITIES

THE NGAMILAND KIMBERLITE PROJECT, NORTHWEST BOTSWANA

A12 and A37 kimberlites

During the Quarter under review, all outstanding chemical analyses for the A12 and A37 kimberlite were received. The 12-16 hectare A12 kimberlite, which was erupted through quartzite wall rocks, appears to have a carrot-shaped cross-section, similar to many of the other kimberlites in southern Africa, and those from the Canadian Lac de Gras field. In contrast, the A37 kimberlite, which was erupted through dolomite wall rocks, is interpreted to consist of a number of coalescing relatively shallow “champagne-glass” craters, associated with a number of relatively small eruptive centres. The geophysical and drilling results indicate a total surface area of 80-120 hectares for A37, which would rank with the world’s largest kimberlites.

The morphology of the A37 kimberlite is tentatively ascribed to the exceptionally hot kimberlite magma interacting with water-filled caverns in the country-rock dolomites. This would very rapidly and dramatically convert the water to steam, resulting in a very violent volcanic eruption (termed a phreatic eruption) fracturing the cavern roof rocks and blasting them into the air, creating a broad, shallow crater. The mixture of kimberlite and wall rock blasted into the air would accumulate as an unstable cone surrounding the crater. Over time, this unstable cone would be eroded, and washed into the crater, to form a characteristic sequence of sediments, with lower coarse, fragmental debris flows, and upper finer-grained shales, comparable to those intersected in our drill holes.

It should be noted here that there are several examples world-wide of very high-grade producing diamond mines where similar “phreatic eruptions” of kimberlite occurred. The Mbuji Mayi mine in the Kasai Province of the Democratic Republic of the Congo consists of an elongate group of 10 kimberlite pipes along a linear zone some 3,500 metres long by 800 metres wide and also erupted through dolomitic limestone country rock leaving a flat “champagne-glass” cross-sectional shape and extensive crater sediments. Other examples of the development of diamondiferous crater sediments are at the Argyle mine in Australia, the Lac de Gras kimberlite cluster and the Orapa mine some 500 Km. southeast of A37. The high grades associated with these kimberlites may indicate that the phreatic eruptive processes favor the preservation rather than the resorption of the diamonds. As yet, we have no indication as to whether A12 and A37 contain diamonds. Samples are being dispatched for micro-diamond analysis to provide a preliminary indication of the diamond potential of the two kimberlites.

Sampling of geophysical targets: Ngamiland and Gcwihaba projects

A Canadian contractor has reprocessed the aeromagnetic data covering the Ngamiland and Gcwihaba licenses. This enhanced dataset has been screened and over a hundred magnetic targets have been selected for follow-up sampling. These targets are located in a number of distinct areas:

1. To the south of the known kimberlites in the Nxau Nxau area. These targets thus represent a potential extension of the Nxau Nxau kimberlite cluster.
2. In the Guma area in the east of the license block, where earlier regional sampling resulted in the recovery of a diffuse scatter of unexplained Kimberlite Indicator Minerals (KIMs). These include dense ilmenites, which argue for a proximal kimberlite source.

3. In the south of the Ngamiland license block, where ilmenites, again indicative of a proximal kimberlite source, were recovered during earlier sampling programs.
4. In the newly awarded Gcwihaba licenses, immediately to the south of the Ngamiland license block.
5. There are also a number of very good outlier magnetic targets which will be sampled.

The location of the targets selected for follow-up sampling makes them a potential source of two important unexplained diamond/G10 anomalies in northeast Namibia, to the west of the Ngamiland-Gcwihaba license blocks (See the Ngami Project on the Company website for details of the geomorphological model for explaining KIM dispersion and concentration patterns.)

The contract to carry out the sampling program has been awarded, and work is scheduled to start in March, once the worst of the rainy season is over.

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 nine month periods ending December 31, 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. Tsodilo has no debt and, at December 31, 2003, had only 7,644,917 issued and outstanding common shares (March 31, 2003: 5,676,391); fully diluted 10,411,076 (March 31, 2003: 7,788,437).

The Company has a 75% interest in the Ngamiland project in northwest Botswana, of 18,000 square kilometres, 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 and has committed to fund its 25% share of the exploration expenditure at this project. To the south of this initial project area, Tsodilo 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 December 31, 2003 the Company had net working capital of \$156,000, which included cash and equivalents of \$183,000 (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 \$237,000, in the first nine months of fiscal 2003, to \$346,000 in the period under review; primarily the result of higher corporate remuneration, as well as an increase in working capital following the settlement of most 2003 year-end obligations.

INVESTING ACTIVITIES

Expenditure on exploration properties in the nine months ended December 31, 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 Company funded operations during the three months ended December 31, 2003 with cash-on-hand. Further financing activities took place in February 2004, with the closing of a non-brokered private placement of 166,864 units of the Company at a price of \$0.75 per unit for proceeds to the Company of \$125,148. 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 \$0.75 for a period of two years.

Financing activities in the first six months of fiscal 2004 included the issue and sale in May 2003 of 535,906 units of the Company at a price of \$0.50 per unit for proceeds to the Company of \$268,000. In August 2003, a further 325,708 units of the Company were issued at a price of \$0.50 per unit for proceeds to the Company of \$163,000. A further 746,812 units of the Company were issued in September 2003 at a price of \$0.50 per unit for proceeds to the Company of \$373,000. The majority of the participants were arms length third parties. In each placing, a 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. 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 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. 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.

Based on the results of the programs undertaken in the past nine months, Tsodilo is currently proposing work programs, and evaluating the funding required at both of its projects, in conjunction with its joint venture partners.

Results of Operations

On a consolidated basis, Tsodilo recorded a net loss from operations in the nine months ended December 31, 2003, entirely attributable to general and administration expenses, of \$306,000 (5 cents per common share), compared to \$276,000 in 2003. The principal items were the remuneration of officers and staff (four individuals), travel related expenditure, consulting fees and secretarial fees (\$24,000). Also contributing to the loss was a \$15,000 loss on foreign exchange, principally due to the fall in value of United States Dollars held. Prior year overhead expenses were not indicative of the future as the new board of directors and management were only appointed in late June 2002.

Exploration expenditure incurred during the quarter ended December 31, 2003 at the Ngamiland project in Botswana, of \$158,000 (2003: \$59,000), related mainly to the drilling program (\$100,000) 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)

	December 31 2003 \$000	March 31 2003 \$000
ASSETS		
Current:		
Cash and equivalents	183	38
Amounts receivable and prepaid expenses	<u>19</u>	<u>12</u>
	202	50
Exploration Properties and Joint Ventures (note 3)	1,132	700
Capital Assets	<u>66</u>	<u>6</u>
	<u><u>1,400</u></u>	<u><u>756</u></u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	46	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>(40,964)</u>	<u>(40,658)</u>
	<u>1,077</u>	<u>494</u>
	<u><u>1,400</u></u>	<u><u>756</u></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		Nine months ended	
	Dec. 31 2003 \$000	Dec. 31 2002 \$000	Dec. 31 2003 \$000	Dec. 31 2002 \$000
Revenue				
Interest received	--	--	--	--
Disposal of investments	<u>--</u>	<u>7</u>	<u>--</u>	<u>7</u>
	--	7	--	7
Expenses				
Consulting fees	19	2	29	37
Corporate remuneration	35	30	146	104
Corporate travel and subsistence	30	1	44	19
Investor relations	2	4	22	21
Legal and audit	0	8	0	16
Office administration	22	41	80	81
Taxation	0	1	(16)	7
Amortization	1	--	2	1
Mining properties abandoned or where continued exploration is deemed inappropriate	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	109	87	307	286
Loss before minority interest	<u>(109)</u>	<u>(80)</u>	<u>(307)</u>	<u>(279)</u>
Minority Interest	<u>0</u>	<u>0</u>	<u>1</u>	<u>3</u>
Loss for the period	<u>(109)</u>	<u>(80)</u>	<u>(306)</u>	<u>(276)</u>
Deficit - Beginning of period	<u>(40,855)</u>	<u>(40,468)</u>	<u>(40,658)</u>	<u>(40,272)</u>
Deficit - End of period	<u>(40,964)</u>	<u>(40,548)</u>	<u>(40,964)</u>	<u>(40,548)</u>
Loss per share - cents (note 6)	(1)	(2)	(5)	(6)

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		Nine months ended	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Cash provided by (used in):				
Operating Activities				
Loss for the period	(109)	(80)	(307)	(279)
Adjustments for non-cash items:				
Amortization	1	--	2	1
Profit on disposal of investments	--	(7)	--	(7)
Other non-cash items	<u>5</u>	<u>--</u>	<u>5</u>	<u>--</u>
	(103)	(87)	(300)	(285)
Net change in non-cash working capital balances	<u>47</u>	<u>(58)</u>	<u>(46)</u>	<u>48</u>
	<u>(56)</u>	<u>(145)</u>	<u>(346)</u>	<u>(237)</u>
Investing Activities				
Exploration properties and joint ventures	(158)	(59)	(432)	(114)
Disposal of investments	--	13	--	13
Additions to capital assets	<u>(3)</u>	<u>--</u>	<u>(67)</u>	<u>--</u>
	<u>(161)</u>	<u>(46)</u>	<u>(499)</u>	<u>(101)</u>
Financing Activities				
Issue of common shares and warrants	--	211	889	336
Contribution by joint venture partner	<u>--</u>	<u>41</u>	<u>101</u>	<u>44</u>
	<u>--</u>	<u>252</u>	<u>990</u>	<u>380</u>
Change in cash and equivalents - For the period	(217)	61	145	42
Cash and equivalents – Disposed of in restructuring	--	--	--	(12)
Cash and equivalents - Beginning of period	<u>400</u>	<u>17</u>	<u>38</u>	<u>48</u>
Cash and equivalents - End of period	<u><u>183</u></u>	<u><u>78</u></u>	<u><u>183</u></u>	<u><u>78</u></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: December 31, 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	410	22	--	432
Exploration costs written off to operations	--	--	--	--
Balance at December 31, 2003	1,110	22	--	1,132

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 December 31, 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 December 31, 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 December 31, 2003		1,981,159	63,164

Stock Option Plan

Outstanding options granted to directors, officers and employees at December 31, 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 Dec. 31, 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		586,250
Weighted average exercise price						
- Outstanding				\$0.24		\$0.32
- Exercisable				\$0.20		\$0.26

- a. These options vested 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 nine months ended December 31, 2003 and basic loss per share would have increased by \$20,000 and \$0.00 per share respectively.

5. Income taxes

As at December 31, 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 7,644,917 and 6,711,177 respectively for the three and nine month periods ended December 31, 2003 and 5,181,144 and 4,980,110 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 \$6,000 (March 31, 2003: \$4,000) and Botswana \$60,000 (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 December 31 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	1
2005	4
2006	3
	<hr/>
	8
	<hr/>

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

Corporate Head Office

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Directors

Christopher M.H. Jennings ** (Dr.), Chairman

Toronto, Ontario

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Gaborone, Botswana

Andrew E. Moore (Dr.)

Gaborone, Botswana

Patrick C. McGinley **

Washington, D.C.

Richard S. Kelso #

Washington, D.C.

* Member of the Compensation Committee

+ Member of the Audit Committee and the Corporate Governance Committee

Appointed January 2004

Officers

James M. Bruchs, *B.Sc., J.D.*

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

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**