



TSODILO RESOURCES LIMITED

SECOND QUARTER RESULTS

2003

for the six months ended September 30, 2002

PRESIDENT'S MESSAGE

SHAREHOLDERS AND INVESTORS,

I am pleased to report that the coming months promise to be an exciting period for Tsodilo Resources as we continue to develop our primary project, the **Ngami** project in northwest **Botswana**, and seek to increase shareholder value. There is very compelling evidence for the existence of several virgin pipes in the west of the Ngami property, one of which would rank with some of the world's largest kimberlites. In addition, an isolated kimberlitic indicator mineral anomaly in the east of our property could be our first glimpse of a virgin kimberlite field in this area.

During September an exploration program and budget for the period to March 31, 2003 was approved and adopted for our operating subsidiary in Botswana, Newdico. This was accomplished in cooperation with Trans Hex Group, which holds a 25% interest in Newdico. Work crews are expected to be in the concession area in November, commencing with gravity surveys over priority magnetic targets in the Nxau Nxau and Guma areas.

Since the restructuring of Tsodilo Resources, the Company has been successful in raising \$218,000 through private placements and expects to close a further private placement of \$118,000 shortly. Our efforts to raise finance on terms favourable to the Company will intensify as the activities in Botswana increase, and 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.

In the coming months, articles on Tsodilo Resources and our Ngami project will be published in the Mining Journal, African Mining and the Canadian Miner publications. We intend to have these articles available on our website as soon as they are publicly disseminated.

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 14, 2002

REVIEW OF ACTIVITIES

THE NGAMI KIMBERLITE PROJECT, NORTHWEST BOTSWANA

The Ngami kimberlite project in northwest Botswana remains the main focus of Company exploration. Management believes that the work carried out to date in this area provides compelling evidence for several virgin kimberlites in the vicinity of the Nxau Nxau pipes, previously discovered by Reunion Mining and Ashton Mining. One of the bulls-eye magnetic targets investigated by Tsodilo Resources, designated A12, has an estimated source diameter of 500 to 750 metres. This indicates a surface area in the range 20 to 44 hectares, which would rank with some of the world's larger kimberlites, and also considerably larger than those previously discovered in the Nxau Nxau area. This is considered highly encouraging, as economic kimberlites within a cluster of pipes tend to be the largest present. Viewed differently, the grade of smaller kimberlites in a cluster, such as those previously found by Reunion / Ashton, provide little evidence of the diamond potential of associated larger pipes.

The Company's regional soil sampling programme has confirmed the existence of an isolated ilmenite-garnet anomaly in the Guma area in the east of the property, where there are a number of large isolated classic bulls-eye magnetic features, comparable to those associated with kimberlites. Comparable results have provided the lead-in to virgin kimberlite fields elsewhere in the Kalahari. The regional sampling also recovered a garnet in the southwest of the Ngami property, where kimberlitic ilmenites were previously reported by Reunion. The original Ngami diamond exploration programme has therefore advanced to two and possibly three separate projects (Nxau Nxau, Guma and Southwest).

To the west of the Ngami property, in northeast Namibia, unexplained kimberlite indicator mineral ("KIM") anomalies, which include G10 (diamond inclusion composition) garnets and diamonds, are associated with the former shoreline of the Kalahari-age Etosha sedimentary basin. The presence of diamonds and G10 garnets in these KIM anomalies indicates that they are derived from a rich diamond-bearing kimberlite pipe, or pipes, very different in character to the poorly diamondiferous to barren kimberlites discovered to date in northeast Namibia or northwest Botswana. The source of the KIM anomalies associated with the ancient shoreline of the Etosha basin represents a highly important exploration target.

A geomorphological analysis indicates that the Ngami property straddles a ridge of high ground that would have been drained by rivers carrying sediment to the Etosha sedimentary basin to the west in Namibia. This geomorphological analysis thus indicates that undiscovered kimberlites in the Nxau Nxau and Guma areas could be the source of the diamonds and G10 garnets in the unexplained KIM anomalies in northeast Namibia.

The Company has reviewed all geophysical and sampling data available to date. A number of further large isolated bulls-eye magnetic targets, not previously investigated have been identified in both the Nxau Nxau and Guma areas. Targets have been prioritised for more detailed follow-up, including further soil sampling and also gravity surveys. The latter technique has been shown to be very successful in identifying sub-Kalahari kimberlites. Mobilisation to commence these surveys is planned during the course of the next quarter. This programme is aimed at identifying and prioritising 20 to 30 targets for follow-up drilling during 2004.

The company is using in-house geological and geomorphological concepts to identify possible alluvial diamond targets in **Botswana** and **South Africa**. The aim is to define a resource that will provide cash flow to fund the company's kimberlite exploration projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tsodilo Resources Limited (TSX Venture Exchange: TSD) is an international diamond exploration company with the majority interest in a kimberlite exploration project in northwest Botswana. The Company is also actively reviewing additional opportunities within Southern Africa.

During the first six months of the 2003 fiscal year, Tsodilo Resources Limited ("Tsodilo" or the "Company"), which was formerly known as Trans Hex International Ltd., was continued from Ontario to the Yukon, changed its name, appointed a new board of directors and management team, restructured its balance sheet and commenced trading on the TSX Venture Exchange under the symbol "TSD".

Significantly, Tsodilo has no debt and only 5,117,139 issued and outstanding common shares as at November 14, 2002 (March 31, 2002: 14,597,856), with fully diluted common shares currently outstanding of 6,784,559 (March 31, 2002: 15,597,856).

The Company has a 75% operating interest in 17,000 square kilometers of extremely prospective ground in northwest Botswana on which there is encouragement 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, an established South African diamond mining company, has committed to fund their 25% share of the exploration expenditure at this project.

Liquidity and Capital Resources

On June 13, 2002 the Company completed the issue and sale, through a non-brokered private placement, of 835,300 units of the Company (the "Units"). These Units were issued at a price of \$0.15 per Unit for proceeds to the Company of \$125,000. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of \$0.40 for a period of two years. Mr. James Bruchs, the Chief Executive Officer of the Company, was the beneficial purchaser of 48.6% of the Units, with other insiders and their associates purchasing the remainder of the Units.

Subsequent to the period, on October 15, 2002, the Company completed the issue and sale, through a non-brokered private placement, of a further 372,120 units of the Company (the "Units"). These Units were issued at a price of \$0.25 per Unit for proceeds to the Company of \$93,030. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of \$0.25 for a period of two years. Mr. James Bruchs, Chief Executive Officer and a director of the Company, was the beneficial purchaser of 83% of these Units to hold 1,799,200 common shares or 35.16% of the issued and outstanding common shares of the Company, with another director, Mr. Patrick McGinley, purchasing the remainder of the Units.

As at September 30, 2002 the Company had a net working capital deficiency of \$86,000 (March 31, 2002: \$904,000), which included cash and equivalents of \$17,000 (March 31, 2002: \$48,000). Included in accounts payable and accrued liabilities at September 30, 2002 was \$78,000 received in terms of the private placement that closed on October 15, 2002. These funds were credited to Share Capital on the closing of the private placement.

The Company is dependent on obtaining future financing for the continued exploration and development of its properties and for acquisition and development costs of new project opportunities. There is no assurance that such financing will be available, or under terms favourable to the Company.

Results of Operations

On a consolidated basis Tsodilo recorded a net loss of \$145,000 in the quarter ended September 30, 2002 (3 cents per common share), all in the form of General and Administration expenses, compared to a net loss of \$7.57 million (51 cents per common share) in the comparable period of fiscal 2002, which included General and Administration expenses of \$328,000.

Exploration expenditure incurred during the three months ended September 30, 2002 at the Ngami project totaled \$55,000 (2002 exploration expenditure on all projects: \$765,000).

Corporate

At a special meeting of the holders of common shares of the Company held on April 9, 2002 shareholders approved a restructuring of the Company that incorporated the sale of substantially all of the Company's assets. The assets were transferred in settlement of debt due and owing to Trans Hex Group Limited ("THG"), the principal shareholder and creditor of the Company prior to restructuring, of \$952,000. The Company retained an interest in all future dividends that may be paid by either Northbank Diamonds Limited, Hoanib Diamonds (Proprietary) Limited or Trans Hex (Zimbabwe) Limited. In addition, the Company was released from the long-term loans due to THG by the subsidiaries being sold, of \$5.24 million, and THG agreed to return the 10,688,137 common shares in the capital of the Company held by THG, representing 73.22% of the issued and outstanding shares of the Company, to treasury for cancellation.

The special meeting of Shareholders also approved the discontinuance of the Company from the Province of Ontario and its continuance under the *Business Corporations Act* (Yukon), the change of name of the Company from Trans Hex International Ltd. to **Tsodilo Resources Limited**, the election of new directors and the repeal of the existing stock option plan of the Company and adoption of a new stock option plan.

General

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

TSODILO RESOURCES LIMITED
Consolidated Balance Sheets
(unaudited)

	September 30 2002 \$000	March 31 2002 \$000
ASSETS		
Current:		
Cash and equivalents	17	48
Accounts receivable and prepaid expenses	<u>6</u>	<u>9</u>
	23	57
Exploration Properties and Joint Ventures (note 3)	506	918
Investments	6	6
Capital Assets	<u>3</u>	<u>210</u>
	<u>538</u>	<u>1,191</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	109	961
Long-Term:		
Loan from related party (note 3)	406	5,240
SHAREHOLDERS' EQUITY / (DEFICIENCY)		
Share Capital (note 4)	32,297	32,172
Contributed Surplus	2,596	3,090
Deficit	<u>(34,870)</u>	<u>(40,272)</u>
	<u>23</u>	<u>(5,010)</u>
	<u>538</u>	<u>1,191</u>

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

TSODILO RESOURCES LIMITED
Consolidated Statements of Operations and Deficit
(unaudited)

	Three months ended		Six months ended	
	Sept. 30	Sept. 30	Sept. 30	Sept. 30
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Revenue				
Interest	--	12	--	20
Disposal of interest in subsidiary companies	--	--	<u>5,890</u>	--
	--	12	5,890	20
Expenses				
Corporate administration, including salaries and burdens	92	114	114	215
Consulting fees	9	36	35	69
Corporate travel and subsistence	16	1	18	9
Investor relations	15	16	17	19
Legal and audit	7	145	8	233
Taxation	5	15	6	17
Amortization	1	1	1	3
Mining properties abandoned or where continued exploration is deemed inappropriate	--	<u>7,251</u>	--	<u>7,251</u>
	145	7,579	199	7,816
Profit / (Loss) for the period	(145)	(7,567)	5,691	(7,796)
Outside shareholders' interest	1	--	3	--
Outside shareholders' interest in accumulated deficit	(292)	--	(292)	--
Deficit - Beginning of period	<u>(34,434)</u>	<u>(30,916)</u>	<u>(40,272)</u>	<u>(30,687)</u>
Deficit - End of period	<u>(34,870)</u>	<u>(38,483)</u>	<u>(34,870)</u>	<u>(38,483)</u>
Profit / (Loss) per share - cents <i>(note 6)</i>	(3)	(51)	117	(53)

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

TSODILO RESOURCES LIMITED
Consolidated Statements of Cash Flow
(unaudited)

	Three months ended		Six months ended	
	Sept. 30	Sept. 30	Sept. 30	Sept. 30
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Cash provided by (used in):				
Operating Activities				
Profit / (Loss) for the period	(145)	(7,567)	5,691	(7,796)
Adjustments for non-cash items:				
Amortization	1	1	1	3
Disposal of interest in subsidiary companies	--	--	(5,890)	--
Mining properties abandoned or where continued exploration is deemed inappropriate	--	7,251	--	7,251
Other non-cash items	--	--	--	(16)
	<u>(144)</u>	<u>(315)</u>	<u>(198)</u>	<u>(558)</u>
Net change in non-cash working capital balances	<u>106</u>	<u>255</u>	<u>106</u>	<u>41</u>
	<u>(38)</u>	<u>(60)</u>	<u>(92)</u>	<u>(517)</u>
Investing Activities				
Exploration properties	(55)	(875)	(55)	(1,640)
Disposal of capital assets	--	2	--	1
	<u>(55)</u>	<u>(873)</u>	<u>(55)</u>	<u>(1,639)</u>
Financing Activities				
Issue of common shares	--	--	125	--
Increase in loan from related party	3	527	3	1,763
	<u>3</u>	<u>527</u>	<u>128</u>	<u>1,763</u>
Change in cash and equivalents - For the period	(90)	(406)	(19)	(393)
Cash and equivalents – Disposed of in restructuring	--	--	(12)	--
Cash and equivalents - Beginning of period	<u>107</u>	<u>1,501</u>	<u>48</u>	<u>1,488</u>
Cash and equivalents - End of period	<u>17</u>	<u>1,095</u>	<u>17</u>	<u>1,095</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

Tsodilo Resources Limited (“Tsodilo” or the “Company”), formerly called Trans Hex International Ltd., is an international diamond exploration company engaged in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that can be economically mined. 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 continuity of the Company’s operations is dependent on Tsodilo raising the necessary funding for working capital and the exploration and development of its properties on the international capital markets.

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.

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, 2002. 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, 2002.

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

Common Share Purchase Options

No compensation expense is recognized when stock options are issued in accordance with the terms of the Company's Stock Option Plan (refer to note 4). Any consideration paid on exercise of the stock options is credited to Share Capital. Under the Stock Option Plan, the Company may grant options to directors, employees and consultants for up to 1,000,000 shares of common stock. The exercise price is determined by the board of directors, but is not less than the market price of the Company's stock on the date of the grant. An option's maximum term is 5 years.

3. Exploration properties and joint ventures

These may be summarized as follows:

	Ngami Botswana	Barra Grande	Northbank (Block 9)	Skeleton Coast	Limpopo Zimbabwe	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at March 31, 2001	68	3,664	2,134	375	26	6,267
2002 expenditures	383	2,302	175	92	2	2,954
Exploration costs written off to operations	--	(5,966)	(2,309)	--	(28)	(8,303)
Balance at March 31, 2002	451	--	--	467	--	918
2003 expenditures, to date	55	--	--	--	--	55
Exploration costs written off to operations / sold	--	--	--	(467)	--	(467)
Balance at Sept. 30, 2002	506	--	--	--	--	506

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

Ngami, 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 May 2001, with a total of another five being added to date during 2002. Following the relinquishment of a portion of the initial five prospecting licences upon their renewal, these licences now cover an area of 16,781 square kilometers. The terms of the licences grant Newdico the right to prospect for a total of three years, renewable upon application. The equity and long-term loans, through which all exploration is funded, of Newdico are held as to 75% by Tsodilo and 25% by Trans Hex Group Limited. Development of this project is subject to the payment of a 2% net profit interest to Dr. A.E. Moore.

4. Share capital

Common Shares

Authorized

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

Issued and outstanding

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

	Shares (number)	Amount (dollars)
Issued and outstanding at April 1, 2001 and 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 (i)	835,300	125,295
Issued and outstanding at September 30, 2002	4,745,019	32,297,190

(i) **Private Placement**

On June 13, 2002 the Company completed the issue and sale, through a non-brokered private placement, of 835,300 units of the Company (the "Units"). These Units were issued at a price of \$0.15 per Unit for proceeds to the Company of \$125,000. Each Unit consists of one common share of the Company and one warrant of the Company, each such warrant entitling the holder to purchase one common share of the Company at a price of \$0.40 for a period of two years. Mr. James Bruchs, the Chief Executive Officer of the Company, was the beneficial purchaser of 48.6% of the Units to control 1,489,100 common shares or 31.38% of the issued and outstanding common shares of the Company, with other insiders and their associates purchasing the remainder of the Units.

Common Share Purchase Options

Outstanding options granted to directors, officers and key employees at September 30, 2002 and March 31, 2002 were as follows:

Beneficiary	Outstanding March 31, 2002	Expired April 9, 2002	Granted June 25, 2002	Granted Sept. 19, 2002	Outstanding Sept. 30, 2002
C.M.H. Jennings	--	--	50,000 (b)	50,000 (c)	100,000
J.M Bruchs	--	--	50,000 (b)	50,000 (c)	100,000
A.E. Moore	--	--	50,000 (b)	50,000 (c)	100,000
P.C. McGinley	--	--	50,000 (b)	50,000 (c)	100,000
S. Woodhead	110,000	(110,000) (a)	50,000 (b)	--	50,000
C. Sharp	--	--	10,000 (b)	--	10,000
Others	890,000	(890,000) (a)	--	--	--
	1,000,000	(1,000,000)	260,000	200,000	460,000

- (a) All remaining outstanding stock options expired with the restructuring of the Company that was approved by the holders of common shares on April 9, 2002.

- (b) These common share purchase options vest as to one-half immediately and one-half on the six-month anniversary of the date granted. These options are valid for five years and grant the right to the beneficiaries to purchase common shares in the Company at \$0.15 per share.
- (c) These common share purchase options vest as to one-half immediately and one-half on the first anniversary of the date granted. These options are valid for five years and grant the right to the beneficiaries to purchase common shares in the Company at \$0.23 per share.

5. **Income taxes**

As at September 30, 2002, the Company had net operating losses carried forward for income tax purposes, as well as \$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**

Loss per share is based on the weighted average number of common shares outstanding of 4,745,019 and 4,879,044 for the three and six months respectively, ended September 30, 2002 and 14,597,856 for the year ended March 31, 2002.

7. **Segmented information**

Substantially all working capital balances of the Company are situated at the head office in Canada and in Botswana. The capital assets of the Company are presently situated in Botswana \$2,000 (March 31, 2002: \$3,000) and Canada \$1,000 (March 31, 2002: \$1,000). The geographic distribution of the property acquisition costs and exploration expenditures is evident from the details presented in note 3.

8. **Related party transactions and balances**

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

9. **Commitments**

Minimum remaining lease payments for leased equipment are as follows:

	\$000
2002	2
2003	4
2004	4
2005	3
	13

TSODILO RESOURCES LIMITED

Corporate Information

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Patrick C. McGinley ^{**+}

Washington, D.C.

* Member of the Audit Committee and the Corporate Governance Committee

+ Member of the Compensation Committee

Residency application pending

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 and Secretary

Auditors

PricewaterhouseCoopers LLP.

Bankers

Royal Bank of Canada

Registrar and Transfer Agent

Computershare Trust Company of Canada

Stock Exchange Listing

TSX Venture Exchange: **TSD**