



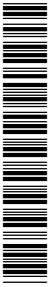
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 123 SAMPLES STREET  
 SAMPLETOWN SS X9X X9X  
 CANADA

Security Class COMMON

Holder Account Number  
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## Form of Proxy - Annual General Meeting to be held on March 30, 2012

### This Form of Proxy is solicited by and on behalf of Management.

#### Notes to proxy

1. Every holder has the right to appoint some other person or company of their choice, who need not be a holder, to attend and act on their behalf at the meeting or any adjournment or postponement thereof. If you wish to appoint a person or company other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you must sign this proxy with signing capacity stated, and you may be required to provide documentation evidencing your power to sign this proxy.
3. This proxy should be signed in the exact manner as the name(s) appear(s) on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted as recommended by Management.
6. The securities represented by this proxy will be voted in favour or withheld from voting or voted against each of the matters described herein, as applicable, in accordance with the instructions of the holder, on any ballot that may be called for and, if the holder has specified a choice with respect to any matter to be acted on, the securities will be voted accordingly.
7. This proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the meeting or any adjournment or postponement thereof.
8. This proxy should be read in conjunction with the accompanying documentation provided by Management.

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**Proxies submitted must be received by 5:00 pm, EST, on Wednesday, March 28, 2012.**

### VOTE USING THE TELEPHONE OR INTERNET 24 HOURS A DAY 7 DAYS A WEEK!



To Vote Using the Telephone



To Vote Using the Internet

- Call the number listed BELOW from a touch tone telephone.

**1-866-732-VOTE (8683) Toll Free**

- Go to the following web site:  
[www.investorvote.com](http://www.investorvote.com)

**If you vote by telephone or the Internet, DO NOT mail back this proxy.**

Voting by mail may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual.

Voting by mail or by Internet are the only methods by which a holder may appoint a person as proxyholder other than the Management nominees named on the reverse of this proxy. Instead of mailing this proxy, you may choose one of the two voting methods outlined above to vote this proxy.

To vote by telephone or the Internet, you will need to provide your CONTROL NUMBER listed below.

**CONTROL NUMBER 23456 78901 23456**



**Appointment of Proxyholder**

I/We, being holder(s) of Tsodilo Resources Limited hereby appoint: James M. Bruchs, the Chairman and Chief Executive Officer of the Corporation, or failing him Gail McGinley, the Corporate Secretary of the Corporation

OR

Print the name of the person you are appointing if this person is someone other than the Management Nominees listed herein.

as my/our proxyholder with full power of substitution and to attend, act and to vote for and on behalf of the shareholder in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) and all other matters that may properly come before the Annual Meeting of the shareholders of Tsodilo Resources Limited to be held at the Hotel Monticello, 1075 Jefferson Street, NW Washington, D.C. 20007 on Friday, the 30th day of March 2012 at 10:00 a.m. (EST) and at any adjournment or postponement thereof.

VOTING RECOMMENDATIONS ARE INDICATED BY **HIGHLIGHTED TEXT** OVER THE BOXES.

**1. Election of Directors**

The nominees proposed by Management are:

Mr. James M. Bruchs; Mr. David J. Cushing; Dr. Michiel C.J. de Wit; Dr. Murray W. Hitzman; Mr. Jonathan R. Kelafant; Mr. Patrick C. McGinley.

**For**      **Withhold**

Vote FOR or WITHHOLD for all nominees proposed by Management

**For**      **Withhold**

**2. Appointment of Auditors**

Appointment of Ernst & Young LLP, Chartered Accountants, Vancouver, Canada, as auditors of the Corporation and authorizing the Directors to fix their remuneration.

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**Authorized Signature(s) - This section must be completed for your instructions to be executed.**

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Meeting. **If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.**

Signature(s)

Date

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
/      /

**Interim Financial Statements** - Mark this box if you would like to receive Interim Financial Statements and accompanying Management's Discussion and Analysis by mail.

**Annual Financial Statements** - Mark this box if you would like to receive the Annual Financial Statements and accompanying Management's Discussion and Analysis by mail.

If you are not mailing back your proxy, you may register online to receive the above financial report(s) by mail at [www.computershare.com/maillinglist](http://www.computershare.com/maillinglist).

**TSODILO RESOURCES LIMITED**



**NOTICE OF ANNUAL MEETING  
To Be Held On Friday, March 30, 2012  
and  
MANAGEMENT INFORMATION CIRCULAR**

**IMPORTANT NOTICE FOR SHAREHOLDERS REGARDING THE PROXY  
MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD  
ON FRIDAY, MARCH 30, 2012**

The Notice of Meeting, Proxy Statement and Annual Report are available at

<http://www.tsodiloresources.com/i/pdf/2011AR.pdf>

and

[http://www.tsodiloresources.com/i/pdf/2011NM\\_PV.pdf](http://www.tsodiloresources.com/i/pdf/2011NM_PV.pdf)

**TSODILO RESOURCES LIMITED**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an annual meeting (the “**Meeting**”) of the shareholders of Tsodilo Resources Limited (the “**Company**”) will be held at the Hotel Monticello, Executive Conference Room, 1075 Thomas Jefferson Street, Washington, D.C. on Friday, the 30<sup>th</sup> day of March, 2012 at 10:00 a.m. (EST), for the following purposes:

- (a) To receive and consider the consolidated financial statements of the Company for the period ended December 31, 2011 and the report of the auditors thereon;
- (b) To elect directors of the Company for the ensuing year;
- (c) To appoint Ernst & Young LLP, Chartered Accountants, Vancouver, Canada, as auditors of the Company for the current year and to authorize the directors to fix their remuneration; and
- (d) To transact such other business as may properly come before the Meeting or any adjournment thereof.

This notice is accompanied by a form of proxy and a management information circular of the Company.

References in this Notice and in the accompanying Circular to the “Company” or “Tsodilo” shall include, where the context requires, Tsodilo Resources Limited together with its subsidiaries.

Shareholders are entitled to vote at the Meeting or any adjournment thereof either in person or by proxy. Those who are unable to attend the Meeting or any adjournment thereof in person are requested to complete, sign and return the enclosed form of proxy to the Company’s transfer agent at the address indicated on the enclosed envelope. **To be valid, proxies must be deposited with the Company’s transfer agent not later than the close of business two business days (March 28, 2012) preceding the day of the Meeting or any adjournment thereof. A completed form of proxy may also be deposited with the Chairman of the Meeting immediately prior to the commencement of the Meeting or any adjournment thereof.**

Dated this 17<sup>th</sup> day of February, 2012.

**By Order of the Board of Directors**

“James M. Bruchs”

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**James M. Bruchs**  
**Chairman and Chief Executive Officer**

# **TSODILO RESOURCES LIMITED MANAGEMENT INFORMATION CIRCULAR**

## **VOTING INFORMATION**

### **Solicitation of Proxies**

**This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies being made by the management of Tsodilo Resources Limited (“Tsodilo” or the “Company”) for use at the annual meeting of the Company’s shareholders to be held on Friday, March 30, 2012 at the time and place and for the purposes set forth in the accompanying notice of meeting or at any adjournment thereof (the “Meeting”).** Management’s solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made, without special compensation, by directors, officers and employees of the Company. The cost of solicitation by management will be borne by the Company. The Company may retain other persons or companies to solicit proxies on behalf of management of the Company, in which event customary fees for such services will be paid.

It is anticipated that this Circular, together with the accompanying notice of meeting and form of proxy will first be mailed to shareholders of the Company on or about March 6, 2012.

Unless otherwise indicated, all monetary amounts referred to herein are stated in United States currency.

### **Appointment of Proxyholder**

The persons named in the enclosed form of proxy are directors and/or officers of the **Company** (the “**Management Proxyholders**”). **A registered shareholder has the right to appoint a person other than one of the Management Proxyholders to represent the registered shareholder at the Meeting by striking out the printed names and inserting that other person’s name in the blank space provided. A proxyholder need not be a shareholder. If a shareholder appoints one of the Management Proxyholders as a nominee and there is no direction by the registered shareholder, the Management Proxyholder shall vote the proxy FOR all proposals set out in the enclosed proxy form and FOR the election of the directors, the appointment of the auditors and the amendment of the Articles of Amalgamation all as set out in this Circular.**

The instrument appointing a proxyholder must be signed in writing by the registered shareholder, or such shareholder’s attorney authorized in writing. If the registered shareholder is a corporation, the instrument appointing a proxyholder must be in writing signed by an officer or attorney of the corporation duly authorized by resolution of the directors of such corporation, which resolution must accompany such instrument. **An instrument of proxy will only be valid if it is duly completed, signed, dated and received at the office of the Company’s registrar and transfer agent, Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 by 5:00 p.m. (Toronto, Ontario time) on Wednesday, March 28, 2012 (or not less than 48 hours, excluding Saturdays, Sundays and holidays before any adjournments of the Meeting at which the proxy is to be used), or it is deposited with the Secretary of the Company or the Chairman of the Meeting prior to the time of voting at the Meeting.**

If you have any questions about the procedures to be followed to vote at the Meeting or about obtaining, completing and depositing the required form of proxy, you should contact Computershare Investor Services Inc. by telephone (toll free) at 1-800-564-6253 or by e-mail at [service@computershare.com](mailto:service@computershare.com).

### **Voting of Proxies**

Common shares of the Company represented by properly executed proxies in the accompanying form will be voted or withheld from voting on each respective matter in accordance with the instructions of the registered shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted

upon at the Meeting, the shares represented by such proxy will be voted accordingly. If no choice is specified, the person designated in the accompanying form of proxy will vote FOR all matters proposed by management at the Meeting.

### **Exercise of Discretion by Proxies**

**The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction, such shares will be voted in favor of the passing of all the resolutions described below. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Annual Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this Circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters, which are not now known to management, should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

### **Voting by Beneficial (Non-registered) Shareholders**

**The information in this section is important to many shareholders as a substantial number of shareholders do not hold their shares in their own name.**

Shareholders who hold common shares of the Company through their brokers, intermediaries, trustees, or other nominees (such shareholders being collectively called “Beneficial Shareholders”) should note that only proxies deposited by shareholders whose names appear on the share register of the Company may be recognized and acted upon at the Meeting. If common shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholder will not appear on the share register of the Company. Such shares will most likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such shares will be registered in the name of “CDS & Co.”, the registration name of The Canadian Depository for Securities Limited, which acts as a nominee for many brokerage firms. Such shares can only be voted by brokers, agents, or nominees and can only be voted by them in accordance with instructions received from Beneficial Shareholders. As a result, Beneficial Shareholders should carefully review the voting and instructions provided by their broker, agent or nominee with this Proxy Circular and ensure that they direct the voting of their shares in accordance with those instructions.

Applicable regulatory policies require brokers and intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Each broker or intermediary has its own mailing procedures and provides its own return instructions to clients. The purpose of the form of proxy or voting instruction form provided to a Beneficial Shareholder by such shareholder’s broker, agent or nominee is limited to instructing the registered holder on how to vote such shares on behalf of the Beneficial Shareholder. Most brokers in Canada now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Independent Investor Communication Corporation) (“**Broadridge**”). Broadridge typically prepares voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of such shares at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote their shares at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such shares are voted.**

**Non-registered holders should follow the instruction on the forms that they receive and contact their intermediaries promptly if they need assistance.**

## Revocation of Proxy

A registered shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, including a proxy bearing a later date, executed by the registered shareholder or by his attorney authorized in writing or, if the registered shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Corporation, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting. Only registered shareholders have the right to revoke a proxy. **Beneficial Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf.**

## Record Date

Shareholders registered as at February 24, 2012 (the "Record Date") are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote, deliver their Proxies at the place and within the time set forth in the notes to the Proxy.

## Interest of Certain Persons in Matters to be Acted Upon

To the knowledge of the directors and officers of the Company, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last fiscal year, or any proposed nominee of management of the Company for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting.

## Securities and Principal Holders Thereof

As at the date hereof, 25,880,970 common shares of the Company are issued and outstanding. Each common share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. The record date for the determination of shareholders entitled to receive notice of the Meeting has been fixed at February 24, 2012. In accordance with the provisions of the Business Company's Act (Yukon), the Company will prepare a list of holders of common shares as of such record date. Each holder of common shares named in the list will be entitled to vote the common shares shown opposite his or her name on the list at the Meeting, except to the extent that (a) the shareholder has transferred any of his or her shares after the record date, and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he or she owns such shares, and demands, not later than ten days prior to the Meeting, that his or her name be included in the list of persons entitled to vote at the meeting, in which case the transferee is entitled to vote his or her shares at the Meeting.

To the knowledge of the directors and officers of the Company, the only persons, firms or Companies that beneficially own, directly or indirectly, or control or direct, voting securities of the Company carrying 10% or more of the voting rights attached to any class of voting securities of the Company as of the date of this Circular are as follows:

Name of Shareholder	Common Shares	Percentage of Outstanding Number of Common Shares
Preston Trust	4,996,065	19.30%
International Finance Company	2,702,702	10.44%

## BUSINESS OF THE MEETING

### Financial Statements

The audited consolidated financial statements of the Company for the year ended December 31, 2011 have been provided to the shareholders separately and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### 1. Election of Directors

#### Nominees

Directors are elected annually. The number of directors to be elected is six (6). Unless authority to vote is withheld, the shares represented by the proxies hereby solicited will be voted by the persons named therein FOR the election of the nominees whose names are set forth below. All six (6) nominees are presently members of the Board of Directors and the dates on which they were first elected or appointed are indicated below. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote FOR another nominee in their discretion, unless the shareholder has specified in the accompanying form of proxy that such shareholder's shares are to be withheld from voting on the election of directors.

<b>Name and Position with the Company and Province or State and Country of Residence</b>	<b>Present Occupation if Different From Office Held <sup>(2)</sup></b>	<b>Director Since</b>	<b>Number of Common Shares Beneficially Owned, Controlled or Directed <sup>(1)</sup></b>
James M. Bruchs <sup>(2)</sup> Director, Chairman and CEO McLean, Virginia USA	Officer of Company	2002	2,187,619
Patrick C. McGinley <sup>(7) (8) (9)</sup> Director Washington, D.C. USA	Lawyer – Partner of McGinley and Associates	2002	286,706
Jonathan R. Kelafant <sup>(7) (8)</sup> Director Arlington, Virginia USA	President, Covalent Energy and Senior VP Advanced Resources Intl.	2007	223,604
David J. Cushing <sup>(7) (8) (9)</sup> Director Chevy Chase, Maryland USA	Lawyer - Partner of Sughrue Mion PLLC	2008	2,460,501
Michiel C.J. de Wit <sup>(3) (4) (9)</sup> Director, President and COO Irene, South Africa	Officer Of Company	2009	Nil
Murray W. Hitzman <sup>(6)</sup> Director Golden, Colorado USA	Professor of Economic Geology at the Colorado School of Mines	2011	Nil

- (1) The information as to common shares beneficially owned has been provided by the directors themselves.
- (2) Prior to being appointed Chairman and CEO in May 2010, Mr. Bruchs served as the Company's President and CEO since June of 2002. Mr. Bruchs also serves as the Managing Director of the Company's Botswana subsidiaries.
- (3) Dr. de Wit was appointed as President and COO in May of 2010 and also serves as a Director and Operating Director of the Company's Botswana subsidiaries.
- (4) Dr. de Wit has been Director, President & CEO of Delrand Resources Limited (TSX: DRN) (F/K/A "BRC DiamondCore Ltd." since April 2007.
- (5) Mr. Kelafant has served as a director of Gastem (TSX-V: GMR) since March 2008.
- (6) Dr. Hitzman has been a director of Cardero Resources Corp. (TSX: CDU) since January 4, 2006; Pachamama Resources Ltd. (TSX-V: PMA) since November 2008; Mansfield Minerals Inc. (TSX-V: MDR) since April 1996; and Silver Bull Resources Inc. (TSX: SVB) since June 2010.
- (7) Member of the Compensation Committee.
- (8) Member of the Audit Committee.
- (9) Member of the Corporate Governance Committee.

Each director elected will hold office until the close of business of the first annual meeting of shareholders of the Company following his election unless his office is earlier vacated in accordance with the Company's by-laws.



### **Corporate Cease Trade Orders or Bankruptcies**

To the best of management's knowledge, no proposed director is, or has been within the last 10 years of the date hereof, a director or executive officer of any company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Individual Bankruptcies**

No director of the Company has, within the ten years prior to the date of this Circular, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### **No Penalty or Sanctions**

No person proposed for election as a director of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has had any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

## **2. Appointment and Remuneration of Auditors**

The directors of the Company recommend the re-appointment of Ernst and Young LLP ("E&Y"), Chartered Accountants, Vancouver, British Columbia, as auditors of the Company to hold office until the termination of the next annual meeting of the Company. E&Y was first appointed as the auditors of the Company on January 20, 2009. It is also proposed that the remuneration to be paid to the auditors be determined by the directors of the Corporation.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Introduction**

In the following pages we described:

- ◇ The Company policies and practices with respect to the compensation of senior managers.
- ◇ The role and structure of the Compensation Committee.
- ◇ The detailed disclosure of the remuneration of the Named Executive Officers ("NEOs"), namely the Chief Executive Officer, ("CEO"), the Chief Operating Officer ("COO") and the Chief Financial Officer ("CFO") and three other most highly compensated executives (the "NEOs").

## **Overview of Compensation Philosophy**

The Company's aim is to provide market competitive remuneration to attract, retain and motivate the talent required to allow the Company to achieve its potential. The total reward package is designed to remunerate on the basis of an individual's personal effectiveness in their role and thereby link their performance to the Company's where possible. An underlying principle of the reward package is that good performance will be recognized, and poor performance will not be tolerated or rewarded.

Executive packages are determined on a Total Employment Cost ("TEC") basis and include an appropriate balance of base salary, benefits and at risk remuneration (in the form of short-term incentive and long-term incentive). They are set in the context of the relevant industrial and geographic norms that the Company operates within and at a level which will make the organization competitive in its chosen exploration, mining and mineral exploration markets.

## **2011 Approach**

The current approach is generally as follows:

- ◇ Balanced across the short, medium and longer term
- ◇ Market competitive
- ◇ Base pay is broadly targeted at a median level
- ◇ Short-term incentive (annual cash payment), is based on individual targets which are a subset of the corporate targets, and provides above median remuneration for individuals who demonstrate effectiveness in their roles and in achieving their objectives
- ◇ Longer-term reward (share option grants), provides the opportunity to build ownership in the business and increase personal wealth in the medium term in line with the opportunities for success afforded to the shareholders

## **Recruiting and Retention**

Tsodilo's management team has strengthened considerably over the last couple of years. We are satisfied with our ability to attract and retain high caliber individuals capable of working within, and contributing to the management team.

## **Aligning Management and Shareholders**

The Company seeks to align management with shareholders' interests as follows:

- ◇ The short-term incentive plan incorporates 'pay-for-performance' into the annual cash remuneration
- ◇ The long-term incentive plan represents a potentially significant portion of an executive's total remuneration and provides a longer-term focused reward that is subject to the same external market conditions as shareholders.

## **Compensation Committee "CCOM" Mandate**

- ◇ Recommending to the Board the annual salary, bonus and other benefits, direct and indirect, of the CEO
- ◇ Approving the compensation for the Company's other executive officers, after considering the recommendations of the CEO
- ◇ Approving other human resources and compensation policies and guidelines within their remit
- ◇ Ensuring management compensation is competitive to enable the Company to continue to attract individuals of the highest caliber.

The CCOM is composed of three independent directors, Messrs. McGinley (Chairman), Cushing and Kelafant.

Towards the end of each fiscal year (or as appropriate) the CCOM reviews the performance of the executive officers. The committee considers a variety of factors when determining compensation policies and individual compensation levels, including:

- ◇ The long-term interests of the Company and its shareholders
- ◇ The performance of the Company
- ◇ Each officer's personal effectiveness in his or her role
- ◇ Each officer's contractual terms
- ◇ External market conditions and movements

The CEO's compensation is assessed taking into account similar factors.

### **Elements of Compensation**

- ◇ Base salary
- ◇ Short-term incentive (cash award)
- ◇ Long-term incentive (stock option grants)
- ◇ Retirement benefits
- ◇ Other executive benefits

#### **1. Base Salary**

Base salaries for NEOs are set at a level that is required to attract and retain candidates with the required levels of expertise and experience and take into account competitive rates for the relevant position and location.

The base salaries of the Company's NEOs as at December 31, 2011, are shown in the table below.

#### **Base Salaries**

Names	Title	2011 Base Salary	Increase to base salary in 2011
James M. Bruchs	Chairman and Chief Executive Officer	\$204,750.00	5%
Michiel C.J. de Wit	President and Chief Operating Officer	\$204,750.00	5%
Gary A. Bojes	Chief Financial Officer	Nil	--

#### **2. Short-Term Incentive ("STI")**

The Company did not award STI payments in 2011.

#### **3. Long-Term Incentive**

Purpose of Long-Term Incentives

The Company provides long-term incentives through option grants under its Stock Option Plan

#### **2011 Option Grants**

The following table sets out the details of incentive options granted during the most recently completed financial year to the Company's NEO's.

### Incentive Stock Options

Name	Securities Under Options Granted (#) <sup>(1)</sup>	% of Total Options Granted to Employees / Directors in Fiscal Year	Exercise or Base Price (\$USD/Security)	Market Value of Securities Underlying Options on the Date of Grant (US\$/Security)	Expiration Date <sup>(2)</sup>
James M. Bruchs Chairman and CEO	100,000 <sup>(3)</sup> 50,000 <sup>(4)</sup>	21.13%	\$1.23 \$1.01	\$1.23 \$1.01	01/03/2016 04/15/2016
Michiel C.J. de Wit President and CEO	100,000 <sup>(5)</sup> 50,000 <sup>(4)</sup>	21.13%	\$1.23 \$1.01	\$1.23 \$1.01	01/03/2016 04/15/2016
Gary A. Bojes CFO	50,000 50,000	14.08%	\$1.23 \$1.01	\$1.23 \$1.01	01/03/2016 04/15/2016

- (1) Securities under options granted refer to the Company's common shares.
- (2) Unexercised options are subject to early expiration upon the resignation of the optionee or other termination of employment of the optionee with the Corporation or its affiliates and on the optionee's retirement or death.
- (3) January 3, 2011, option grant was for duties associated as Chairman and CEO of the Corporation.
- (4) April 15, 2011, option grant was for duties associated a director of the corporation
- (5) January 3, 2011, option grant was for duties associated as President and COO of the Corporation.

#### 4. Retirement or Pension Plan Benefits

The Company does not have an established retirement plan for NEOs. Employees whose position, responsibilities and duties extend to the Company's subsidiaries in Botswana qualify for severance benefits pursuant to the Republic of Botswana, Department of Labor's - Employment Act

#### 5. Other Executive Benefits

'Other benefits' do not form a significant part of the remuneration package of any of our NEOs. In all cases, benefits, if any, are provided in a manner which is appropriate to the country of employment.

#### Compensation of Chairman and CEO and President and COO

##### Employment Contracts

Effective May 1, 2010, the Company entered into an Employment Agreements with James M. Bruchs as Chairman and Chief Executive Officer and with Dr. C.J. de Wit as President and COO, for an indefinite term for an initial salary of \$195,000 per year and the granting of 100,000 stock options per year commencing as of May 4, 2010 and thereafter on each subsequent January 1 at an exercise price equal to 100% of the fair market value of the common stock on the close of business on the day before the first business day in January. The options shall have a term of five years from the date of grant and shall be subject to the usual terms and conditions of options issued pursuant to and in accordance with the Stock Option Plan.

During the term of their employment, Mr. Bruchs and Dr. de Wit shall be entitled to participate in such vacation, auto allowance, benefit plans, fringe benefits, life insurance, medical and dental plans (beginning on the first day of employment), retirement plans and other programs as are offered from time to time by the Company and that may be described in the employee benefit handbooks.

Mr. Bruchs' compensation package shall be comparable in all respects with that of the President and COO for such period that both Dr. de Wit serves as President and COO and Mr. Bruchs serves as Chairman and CEO except for those provisions which may be added to Mr. Bruchs' compensation package due to his citizenship and / or residency

in the United States and the net royalty provision contained in Dr. de Wit's employment agreement. Dr. de Wit shall be entitled to a 1.5% net royalty interest on all precious stone – diamond properties which he presents to the Company and are subsequently licensed by the Company. For the royalty to be effective, the property must be such that it is currently not licensed to the Company or has been previously licensed to the Company.

## SUMMARY COMPENSATION TABLE

The following table contains information about the compensation earned by the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, for the financial years ended December 31, 2011, December 31, 2010, and December 31, 2009 (the "Named Executive Officers") as required pursuant to Canadian securities laws. There were no other executive officers of the Company or its subsidiaries serving as at the year ended December 31, 2011 whose total salary and bonus exceeded C\$150,000 per annum in those financial years.

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Fiscal Year	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$) <sup>(4)</sup>	Non-equity incentive Plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plan	Long-term Incentive plans			
James M. Bruchs <sup>(1)</sup> Chairman & CEO	2011	\$204,750	NIL	\$161,052	NIL	NIL	NIL	NIL	\$365,802
	2010	\$182,000	NIL	\$304,829	NIL	NIL	NIL	NIL	\$486,829
	2009	\$156,000	NIL	\$20,861	NIL	NIL	NIL	NIL	\$176,861
Michiel C.J. de Wit <sup>(2)</sup> President & CEO	2011	\$204,750	NIL	\$161,052	NIL	NIL	NIL	NIL	\$365,802
	2010	\$94,000	NIL	\$269,093	NIL	NIL	NIL	\$36,000	\$399,093
	2009	NIL	NIL	\$22,831	NIL	NIL	NIL	\$45,000	\$67,831
Gary A. Bojes <sup>(3)</sup> CFO	2011	NIL	NIL	\$104,458	NIL	NIL	NIL	NIL	\$104,458
	2010	NIL	NIL	\$125,434	NIL	NIL	NIL	NIL	\$125,434
	2009	NIL	NIL	\$20,861	NIL	NIL	NIL	NIL	\$20,861

(1) Effective May 5, 2010, Mr. Bruchs assumed the position of Chairman and Chief Executive Officer of the Company. Prior to May, 2010, Mr. Bruchs was President and CEO of the Company since July, 2002. Eighty-five percent (85%) of Mr. Bruchs' salary is currently attributed and expensed to the Company's Botswana subsidiaries, Newdico (Pty) Ltd. and Gwihaba Resources (Pty) Limited. Mr. Bruchs was reimbursed by the Company for all travel, hotel and other out-of-pocket expenses reasonably incurred by him in relation to the performance of his duties. The Company paid \$10,360.50 in premiums for health insurance coverage for Mr. Bruchs in 2011.

(2) Effective May 5, 2010, Dr. Michiel C.J. de Wit was appointed President and Chief Operating Officer of the Company. Dr. de Wit's salary is attributed and expensed to the Company's Botswana subsidiaries, Newdico (Pty) Ltd. and Gwihaba Resources (Pty) Ltd. Dr. de Wit was reimbursed by the Company for all travel, hotel and other out-of-pocket expenses reasonably incurred by him in relation to the performance of his duties. Dr. de Wit earned \$36,000 from January 1, 2010 to April 30, 2010 as a consultant to the Company and \$45,000 from August 1, 2009 to December 31, 2009.

(3) Effective October 1, 2007, Dr. Gary A. Bojes assumed the position of Chief Financial Officer of the Company.

(4) This amount represents the fair value, on the date of grant, of awards made under the Company's stock option plan. See "Long-Term Incentives" herein for details. The grant date fair value has been calculated using the Black-Scholes model according to Section 3870 of the CICA Handbook since it is used consistently by comparable companies. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield.

## INCENTIVE PLAN AWARDS

The following table provides details on stock options granted to the Named Executive Officers during the fiscal year ended December 31, 2011 and those outstanding under the terms of the Company's SOP.

Outstanding share-based awards and option-based awards						
Name	Option-based Awards <sup>(1)</sup>				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
<b>James M. Bruchs Chairman &amp; CEO</b>	50,000	\$0.7014	02-Jan-2013	\$9,792	NIL	NIL
	50,000	\$0.7014	07-May-2013	\$9,792	NIL	NIL
	50,000	\$0.7014	02-Jan-2014	\$9,792	NIL	NIL
	50,000	\$0.7014	04-May-2014	\$9,792	NIL	NIL
	200,000	\$0.8016	08-May-2012	\$19,584	NIL	NIL
	50,000	\$1.002	02-Jan-2012	0	NIL	NIL
	50,000	\$1.002	11-Jan-2015	0	NIL	NIL
	50,000	\$1.01	17-Apr-2016	0	NIL	NIL
	100,000	\$1.23	03-Jan-2016	0	NIL	NIL
	150,000	\$2.23446	04-May-2015	0	NIL	NIL
<b>Michiel C.J. de Wit President &amp; CEO</b>	100,000	\$0.5511	01-Nov-2014	\$34,272	NIL	NIL
	50,000	\$1.01	17-Apr-2016	0	NIL	NIL
	100,000	\$1.23	03-Jan-2016	0	NIL	NIL
	150,000	\$2.23446	04-May-2015	0	NIL	NIL
<b>Gary A. Bojes CFO</b>	50,000	\$0.7014	02-Jan-2013	\$9,792	NIL	NIL
	50,000	\$0.7014	07-May-2013	\$9,792	NIL	NIL
	50,000	\$0.7014	02-Jan-2014	\$9,792	NIL	NIL
	50,000	\$0.7014	04-May-2014	\$9,792	NIL	NIL
	50,000	\$1.002	11-Jan-2015	0	NIL	NIL
	50,000	\$1.01	17-Apr-2016	0	NIL	NIL
	50,000	\$1.23	03-Jan-2016	0	NIL	NIL
	50,000	\$2.23446	04-May-2015	0	NIL	NIL

(1) Securities under options granted refer to the Company's common shares.

### Incentive plan awards – value vested or earned during the year

The following table provides detailed information regarding options exercised by the Named Executive Officers during the fiscal year ended December 31, 2011. In addition, details on remaining options held are provided.

Name	Option-based awards Value vested during the year (\$) <sup>(1)</sup>	Share-based awards Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
James M. Bruchs Chairman & CEO	\$5,508	NIL	NIL
Michiel C.J. de Wit President & CEO	\$8,568	NIL	NIL
Gary A. Bojes CFO	\$5,508	NIL	NIL

- (1) Represents the aggregate dollar value that would have been realized if the options had been exercised on the vesting date, based on the difference between the closing price of the common shares of the Company as traded on the TSX-V on the vesting date and the exercise price of the options

### Termination and Change of Control Benefits

Mr. Bruchs and Dr. de Wit, as of December 31, 2011, are party to individual employment agreements with the Company that sets forth certain instances where payments and other obligations arise on termination of their employment. See “Payments on change of Control or termination” below. The termination provisions of their employment agreements are identical and for purposes of this section they will be discussed as if they were one and Mr. Bruchs and Dr. de Wit shall collectively be referred to as “**employee**” for purposes of this section only.

#### Company’s obligations due to involuntary termination without just cause:

- ◇ Under the terms of the employment agreements, the Company shall pay to employee an amount equal to the sum of: (i) employee’s annual base salary at the time employee’s employment is terminated for two (2) years; plus (ii) employee’s average annual bonus received over the eight (8) fiscal quarters of the Company immediately preceding Company’s fiscal quarter during which employee’s employment is terminated, without exceeding employee’s target bonus for Company’s fiscal year during which employee’s employment is terminated, provided, however, that employee shall receive his target bonus if he is terminated within his first eight (8) fiscal quarters with the Company.
- ◇ In addition, the Company shall provide, at Company’s expense, continued coverage for employee and his beneficiaries for a period extending through the earlier of the date employee begins any subsequent full-time employment for pay and the date that is one (1) year after employee’s termination of employment, under the Company’s health plan covering employee and employee’s beneficiaries.

#### Company’s obligations on termination due to change of control:

- ◇ If employee’s employment with the Company terminates within two years of a change of control by reason of employee’s involuntary termination or termination by the Company without Cause within two (2) years of the effective date of the Change of Control, employee shall be entitled to receive the following in addition to any benefits which employee may have received upon termination without a Change of Control:
- ◇ The Company must pay employee an amount equal to 150% of the sum of (A) employee’s annual base salary and (B) his highest annual bonus;

- ◇ The Company shall also pay employee any accrued obligations; and shall provide, at its expense continued coverage for employee and his beneficiaries for a period extending through the earlier of the date employee begins any subsequent full-time employment for pay and the date that is eighteen (18) months after employee's termination of employment, under the Company's health plan.
- ◇ Severance benefits for termination after the second year following a change of control will be computed in a similar to fashion to the termination without cause provisions.

#### **Payments on Termination**

Name	Severance: Base Salary (S)	Severance STI (\$)	Severance Value of Benefits (\$) <sup>(1)</sup>	Total (\$)
James M. Bruchs	409,500	--	41,534	451,034
Michiel C.J. de Wit	409,500	--	9,843	419,343

(1) Estimate value of health insurance premiums and accrued leave based on historical figures.

#### **Payments on Change of Control**

Name	Severance: Base Salary (S)	Severance STI (\$)	Severance Value of Benefits (\$) <sup>(1)</sup>	Total (\$)
James M. Bruchs	614,250	--	41,534	655,784
Michiel C.J. de Wit	614,250	--	9,843	624,093

(1) Estimate value of health insurance premiums and accrued leave based on historical figures

### **COMPENSATION OF DIRECTORS**

#### **Standard Compensation Arrangements**

Save and except through the granting of stock options, the directors of the Company were not compensated in their capacity as directors of the Company and its subsidiaries during the fiscal year ended December 31, 2010 pursuant to any standard compensation arrangement.

#### **Other Arrangements**

Save and except through the granting of stock options, the directors of the Company were not compensated in their capacity as directors of the Company and its subsidiaries during the fiscal year ended December 31, 2011, pursuant to any other arrangement or in lieu of any standard compensation arrangement. An aggregate of 350,000 stock options were granted to six directors (Messrs. Bruchs, Cushing, de Wit, Hitzman, Kelafant and McGinley) in their capacity as directors of the Company during the 2011 fiscal year. See "**Long Term Compensation Plans**".

#### **Compensation for Services**

None of the directors of the Company were compensated for services rendered to the Company and its subsidiaries in any other capacity during the fiscal year ended December 31, 2011 other than Mr. James M. Bruchs in his capacity as Chairman and CEO of the Company, see the disclosure above under "Statement of Executive Compensation" and Dr. Michiel C.J. De Wit as President and COO and Dr. Murray W. Hitzman for consultancy services provided. Mr. Bruchs and Dr. de Wit were reimbursed by the Company for all travel, hotel and other out-of-pocket expenses reasonably incurred by them in relation to the performance of their duties as officers of the Company.



Prior to his appointment as President and COO in May 2010, Dr. De Wit was retained by the Company to provide advice and services to the company on its exploration programs. Dr. de Wit was paid \$9,000 per month for these services (2010: \$36,000).

Effective August 2011, Dr. Hitzman was retained by the Company to provide advice and services to the company on its metals exploration programs. Dr. Hitzman was paid \$5,000 per month for these services (2011: \$25,000).

#### Director Compensation Table

Name	Fees earned (\$)	Share-Based Awards (\$)	Option-based Awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
James M. Bruchs <sup>(1)</sup>	Nil	Nil	\$161,052	Nil	Nil	205,450	\$365,802
David J. Cushing	Nil	Nil	\$47,865	Nil	Nil	Nil	\$47,865
Michiel C.J. de Wit <sup>(1)</sup>	Nil	Nil	\$161,052	Nil	Nil	205,450	\$365,802
Murray W. Hitzman	Nil	Nil	\$111,440	Nil	Nil	\$25,000	\$136,440
Jonathan R. Kelafant	Nil	Nil	\$47,865	Nil	Nil	Nil	\$47,865
Patrick C. McGinley	Nil	Nil	\$47,865	Nil	Nil	Nil	\$47,865

<sup>(1)</sup> Officer and Director

#### Indebtedness of Executive Officers, Directors and Employees

No director or executive officer of the Company, no proposed nominee for election as a director of the Company and no associate of any of the foregoing is or has been indebted to the Company or any subsidiary of the Company pursuant to a securities purchase or other program and the Company has not guaranteed the indebtedness of any such individual to another entity, nor is there any aggregate indebtedness to report on behalf of any executive officers, directors, employees, former executive officers, directors or employees of the Company or any of its subsidiaries.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The Company's Stock Option Plan ("SOP"), described below, is the only compensation plan under which equity securities of the Company are authorized for issuance.

The information in the following table is as of December 31, 2011.

#### Equity Compensation Plan Information

Plan Category	Number of securities to be Issued upon exercise of Outstanding options (a)	Weighted-average exercise price of outstanding options (\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity Compensation Plans approved by security holders	2,800,000	1.09	830,870
Equity Compensation Plans not approved by security holders	NIL	NIL	NIL
Total	2,800,000	1.09	830,870

## **The Company's Stock Option Plan ("SOP" or "Plan")**

The **SOP** is currently the only equity-based compensation arrangement pursuant to which securities may be issued from treasury of the Company. The major features of the **Plan** can be summarized as follows:

- The Board, or a committee or individual appointed for such purposes, may from time to time grant to directors, officers, eligible employees of, or consultants to, the Company or its subsidiaries, options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board or designated committee or person. The purpose of the **SOP** is to advance the interests of the Company by providing eligible personnel with a financial incentive for the continued improvement of the Company's performance and encouragement to stay with the Company.
- The number of common shares of the company reserved for issuance under the **SOP** shall not exceed twenty percent of the issued and outstanding shares of the Company. Any common shares subject to a share option which for any reason is cancelled or terminated without having been exercised will again be available for grant under the **SOP**. The maximum number of common shares that may be reserved for issuance to insiders of the Company under the **SOP** and under any other share compensation arrangement is limited to 5% of the common shares outstanding at the time of grant (on a non-diluted basis).
- The Board has the authority under the **SOP** to establish the option price at the time each share option is granted. The option price may not be lower than the market price, for example, the closing price of the common share as traded on the TSX-V on the last trading day preceding the date on which the option is approved by the Board. The options vest equally on a quarterly basis over a period of 18 months from initial grant.

Options granted under the **SOP** must be exercised no later than five (5) years after the date of grant or as otherwise determined by the Board and are not transferable other than by will or the laws of descent and distribution. An Option, and all rights to purchase pursuant thereto, shall expire and terminate immediately upon the optionee ceasing to be an employee or director of the company or any subsidiary. If, before the expiry of an Option in accordance with the terms thereof, the employment / directorship of the Optionee with the Corporation or with any Subsidiary shall terminate, in either case by reason of the death of the Optionee, such Option may, subject to the terms thereof and any other terms of the **Plan**, be exercised by the legal representative(s) of the estate of the Optionee at any time during the first six months following the death of the Optionee (but prior to the expiry of the Option in accordance with the terms thereof) but only to the extent that the Optionee was entitled to exercise such Option at the date of the termination of his employment / directorship.

The Company provides no financial assistance to facilitate the purchase of common shares by eligible personnel who hold options granted under the **SOP**.

## **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

During 2011, the Company maintained liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of C\$2,000,000 against liabilities incurred by such persons as directors and officers of the Company and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Company. The annual premium paid by the Company for this insurance in respect of the directors and officers as a Group is C\$18,700. No premium for this insurance is paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium.

# **STATEMENT OF CORPORATE GOVERNANCE PRACTICE**

**(presented by the Corporate Governance Committee)**

## **Introduction**

This statement of corporate governance practices is made with reference to National Policy 58-201, Corporate Governance Guidelines and National Instrument 58-101, Disclosure of Corporate Governance Practices (hereinafter collectively the “Governance Guidelines”) which are initiatives of the Canadian Securities Administrators (“CSA”).

Major securities regulatory changes in the United States affecting the Corporation have come into effect over the last several years. Many of these changes arise from SOX and subsequent rules and regulations issued by the United States Securities and Exchange Commission. The Corporate Governance Committee has closely monitored the various changes and proposed changes in the regulatory environment and, where applicable, amended its governance practices to align with these changes that are currently in effect.

In accordance with the Governance Guidelines, the Corporation has chosen to disclose its system of corporate governance in this Circular. The following text sets forth the steps taken by the Corporation in order to comply with the Governance Guidelines and its system of corporate governance now in force.

## **Board Governance**

The Board has adopted a mandate which acknowledges its responsibility for the overall stewardship of the conduct of the business of the Company and the activities of management. Management is responsible for the day-to-day conduct of the business of the Company. The Board’s fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Company meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board considers the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Company. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, sets the standards of conduct for the Company.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chairman, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Company and the Canada Business Corporations Act, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

**The full text of the Board’s mandate is attached hereto as Appendix A.**

To assist the Board in its responsibilities, the Board has established three standing committees: the Audit Committee, the Compensation Committee and the Corporate Governance Committee. Each committee has a written mandate and reviews its mandate annually.

## **Composition of the Board**

The Board has considered the relationship and status of each director. As of the date hereof, the Board currently consists of 6 directors of which 3 are independent. Messrs. Cushing, Kelafant and McGinley do not have any material business relationships with the Company and are therefore considered independent under the Governance Guidelines and otherwise independent under the National Instrument 52-110, Audit Committees (NI52-110) for the purpose of sitting on the Company’s Audit Committee.

## Board and Committees – Attendance Record

Below is the attendance record of each director, who held office as of December 31, 2011, for all Board and Committee meetings held and resolutions considered and adopted from January 1, 2011 to December 31, 2011:

Directors	Board			Board Committees	
				Audit	Compensation
	# of meetings attended	Total # of meetings	Total # of resolutions	Total # of resolutions	Total # of resolutions
James M. Bruchs	2	2	6 of 6	NA	NA
David J. Cushing	2	2	6 of 6	4 of 4	2 of 2
Michiel C.J. de Wit	2	2	6 of 6	NA	NA
Murray W. Hitzman	1	1	2 of 2	NA	NA
Jonathan R. Kelafant	2	2	6 of 6	4 of 4	2 of 2
Patrick C. McGinley	2	2	6 of 6	4 of 4	2 of 2

## Directors other Board Memberships

Director	Public Company Board Membership
Michiel C.J. de Wit	Delrand Resources Limited (TSX: DRN)
Murray W. Hitzman	Cardero Resources Corp (TSX: CDU) Mansfield Minerals Inc. (TSX-V: MDR) Pachamama Resources Ltd. (TSX-V: PMA) Silver Bull Resources Inc. (TSX: SVR)
Jonathan R. Kelafant	Gastem Inc. (TSX-V: GMR)

## Ethical Business Conduct

The Board has adopted a formal written Code of Conduct and a Corporate Disclosure Policy “collectively referred to as “Codes of Conduct”) for its directors officers and employees.

Individuals governed by the Codes of Conduct are required to disclose in writing all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties. Individuals must avoid all situations in which their personal interests conflict or might conflict with their duties to the Company or with the economic interest of the Company.

Directors, officers and employees are encouraged to report violation of the Codes of Conduct on a confidential and, if preferred, anonymous basis, in accordance with the complaints procedure set out in the Codes of Conduct or the Company’s whistleblower “Speakout” procedures. The Corporate Governance Committee may request special treatment for any complaint, including the involvement of the Company’s external auditors or outside counsel or other advisors. All complaints are required to be in writing by the person(s) designated to investigate the complaint, who shall report forthwith to their supervisor or the Chair of the Corporate Governance Committee. The Company has also established a fraud reporting and investigation policy “Speakout” to encourage employees, officers and directors to raise concerns regarding questionable accounting, internal controls, auditing or other fraudulent matters, on a confidential basis free from discrimination, retaliation or harassment.

## **Board Committees**

The Board has established three standing committees; namely, the Audit Committee, the Compensation Committee, and the Corporate Governance Committee.

### **Audit Committee**

The Audit Committee is comprised of 3 directors. The current members of the Committee are: Messrs. David J. Cushing (Chairman), Patrick C. McGinley and Jonathan R. Kelafant, all of whom are independent and financially literate for the purposes of National Instrument NI 52-110.

The Audit Committee oversees the accounting and financial reporting processes of the Company and its subsidiaries and all audits and external reviews of the financial statements of the Company, on behalf of the Board, and has general responsibility for oversight of internal controls, and accounting and auditing activities of the Company and its subsidiaries. All auditing services and non-audit services to be provided to the Company by the Company's auditors are pre-approved by the Audit Committee. The Audit Committee reviews, on a continuous basis, any reports prepared by the Company's external auditors relating to the Company's accounting policies and procedures, as well as internal control procedures and systems. The Audit Committee is also responsible for examining all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The Audit Committee also oversees the annual audit process, the quarterly review engagements, the Company's internal accounting controls, any complaints and concerns regarding accounting, internal control or audit matters and the resolution of issues identified by the Company's external auditors. The Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders.

### **Compensation Committee**

The Compensation Committee consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The Compensation Committee currently includes: Messrs. Patrick C. McGinley (Chairman), David J. Cushing and Jonathan R. Kelafant.

The principal purpose of the Compensation Committee is to implement and oversee human resources and compensation policies approved by the Board of Directors of the Company. The duties and responsibilities of the committee include, without limitation, the following:

- ◇ to recommend to the Board human resources and compensation policies and guidelines for application to the Company
- ◇ to ensure that the Company has in place programs to attract and develop management of the highest caliber and a process to provide for the orderly succession of management;
- ◇ to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer and, in light of those goals and objectives, to recommend to the Board the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers of the Company, after considering the recommendations of the Chief Executive Officer, all within the human resources and compensation policies and guidelines approved by the Board.

### **Corporate Governance Committee**

The Corporate Governance Committee (the "CGC") consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The CGC currently consists of Dr. Michiel C.J. de Wit (Chairman), and Messrs. David J. Cushing and Patrick C. McGinley.

The principal purposes of the CGC is to provide a focus on corporate governance that will enhance corporate performance, and to ensure on behalf of the Board of Directors and shareholders that the Company's corporate

governance system is effective in the discharge of its obligations to the Company's stakeholders. The duties and responsibilities of the CGC include, without limitation, the following:

- ◇ to develop and monitor the Company's overall approach to corporate governance issues and, subject to approval by the Board, to implement and administer a system of corporate governance which reflects superior standards of corporate governance practices;
- ◇ to report annually to the Company's shareholders, through the Company's annual management proxy circular or annual report to shareholders, on the Company's system of corporate governance and the operation of its system of governance;
- ◇ to analyze and report annually to the Board the relationship of each director to the Company as to whether such director is a related director or an unrelated director; and
- ◇ to advise the Board or any of the committees of the Board of any corporate governance issues which the CGC determines ought to be considered by the Board or any such committee.

### **Board Committee Appointments**

The Board appoints the members of the committees for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Company. The board may at any time remove or replace any member of the committee and may fill any vacancy in the committee.

Presented by the Corporate Governance Committee  
Michiel C.J. de Wit (Chairman)  
David J. Cushing  
Patrick C. McGinley

### **OTHER BUSINESS**

Management of the Company knows of no other matters which will be brought before the Meeting, other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the Meeting, the Common Shares represented by the proxies solicited hereby will be voted on those matters in accordance with the best judgment of the persons voting such proxies.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on the SEDAR website under the Company's profile at [www.sedar.com](http://www.sedar.com). Financial information related to the Company is contained in the Company's financial statements and related management's discussion and analysis. Copies of the Company's consolidated audited financial statements for the year ended December 31, 2010 may be obtained free of charge by writing to the Corporate Secretary of the Company at 151 Bay Street, Box 508, Toronto, Ontario M5J 2S1.

### **CERTIFICATE**

The contents and the distribution of this Circular have been approved by the Board.

Dated this 17<sup>th</sup> day of February, 2012.

### **BY ORDER OF THE BOARD OF DIRECTORS**

“S”

James M. Bruchs  
Chairman and CEO

## **SCHEDULE “A”**

### **TSODILO RESOURCES LIMITED STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The board of directors of the Company (the “Board”) and its committees participate in all decision making processes in the management of the Company and has adopted the following statement of corporate governance practices.

#### **Responsibilities**

The Board acknowledges its responsibility for the stewardship of the Company, and specifically for:

- (i) adoption of a strategic planning process

The Board provides input and guidance on and reviews and approves the strategic planning and business objectives developed by senior management of the Company and oversees management’s implementation of the strategic plan.

- (ii) identification of principal risks, and implementing risk-management systems

The Board considers on an ongoing basis the principal risks of the Company’s business in the diamond mining industry, particularly having regard to sensitivity to diamond prices, political risks given the location of the Company’s operations, environmental and operational risks, based on regular business reports prepared by the Company’s senior management. In addition, the Audit Committee by its review of the activities and findings of the Company’s external auditors is aware of the principal risks to the Company’s businesses and reports thereon to the Board on a regular basis.

- (iii) succession planning and monitoring senior management

The Board is responsible for the assessment of the performance of, and the development of a succession plan for, the Chief Executive Officer of the Company, who is in turn charged with those same responsibilities for the balance of the Company’s senior management team.

- (iv) communications policy

The Board is committed to maintaining an effective communications policy for the benefit of all shareholders. In addition to its timely and continuous disclosure obligations under applicable law, the Company ensures that senior management is available to respond to questions and comments from shareholders. With the approval of the Board, management has a designee of the Company, as the principal individual responsible for receiving shareholder inquiries and dealing with shareholders’ concerns. Such designee is available to respond to shareholder questions and comments, and endeavours to respond promptly and appropriately to all requests and/or inquiries. If material business issues result from communications between shareholders and senior management, it is the policy of the Company that such matters be reported to the Board.

- (v) Integrity of internal control and management information system

The Audit Committee reviews with management and the Company’s external auditors the ongoing sufficiency and integrity of the Company’s internal control, financial reporting and management information systems.

## **Interest of Informed Persons in Material Transactions**

To the knowledge of the directors and officers of the Company, no director or executive officer of the Company, nor any person or company that is itself an informed person or subsidiary of the Company, nor any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company, nor any proposed nominee for election as a director of the Company, and no associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction since the beginning of the Company's last completed financial year or in any proposed transaction which, in either such case has materially affected or will materially affect the Company or any of its subsidiaries.

## **Composition of the Board**

The Board has considered the relationship and status of each director. As of the date hereof, the Board currently consists of 6 directors of which 3 are independent. Messrs. Cushing, Kelafant and McGinley do not have any material business relationships with the Company and are therefore considered independent under the Governance Guidelines and otherwise independent under the National Instrument 52-110, Audit Committees (NI52-110:) for the purpose of sitting on the Company's Audit Committee

The jurisdiction of the Chairman of the Board includes reviewing the performance of the Board and each of its committees and recruitment and nomination of new directors to the Board. Further, the Company believes that the nature of the relationships of its related directors would not adversely affect their independence or ability to act in the best interest of the Company.

The Chairman of the Board annually reviews the membership and chairs of the Board committees, as well as the mandates and activities of each committee, and makes such recommendations to the Board arising out of such review, as he deems appropriate. The Company believes that the Board members are qualified as directors and represent the various disciplines necessary for the proper governance of the Company.

## **Orientation and Continuing Education**

The Company currently has an informal orientation program for new members of the Board. The Board regularly invites senior operating management to attend at Board meetings to report on their respective business unit activities, and Board meetings are periodically organized to include tours of the Company's facilities which permit the Board to participate in a detailed first hand review of the Company's activities. In addition, there are periodic events organized by the Company where the Board can interact with senior management.

In addition to the specific responsibilities enumerated above, the Board is responsible for the supervision of management of the business but not the day-to-day operations, which are the responsibility of the Chief Executive Officer. The Board will also consider those matters that are brought to it by the Chief Executive Officer that, as noted below, are deemed to be material matters.

The Chairman and Chief Executive Officer is specifically charged with the responsibility for managing the strategic and operational agenda of the Company and for the execution of the directives and policies of the Board. The roles and responsibilities of the Chairman and Chief Executive Officer include, among other things:

- (i) developing, together with the Board, the Company's strategic direction and monitoring same;
- (ii) directing the overall business operations of the Company;
- (iii) ensuring that the Board is kept appropriately informed of the overall business operations of the Company and major issues facing the Company;



- (iv) having ultimate accountability for the development and execution of the strategy and policies of the Company and their communication to the Company's key internal and external stakeholders;
- (v) having responsibility for the day-to-day operations of the Company, including the annual planning process, capital management, financial management, acquisitions, divestitures, etc., all of which must be accomplished within the strategic framework of the Company established by the Board;
- (vi) having the responsibility for the employment, compensation, job descriptions, performance assessment, leadership development and succession planning of human resources;
- (vii) representing the Company to its major shareholders, including investment and financial communities, governments, joint venture partners and the public;
- (viii) bringing the following material decisions to the Board for their review and approval:
  - (A) disposition of assets or cancellation of debt other than in the ordinary and normal course of business;
  - (B) acquisition or initiation of a new business or undertaking or the assumption of any commitment, obligation or liability other than in the ordinary and normal course of business;
  - (C) issuance or sale of securities of the Company or rights, options or warrants to acquire securities of the Company;
  - (D) redemption or repurchase of securities of the Company;
  - (E) declaration or payment of a dividend or other distribution in respect of any securities of the Company;
  - (F) any transaction, contract, agreement, undertaking or arrangement with a person with whom the Company does not act at arm's length; and
  - (G) any other transaction, contract, agreement, undertaking, commitment or arrangement, not in the ordinary and normal course of business which is or would be material in relation to the Company;
  - (H) presenting to the Board any material business issues resulting from communications with shareholders;
  - (I) managing the affairs of the Board and monitoring its effectiveness;
  - (J) managing meetings of the Board by ensuring that meaningful agendas are prepared and guiding the deliberations of the Board so that appropriate strategic and policy decisions are made;
  - (K) setting the agenda for meetings of the Board and ensuring that all matters of strategic importance are being dealt with at the Board level during the course of the year; and
  - (L) participating in consultation with other members of the Board in the selection of candidates to be submitted to the Board for appointment as new directors.

The Board has on occasion met without management present and engages in frank and open discussion concerning the Company and management both in the presence of management and in their absence. If the Board believed it was appropriate and meaningful, it would formalize the process by which the Board would meet without management and for handling the Board's overall relationship with management.

## **BOARD COMMITTEES**

### **Audit Committee**

The Audit Committee is composed of three directors, Messrs. David J. Cushing (Chairman), Patrick McGinley and Jonathan R. Kelafant. Each member is financially literate as defined under Section 1.5 of Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110"). All members are independent as such term is defined under Section 1.4 of MI 52-110.

The Audit Committee has primary responsibility for ensuring the integrity of the Company's financial reporting, risk management and internal controls. The committee has unrestricted access to the Company's personnel and documents and has direct communication channels with the Company's external auditors in order to discuss audit and related matters whenever appropriate. The Audit Committee receives and reviews the annual financial statements of the Company and makes recommendations thereon to the Board prior to their approval by the full Board. The Audit Committee also reviews the scope and planning of the external audit, the form of the audit report and any correspondence from or comments by the external auditors regarding financial reporting and internal controls. The Audit Committee is responsible for correcting weaknesses identified by the external auditors with respect to the internal control systems and for ensuring that the recommended corrections had been implemented

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed fiscal year did the Audit Committee make a recommendation to nominate or compensate an external auditor that was not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed fiscal year did the Company rely on:

- (a) the exemption in section 2.4 (De Minimis Non-audit Services) of National Instrument 52-110 - Audit Committees of the Canadian Securities Administrators ("NI 52-110"); or
- (b) an exemption from the requirements of MI 52-110 granted under Part 8 (Exemptions) of MI 52-110.

### **Pre-Approval Policies and Procedures**

The Audit Committee approves all audit engagements and must pre-approve the provision by the external auditors of all non-audit services, including fees and terms for all audit engagements and non-audit engagements, and in such regard the Audit Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Audit Committee will retain the external auditors. The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services, provided that any such delegated pre-approval shall be exercised in accordance with the types of particular non-audit services authorized by the Audit Committee to be provided by the external auditor and the exercise of such delegated pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting following such pre-approval.

### **External Auditor Service Fees (By Category)**

The following table discloses the fees to the Company by its external auditor during the last two fiscal years ended December 31. All amounts have been converted to US\$ for consistency of comparison.

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees<sup>(4)</sup></b>
December 31, 2011	53,000	57,000	7,500	--
December 31, 2010	39,500	6,000	11,900	--

(1) The aggregate fees billed for audit services

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column

(3) The aggregate fees billed for tax compliance, tax advice and tax planning services

(4) The aggregate fees billed for professional services other than those listed in the other three columns.

### **Compensation Committee**

During the fiscal year ended December 31, 2011, the Compensation Committee was composed of three independent directors: Messrs. Patrick C. McGinley (Chairman), David J. Cushing and Jonathan R. Kelafant.

### **Report on Executive Compensation**

It is the responsibility of the Compensation Committee to determine the level of compensation in respect of the Company's senior executives with a view to providing such executives with a competitive compensation package having regard to performance. The Compensation Committee reviews and recommends the compensation of the Chief Executive Officer of the Company on a regular basis, at least once a year. The Compensation Committee also reviews the recommendations submitted by the Chief Executive Officer with respect to the compensation of other senior officers of the Company.

In establishing compensation for executive officers, the Compensation Committee takes into consideration individual performance, responsibilities, length of service and levels of compensation provided by industry competitors. Such compensation is composed primarily of three components; namely, base salary, the granting of stock options and the awarding of performance bonuses. The Compensation Committee recommends guidelines for the SOP and, in consultation with the Chief Executive Officer, reviews the options granted to the Company's executives and board members. Performance bonuses are considered from time to time having regard to the Company's objectives. No definitive and pre-determined bonus arrangement was entered into in the preceding fiscal years. The compensation which has been awarded for the upcoming fiscal year is believed to be comparable to compensation of other executives of other companies in the similar pursuit of diamond reserves and production.

Report submitted by Compensation Committee:

Patrick C. McGinley (Chairman)  
David J. Cushing  
Jonathan R. Kelafant

### **Corporate Governance Committee**

The Corporate Governance Committee is composed of three directors, Dr. Michiel C.J. de Wit (Chairman) and Messrs. David J. Cushing and Patrick C. McGinley. The Corporate Governance Committee expressly assumes responsibility for developing the Company's approach to corporate governance issues and monitoring compliance with the Company's stated governance policies

Report submitted by Corporate Governance Committee:

Michiel C.J. de Wit (Chairman)  
David J. Cushing  
Patrick C. McGinley

## SCHEDULE “B”

### TSODILO RESOURCES LIMITED CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

#### NAME

There shall be a committee of the board of directors (the “Board”) of **Tsodilo Resources Limited** (the “Company”) known as the Audit Committee.

#### PURPOSE OF AUDIT COMMITTEE

The Audit Committee has been established to assist the Board in fulfilling its oversight responsibilities with respect to the following principal areas:

- (a) the Company’s external audit function; including the qualifications, independence, appointment and oversight of the work of the external auditors;
- (b) the Company’s accounting and financial reporting requirements;
- (c) the Company’s reporting of financial information to the public;
- (d) the Company’s compliance with law and regulatory requirements;
- (e) the Company’s risks and risk management policies;
- (f) the Company’s system of internal controls and management information systems; and
- (g) such other functions as are delegated to it by the Board.

Specifically, with respect to the Company’s external audit function, the Audit Committee assists the Board in fulfilling its oversight responsibilities relating to: the quality and integrity of the Company's financial statements; the independent auditors' qualifications; and the performance of the Company's independent auditors.

#### MEMBERSHIP

The Audit Committee shall consist of as many members as the Board shall determine but, in any event not fewer than three directors appointed by the Board as provided for in the By-laws of the Company. Each member of the Audit Committee shall continue to be a member until a successor is appointed, unless the member resigns, is removed or ceases to be a director of the Company. The Board, following consideration of the recommendation of the Corporate Governance Committee, may fill a vacancy which occurs in the Audit Committee at any time.

Members of the Audit Committee shall be selected based upon the following and in accordance with applicable laws, rules and regulations:

- (a) **Financially Literate.** Each member shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. For these purposes, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

## **CHAIR AND SECRETARY**

The Chair of the Audit Committee shall be designated by the Board. If the Chair is not present at a meeting of the Audit Committee, the members of the Audit Committee may designate an interim Chair for the meeting by majority vote of the members present. The Secretary of the Company shall be the Secretary of the Audit Committee, provided that if the Secretary is not present, the Chair of the meeting may appoint a secretary for the meeting with the consent of the Audit Committee members who are present. A member of the Audit Committee may be designated as the liaison member to report on the deliberations of the Audit Committees of affiliated companies (if applicable).

## **MEETINGS**

The Chair of the Audit Committee, in consultation with the Audit Committee members, shall determine the schedule and frequency of the Audit Committee meetings provided that the Audit Committee will meet at least four times in each fiscal year and at least once in every fiscal quarter. The Audit Committee shall have the authority to convene additional meetings as circumstances require.

Notice of every meeting shall be given to the external and internal auditors of the Company, and meetings shall be convened whenever requested by the external auditors or any member of the Audit Committee in accordance with applicable law. The Audit Committee shall meet separately and periodically with management, legal counsel and the external auditors. The Audit Committee shall meet separately with the external auditors at every meeting of the Audit Committee at which external auditors are present.

## **MEETING AGENDAS**

Agendas for meetings of the Audit Committee shall be developed by the Chair of the Audit Committee in consultation with the management and the corporate secretary, and shall be circulated to Audit Committee members as far in advance of each Audit Committee meeting as is reasonable.

## **RESOURCES AND AUTHORITY**

The Audit Committee shall have the resources and the authority to discharge its responsibilities, including the authority, in its sole discretion, to engage, at the expense of the Company, outside consultants, independent legal counsel and other advisors and experts as it determines necessary to carry out the duties of management, without seeking the approval of the Board or management. The Audit Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access to and the authority to communicate directly with the internal and external auditors, the general counsel of the Company and other officers and employees of the Company.

The members of the Audit Committee shall have the right for the purpose of performing their duties to inspect all the books and records of the Company and its subsidiaries and to discuss such accounts and records and any matters relating to the financial position, risk management and internal controls of the Company with the officers and external and internal auditors of the Company and its subsidiaries. Any member of the Audit Committee may require the external or internal auditors to attend any or every meeting of the Audit Committee.

## **RESPONSIBILITIES**

The Company's management is responsible for preparing the Company's financial statements and the external auditors are responsible for auditing those financial statements. The Audit Committee is responsible for overseeing the conduct of those activities by the Company's management and external auditors, and overseeing the activities of the internal auditors.

The specific responsibilities of the Audit Committee shall include those listed below. The enumerated responsibilities are not meant to restrict the Audit Committee from examining any matters related to its purpose.

## **1. Financial Reporting Process and Financial Statements**

### **The Audit Committee shall:**

- (a) in consultation with the external auditors and the internal auditors, review the integrity of the Company's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit steps adopted in light of material control deficiencies;
- (b) review all material transactions and material contracts entered into between (i) the Company or any subsidiary of the Company, and (ii) any subsidiary, director, officer, insider or related party of the Company, other than officer or employee compensation arrangements approved or recommended by the Compensation Committee, or director remuneration approved or recommended by the Corporate Governance Committee, or transactions in the ordinary course of business;
- (b) review and discuss with management and the external auditors: (i) the preparation of Company's annual audited consolidated financial statements and its interim unaudited consolidated financial statements; (ii) whether the financial statements present fairly (in accordance with Canadian generally accepted accounting principles) in all material respects the financial condition, results of operations and cash flows of the Company as of and for the periods presented; (iii) any matters required to be discussed with the external auditors according to Canadian generally accepted auditing standards; (iv) an annual report by the external auditors describing: (A) all critical accounting policies and practices used by the Company; (B) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, including the ramifications of the use such alternative treatments and disclosures and the treatment preferred by the external auditors; and (C) other material written communications between the external auditors and management;
- (c) following completion of the annual audit, review with each of: (i) management; (ii) the external auditors; and (iii) the internal auditors, any significant issues, concerns or difficulties encountered during the course of the audit;
- (d) resolve disagreements between management and the external auditors regarding financial reporting;
- (e) review the interim quarterly and annual financial statements and annual and interim press releases prior to the release of earnings information; and
- (f) review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Company extracted or derived from the Company's financial statements, other than the disclosure referred to in (f), and periodically assess the adequacy of those procedures.

## **2. External auditors**

### The Audit Committee shall:

- (a) require the external auditors to report directly to the Audit Committee;
- (b) be directly responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the Company's external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, and in such regard recommend to the Board the external auditors to be nominated for approval by the shareholders;

- (c) approve all audit engagements and must pre-approve the provision by the external auditors of all non-audit services, including fees and terms for all audit engagements and non-audit engagements, and in such regard the Audit Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Audit Committee will retain the external auditors. The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services, provided that any such delegated pre-approval shall be exercised in accordance with the types of particular non-audit services authorized by the Audit Committee to be provided by the external auditor and the exercise of such delegated pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting following such pre-approval;
- (d) review and approve the Company's policies for the hiring of partners and employees and former partners and employees of the external auditors;
- (e) consider, assess and report to the Board with regard to the independence and performance of the external auditors; and
- (f) request and review the audit plan of the external auditors as well as a report by the external auditors to be submitted at least annually regarding: (i) the external auditing firm's internal quality-control procedures; (ii) any material issues raised by the external auditor's own most recent internal quality-control review or peer review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues.

### **3. Accounting Systems and Internal Controls**

The Audit Committee shall:

- (a) oversee management's design and implementation of and reporting on internal controls. The Audit Committee shall also receive and review reports from management, the internal auditors and the external auditors on an annual basis with regard to the reliability and effective operation of the Company's accounting system and internal controls;
- (b) review annually the activities, organization and qualifications of the internal auditors and discuss with the external auditors the responsibilities, budget and staffing of the internal audit function; and
- (c) review annually the Company's Code of Business Conduct and its effectiveness and enforcement.

### **4. Legal and Regulatory Requirements**

The Audit Committee shall:

- (a) receive and review timely analysis by management of significant issues relating to public disclosure and reporting;
- (b) review, prior to finalization, periodic public disclosure documents containing financial information, including the Management's Discussion and Analysis and Annual Information Form;
- (c) prepare the report of the Audit Committee required to be included in the Company's periodic filings;
- (d) review with the Company's General Counsel legal compliance matters, significant litigation and other legal matters that could have a significant impact on the Company's financial statements; and

- (e) assist the Board in the oversight of compliance with legal and regulatory requirements and review with legal counsel the adequacy and effectiveness of the Company's procedures to ensure compliance with legal and regulatory responsibilities.

## **5. Additional Responsibilities**

The Audit Committee shall:

- (a) discuss policies with the external auditor, internal auditor and management with respect to risk assessment and risk management;
- (b) establish procedures and policies for the following
  - (i) the receipt, retention, treatment and resolution of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - (ii) the confidential, anonymous submission by directors or employees of the Company of concerns regarding questionable accounting or auditing matters or any potential violations of legal or regulatory provisions;
- (c) prepare and review with the Board an annual performance evaluation of the Audit Committee;
- (d) report regularly to the Board, including with regard to matters such as the quality or integrity of the Company's financial statements, compliance with legal or regulatory requirements, the performance of the internal audit function, and the performance and independence of the external auditors; and
- (e) review and reassess the adequacy of the Audit Committee's Charter on an annual basis.

## **6. Limitation on the Oversight Role of the Audit Committee**

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

Each member of the Audit Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Company from whom he or she receives financial and other information, and the accuracy of the information provided to the Company by such persons or organizations.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles in Canada and applicable rules and regulations. These are the responsibility of management and the external auditors.

Approved by the Board of Directors, September 1, 2004

"Christopher Jennings"  
Christopher M. H. Jennings, Chairman