

# **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 27, 2015 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 and will 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 3, 2015.

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 or company other than one of the Management Proxyholders (who need not be a shareholder) to represent the registered shareholder at the Meeting by striking out the printed names and clearly inserting that other person's name in the blank space provided.**

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 25, 2015 (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 deposited with the Secretary of the Company or the Chairman of the Meeting prior to the commencement of 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 by management 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 by management 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 FOR each of the matters identified in the form of proxy.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying notice of meeting and with respect to other matters which may properly come before the Meeting. At the time of printing 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 shares will be voted on such matters in accordance with the best judgment of the named proxyholders.

## **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. ("**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.**

**Beneficial Shareholders 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 or her 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 Company, at any time up to and including the last business day preceding the date of the Meeting, or with the Secretary of the Company or the chairman of the Meeting prior to the commencement of 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

Registered shareholders of record as at the close of business on February 17, 2015 (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. In accordance with the provisions of the *Business Corporations Act* (Yukon), the Company will prepare a list of holders of common shares as of the 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 shall be entitled to vote his or her shares at the Meeting.

## INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed herein, 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 other than the election of directors or the appointment of auditors, except that directors and executive officers of the Company are eligible to receive stock options pursuant to the Stock Option Plan (as hereinafter defined), amendments to which will be sought at the Meeting.

## SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at the date hereof, 32,389,209 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. To the knowledge of the directors and officers of the Company, the only persons or companies that beneficially owns, or controls or directs, directly or indirectly, 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
Azur LLC	4,996,065	15.43%
International Finance Corporation	4,520,883	13.96%

## **BUSINESS OF THE MEETING**

### **1. Financial Statements**

The audited consolidated financial statements of the Company for the year ended December 31, 2014, and the auditor's report thereon, will be presented to shareholders for review at the Meeting and are available on SEDAR at [www.sedar.com](http://www.sedar.com). No vote by the shareholders is required with respect to this matter.

### **2. Election of Directors**

#### **Nominees**

Directors are elected annually, and the term of office of each of the current directors expires at the conclusion of the Meeting. The number of directors to be elected at the Meeting is six (6). If elected, each nominee will hold office as a director of the Company until the close 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.

The table and notes below set out, in respect of each nominee, the name, province or state and country of residence, the period or periods during which the nominee has served as a director of the Company, the nominee's principal occupation or employment during the last five years and the number of shares of the Company beneficially owned, or controlled or directed, directly or indirectly by the nominee as at the date hereof. The statement as to beneficial ownership, or control or direction, over common shares is based upon information furnished by the relevant nominee.

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Name and Position with the Company and Province or State and Country of Residence	Present Occupation	Director	Number of Common Shares Beneficially Owned, Controlled or Directed
<b>James M. Bruchs</b> Director, Chairman and CEO McLean, Virginia USA	Officer of Company <sup>(1)</sup>	2002	2,232,119
<b>Patrick C. McGinley</b> <sup>(4) (5) (6)</sup> Director Washington, D.C. USA	Attorney, McGinley and Associates	2002	336,706
<b>Jonathan R. Kelafant</b> <sup>(4) (5)</sup> Director Arlington, Virginia USA	Senior VP Advanced Resources Intl. <sup>(2)</sup>	2007	415,000
<b>David J. Cushing</b> <sup>(4) (5) (6)</sup> Director Chevy Chase, Maryland USA	Attorney, Sughrue Mion PLLC	2008	2,250,770
<b>Dr. Michiel C.J. de Wit</b> <sup>(6)</sup> Director, President and COO Irene, South Africa	Officer of Company <sup>(3)</sup>	2009	46,667
<b>Thomas S. Bruington</b> <sup>(6) (7) (8) (9)</sup> Director Vancouver, BC Canada	Executive Vice President Sandstorm Gold Ltd.	2013	20,000

(1) 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.

(2) Mr. Kelafant serves as a director of Gastem (TSX-V: GMR) since March 2008.

(3) Dr. de Wit was appointed as President and COO in May of 2010 and serves as a Director of the Company's Botswana subsidiaries. Dr. de Wit serves as Director, President & CEO of Delrand Resources Limited (TSX: DRN) since April 2007.

(4) Member of the Compensation Committee.

(5) Member of the Audit Committee.

(6) Member of the Corporate Governance Committee.

(7) Prior to joining Sandstorm Gold Ltd. (NYSE MKT: SAND, TSX: SSL) and Sandstorm Metals & Energy Ltd. (TSX-V: SND) in January of 2013, Mr. Bruington was employed as Chief Engineer/Industry Specialist for the Mining Division of the Oil, Gas, Mining, and Chemicals Department at International Finance Corporation.

(8) From January 2013 until May of 2014, Mr. Bruington served as Executive Vice President of Sandstorm Metals & Energy Ltd. Sandstorm Gold Ltd. acquired Sandstorm Metals & Energy Ltd, in May, 2014.

(9) In April, 2014, Mr. Bruington was appointed as a Director of Colossus Mineral Inc. (TSX:CSI) pursuant to a court-approved proposal and plan or reorganization files under the Bankruptcy and Insolvency Act (Canada).

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 Management Proxyholders 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.

### Corporate Cease Trade Orders, Bankruptcies and Penalties and Sanctions

Except as disclosed below:

- (a) no proposed director is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Company) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access

to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

- (b) no proposed director (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or 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 became 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 the proposed director; and
- (c) no proposed director has been subject to (i) 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 (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

Dr. Michiel C. J. de Wit was a director of Diamond Core Resources (Pty) Ltd ("**Diamond Core**") at the time Diamond Core was the subject of a final liquidation order by the Northern Cape High Court in South Africa in July 2009. At that time, Diamond Core was a wholly-owned subsidiary of the Delrand Resources Limited ("Delrand"). Delrand has since disposed of all of its shares of Diamond Core. On September 27, 2010, the Northern Cape High Court in South Africa issued an order setting aside the liquidation proceedings. As a result, Diamond Core reverted to the status quo ante.

An application to liquidate Diamond Core Technical Services (Pty) Ltd, which is a subsidiary of Diamond Core, was also made during 2009. At the time of this application, Delrand still held all of the shares of Diamond Core and Dr. de Wit was a director of Diamond Core Technical Services (Pty) Ltd. The application to liquidate Diamond Core Technical Services (Pty) Ltd was subsequently withdrawn.

**Unless authority to vote is withheld, the shares represented by the proxies hereby solicited will be voted by the Management Proxyholders named therein FOR the election of each of the nominees whose names are set forth above.**

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

The auditors of the Company are Ernst and Young LLP ("**E&Y**"), Chartered Accountants of Vancouver, British Columbia, who were first appointed auditors of the Company on January 29, 2009. Management proposes that E&Y be re-appointed as auditors of the Company for the ensuing year and that the board of directors of the Company (the "**Board**") be authorized to fix their remuneration. See "Audit Committee Disclosure" for information on the external auditor service fees for the financial year ended December 31, 2014.

**Unless authority to vote is withheld, the shares represented by the proxies hereby solicited will be voted by the Management Proxyholders named therein FOR the re-appointment of E&Y as the auditors of the Company for the ensuing year and to authorize the board of directors of the Company to fix the remuneration of the auditors.**

# STATEMENT OF EXECUTIVE COMPENSATION

## Introduction

In the following pages we describe:

- ◇ The Company policies and practices with respect to the compensation of senior managers.
- ◇ The role and structure of the Compensation Committee (“**CCOM**”).
- ◇ The detailed disclosure of the remuneration of the Chief Executive Officer, (CEO), the Chief Financial Officer (CFO) and the Chief Operating Officer (COO) (collectively, the “**Named Executive Officers**” or “**NEOs**”) and the directors of the Company.

## 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.

## 2014 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
- ◇ 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. For a description of skills and experience relevant to the responsibilities of the members of CCOM in executive compensation, and which enable CCOM to make decisions on the suitability of the Company’s compensation policies and practices, please see the section “Audit Committee Disclosure – Relevant Education and Experience”.

Towards the end of each fiscal year (or as appropriate) the CCOM reviews the performance of the executive officers. CCOM 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, 2014, are shown in the table below.

#### Base Salaries

Name	Title	2014 Base Salary	Increase to Base Salary in 2013
James M. Bruchs	Chairman and Chief Executive Officer	\$250,000.00 <sup>(1)</sup>	0.0%
Michiel C.J. de Wit	President and Chief Operating Officer	\$185,000.00 <sup>(2)</sup>	0.0%
Gary A. Bojes	Chief Financial Officer	Nil	--

1) Effective June 1, 2013

2) Effective June 1, 2013



## 2. Short-Term Incentive (“STI”)

The Company did not award STI payments in 2014.

## 3. Long-Term Incentive

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

### 2014 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 in 2014	Exercise or Base Price (\$USD/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date <sup>(2)</sup>
<b>James M. Bruchs</b> Chairman and CEO	100,000 <sup>(3)</sup> 50,000 <sup>(4)</sup>	13.51% 6.76%	0.71 1.11	0.71 1.11	1/02/2019 3/21/2019
<b>Dr. Michiel C.J. de Wit</b> President and CEO	50,000 <sup>(5)</sup> 50,000 <sup>(4)</sup>	6.76% 6.76%	0.71 1.11	0.71 1.11	1/02/2019 3/21/2019
<b>Gary A. Bojes</b> CFO	50,000 50,000	6.76% 6.76%	0.71 1.11	0.71 1.11	1/02/2019 3/21/2019

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 Company or its affiliates and on the optionee’s retirement or death.

3 January 2, 2014, option grant was for duties associated as CEO of the Company.

4 March 21, 2014, option grant was for duties associated as a Director of the Company.

5 January 2, 2014, option grant was for duties associated as President and COO of the Company.

## 4. Retirement or Pension Plan Benefits

The Company does not have an established retirement plan for NEOs. However, employees whose position, responsibilities and duties extend to the Company’s subsidiaries in Botswana do qualify for severance benefits consistent with the scheme set forth in the Republic of Botswana, Department of Labor’s - Employment Act. Employees working outside Botswana earn severance benefits in a similar fashion. Severance is calculated as 1 day per month for the initial five years of employment and 2 days per month for time after five years of service. The severance is due at termination of employment or may be paid at the request of the employee at the completion of each five year period of employment. Benefits are calculated using the employee’s most recent rate of pay at time of payment.

### Severance Benefits

Name	Commencement of Employment	Initiation of Employment For Severance Qualification	Total Month / Days / as at the end of FY2014	Value of Severance Benefit as at the end of FY2014	Severance Benefits Outstanding as at the end of FY2014
<b>James M. Bruchs</b> Chairman and CEO	June 15, 2002	July 2002	29 months <sup>1</sup>	\$55,556	\$55,556
<b>Dr. Michiel C.J. de Wit</b> <sup>2</sup> President and CEO	May 1, 2010	May 2010	56 months 42 months @ 75% 14 months @ 50%	\$22,211	\$22,211

- (1) Mr. Bruchs elected to receive his 10 year severance payment (\$148,966) in July 2012 for financial planning reasons as a result of anticipated changes in the US Tax Code. Payments were made in September and December 2012.
- (2) By agreement, Dr. de Wit devoted 75% of his time in 2010 and 2011 and 50% of his time in 2012 until June 1, 2013 to the Company's affairs at which time Dr. de Wit resumed a one hundred forty-four hours (144) per month (3 week) work schedule.

### 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 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.

Dr. de Wit's employment contract was amended effective April 1, 2012, modifying the amount of time that Dr. de Wit may spend on non-company activities to 50%. The amendment also reduced the option grant for President and COO to 50,000 options per year and set aside the provision that Dr. de Wit's and Mr. Bruchs' salary be comparable with one another in all respects. Effective June 1, 2013, the amount of time that Dr. de Wit's spent on the Company's affairs were increased by agreement to a minimum of one hundred forty-four (144) hours per month (3 week) work schedule.

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.

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. In 2012, Prospecting License PL 0195/2012 was awarded to Gcwihaba Resources (PTY) Ltd. and qualifies Dr. de Wit for the royalty interest.

Dr. Bojes does not have an employment agreement in place with the Company and receives no monetary compensation for serving as CFO, but is eligible to receive and has received incentive stock options pursuant to the Company's Stock Option Plan, in remuneration of his services.

### Risks Associated with the Company's Compensation Policies and Practices

In light of the current stage of development and the limited elements of executive compensation, at this time neither the Board nor its committees have formally assessed the implications of the risks associated with the Company's policies and practices.

The Board has not, as yet, adopted a policy restricting its NEOs or directors from purchasing instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by NEOs or directors.

### SUMMARY COMPENSATION TABLE

The following table contains information about the compensation earned by the Company's NEOs, for the financial years ended December 31, 2014, December 31, 2014, and December 31, 2014 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, 2014 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	2014	\$250,002	NIL	\$86,697	NIL	NIL	NIL	NIL	\$336,697
	2013	\$235,835	NIL	\$129,299	NIL	NIL	NIL	\$28,736 <sup>(6)</sup>	\$393,873
	2012	\$216,000	NIL	\$117,453	NIL	NIL	NIL	\$173,793 <sup>(5)</sup>	\$507,246
Michiel C.J.de Wit <sup>(2)</sup> President & CEO	2014	\$185,000	NIL	\$62,546	NIL	NIL	NIL	NIL	\$247,546
	2013	\$150,000	NIL	\$83,409	NIL	NIL	NIL	NIL	\$233,409
	2012	\$135,000	NIL	\$79,632	NIL	NIL	NIL	NIL	\$214,632
Gary A. Bojes <sup>(3)</sup> CFO	2014	NIL	NIL	\$62,546	NIL	NIL	NIL	NIL	\$62,546
	2013	NIL	NIL	\$83,409	NIL	NIL	NIL	NIL	\$83,409
	2012	NIL	NIL	\$79,632	NIL	NIL	NIL	NIL	\$79,632

<sup>(1)</sup> 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. 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 \$12,826 in premiums for health insurance coverage for Mr. Bruchs in 2014. Mr. Bruchs received no compensation in his capacity as a director of the Company, other than 50,000 stock options granted on March 22, 2014, which values are included in the summary compensation table for Mr. Bruchs.

<sup>(2)</sup> 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 Gcwihaba Resources (Pty) Ltd. and Bosoto (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 received no compensation in his capacity as a director of

the Company other than 50,000 stock options granted on March 21, 2014, which values are included in the summary compensation table for Dr. de Wit.

- (3) Effective October 1, 2007, Dr. Gary A. Bojes assumed the position of Chief Financial Officer of the Company. Dr. Bojes receives no monetary compensation for serving as CFO, but is eligible to receive and has received incentive stock options pursuant to the Company's Stock Option Plan.
- (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.
- (5) This amount represents \$148,966.20 due Mr. Bruchs as his ten year severance payment and \$24,827.60 paid in lieu of accumulated leave.
- (6) This amount represents \$28,735.64 paid to Mr. Bruchs in lieu of accumulated leave

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## INCENTIVE PLAN AWARDS

The following table provides details on stock options granted to the Named Executive Officers during the fiscal year ended December 31, 2014 and those outstanding under the terms of the Company's Stock Option Plan.

### 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</b> Chairman & CEO	100,000	\$0.64555	02-Jan-2019	\$25,821.99	N/A	N/A
	100,000	\$0.77466	03-Jan-2017	\$12,911.00	N/A	N/A
	50,000	\$0.860733	11-Jan-2015	\$2,151.83	N/A	N/A
	50,000	\$0.860733	02-Apr-2017	\$2,151.83	N/A	N/A
	50,000	\$0.886555	17-Apr-2016	\$860.73	N/A	N/A
	50,000	\$0.895162	22-Mar-2018	\$430.37	N/A	N/A
	100,000	\$1.03288	03-Jan-2018	\$0.00	N/A	N/A
	100,000	\$1.075916	03-Jan-2016	\$0.00	N/A	N/A
	50,000	\$1.075916	21-Mar-2019	\$0.00	N/A	N/A
	150,000	\$1.919435	04-May-2015	\$0.00	N/A	N/A
<b>Michiel C.J. de Wit</b> President & CEO	50,000	\$0.64555	02-Jan-2019	\$12,911.00	N/A	N/A
	50,000	\$0.77466	03-Jan-2017	\$6,455.50	N/A	N/A
	50,000	\$0.860733	02-Apr-2017	\$2,151.83	N/A	N/A
	50,000	\$0.886555	17-Apr-2016	\$860.73	N/A	N/A
	50,000	\$0.895162	22-Mar-2018	\$430.37	N/A	N/A
	50,000	\$1.03288	03-Jan-2018	\$0.00	N/A	N/A
	100,000	\$1.075916	03-Jan-2016	\$0.00	N/A	N/A
	50,000	\$1.075916	21-Mar-2019	\$0.00	N/A	N/A
	150,000	\$1.919435	04-May-2015	\$0.00	N/A	N/A
<b>Gary A. Bojes</b> CFO	50,000	\$0.64555	02-Jan-2019	\$12,911.00	N/A	N/A
	50,000	\$0.77466	03-Jan-2017	\$6,455.50	N/A	N/A
	50,000	\$0.860733	11-Jan-2015	\$2,151.83	N/A	N/A
	50,000	\$0.860733	02-Apr-2017	\$2,151.83	N/A	N/A
	50,000	\$0.886555	17-Apr-2016	\$860.73	N/A	N/A
	50,000	\$0.895162	22-Mar-2018	\$430.37	N/A	N/A
	50,000	\$1.03288	03-Jan-2018	\$0.00	N/A	N/A
	50,000	\$1.075916	03-Jan-2016	\$0.00	N/A	N/A
	50,000	\$1.075916	21-Mar-2019	\$0.00	N/A	N/A
	50,000	\$1.919435	04-May-2015	\$0.00	N/A	N/A

<sup>(1)</sup> 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 the value of awards vested or earned during the most recently completed financial year by the Named Executive Officers during the fiscal year ended December 31, 2014.

Name	Option-based awards Value vested during the year (\$) <sup>(1)</sup>	Share-based awards vested during the year (\$)	Value	Non-equity incentive plan compensation – Value earned during the year (\$)
<b>James M. Bruchs</b> Chairman & CEO	\$27,759	N/A		N/A
<b>Michiel C.J. de Wit</b> President & CEO	\$15,601	N/A		N/A
<b>Gary A. Bojes</b> CFO	\$15,601	N/A		N/A

<sup>(1)</sup> 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, 2014, 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. Dr. Bojes receives no monetary compensation for serving as CFO, but is eligible to receive and has received incentive stock options pursuant to the Company’s Stock Option Plan.

#### 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 employees employment is terminated, without exceeding employees 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**

<b>Name</b>	<b>Severance: Base Salary (\$)</b>	<b>Severance STI (\$)</b>	<b>Severance Value of Benefits (\$)<sup>(1)</sup></b>	<b>Total (\$)</b>
James M. Bruchs	432,000	--	40,000	472,000
Michiel C.J. de Wit	216,000	--	20,000	236,000
Gary A. Bojes	NIL	--	--	--

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

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

<b>Name</b>	<b>Severance: Base Salary (\$)</b>	<b>Severance STI (\$)</b>	<b>Severance Value of Benefits (\$)<sup>(1)</sup></b>	<b>Total (\$)</b>
James M. Bruchs	648,000	--	40,000	688,000
Michiel C.J. de Wit	324,000	--	20,000	344,000
Gary A. Bojes	NIL	--	--	--

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

## **COMPENSATION OF DIRECTORS**

### **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, 2014 pursuant to any standard compensation arrangement. An aggregate of 300,000 stock options were granted to six directors (Messrs. Bruchs, Bruington, Cushing, de Wit, Kelafant and McGinley) in their capacity as directors of the Company during the 2014 fiscal year. See "Long Term Compensation Plans."

Mr. James M. Bruchs received compensation in his capacity as Chairman and CEO of the Company, see the disclosure above under "Statement of Executive Compensation", Dr. Michiel C.J. De Wit also received compensation as President and COO. 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.

## DIRECTOR COMPENSATION TABLE

The following table sets out the compensation awarded to directors of the Company during the fiscal year ended December 31, 2014. Relevant disclosure for Mr. Bruchs and Dr. De Wit have already been provided under the heading "Summary Compensation Table".

**Director Compensation Table**

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share-Based Awards (\$)</b>	<b>Option-based Awards<sup>(1)</sup> (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Thomas S. Bruington	NIL	NIL	\$6,886	NIL	NIL	NIL	\$6,886
David J. Cushing	NIL	NIL	\$3,442	NIL	NIL	NIL	\$3,442
Jonathan R. Kelafant	NIL	NIL	\$3,442	NIL	NIL	NIL	\$3,442
Patrick. C. McGinley	NIL	NIL	\$3,442	NIL	NIL	NIL	\$3,442

<sup>(1)</sup> 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.

## DIRECTOR INCENTIVE PLAN AWARDS

The following table sets forth for each director of the Company all awards outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year. Relevant disclosure for Mr. Bruchs and Dr. de Wit has already been provided under the heading "Incentive Plan Awards".

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**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 (\$)
Thomas S. Bruington	100,000	\$0.895162	22-Mar-2018	\$860.73	N/A	N/A
	50,000	\$1.075916	21-Mar-2019	\$0.00	N/A	N/A
David J. Cushing	28,890	\$0.860733	02-Apr-2017	\$1,243.33	N/A	N/A
	50,000	\$0.886555	17-Apr-2016	\$860.73	N/A	N/A
	50,000	\$0.895162	22-Mar-2018	\$430.37	N/A	N/A
	50,000	\$1.075916	21-Mar-2019	\$0.00	N/A	N/A
	50,000	\$1.919435	04-May-2015	\$0.00	N/A	N/A
Jonathan R. Kelafant	50,000	\$0.860733	02-Apr-2017	\$2,151.83	N/A	N/A
	50,000	\$0.886555	17-Apr-2016	\$860.73	N/A	N/A
	50,000	\$0.895162	22-Mar-2018	\$430.37	N/A	N/A
	50,000	\$1.075916	21-Mar-2019	\$0.00	N/A	N/A
	50,000	\$1.919435	04-May-2015	\$0.00	N/A	N/A
Patrick C. McGinley	50,000	\$0.860733	02-Apr-2017	\$2,151.83	N/A	N/A
	50,000	\$0.886555	17-Apr-2016	\$860.73	N/A	N/A
	50,000	\$0.895162	22-Mar-2018	\$430.37	N/A	N/A
	50,000	\$1.075916	21-Mar-2019	\$0.00	N/A	N/A
	50,000	\$1.919435	04-May-2015	\$0.00	N/A	N/A

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

**DIRECTOR INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR**

The following table sets forth for each director, information regarding the value of awards vested or earned during the most recently completed financial year. Relevant disclosure for Mr. Bruchs and Dr. de Wit has already been provided under the heading "Incentive Plan Awards – Value Vested or Earned During the Year".

Name	Option-based awards Value vested during the year (\$)	Share-based awards Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Thomas S. Bruington	\$6,886	N/A	N/A
David J. Cushing	\$3,442	N/A	N/A
Jonathan R. Kelafant	\$3,442	N/A	N/A
Patrick C. McGinley	\$3,442	N/A	N/A

## 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 and the Company has not provided a guarantee, entered into a support agreement or provided a letter of credit in respect of 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 PLANS

The information in the following table is provided as of December 31, 2014.

### Equity Compensation Plan Information

<b>Plan Category</b>	<b>Number of Securities to be issued upon exercise of Outstanding Options</b>	<b>Weighted average exercise price of outstanding options (\$)</b>	<b>Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity Compensation Plans approved by Security Holders	5,629,830	C\$1.25	1,383,580
Equity Compensation Plans Not approved by Security Holders	NIL	NIL	NIL
<b>Total</b>	<b>5,629,830</b>	<b>C\$1.25</b>	<b>1,383,580</b>

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

### The Company's Stock Option Plan

The Stock Option Plan 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 Stock Option 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 Stock Option Plan 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 Stock Option Plan is currently equal to 5,629,830. 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 Stock Option Plan. The maximum number of common shares that may be reserved for issuance to insiders of

the Company under the Stock Option Plan 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 Stock Option Plan 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 Exchange 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 Stock Option Plan 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 Company 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 Stock Option Plan.

## **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.

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

During 2014, 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 (Aug 2014 – Aug 2015) paid by the Company for this insurance in respect of the directors and officers as a Group is C\$10,500. No premium for this insurance is paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Company to any liability in addition to the payment of the required premium.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### 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**”).

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 Company has disclosed its system of corporate governance in this Circular. The following text sets forth the steps taken by the Company 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 Company 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 applicable law, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

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

### Composition of the Board

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.

The Board has considered the relationship and status of each director. As of the date hereof, the Board currently consists of six (6) directors of which four (4) are independent. Messrs. Bruington, 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. Mr. Bruchs and Dr. de Wit are not independent in that both provided services to the Company for remuneration or compensation in 2014.

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.

## Other Public Corporation Directorships

The following table discloses other directorships held by each of the directors standing for election in other reporting issuers (or equivalent in foreign jurisdictions):

Director	Public Company Board Membership
Michiel C.J. de Wit	Delrand Resources Limited (TSX: DRN)
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 “Speakout” policy 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 other than the Audit Committee

Other than the Audit Committee, the Board has established two standing committees; namely, the Compensation Committee, and the Corporate Governance Committee.

### *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; and
- ◇ 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, of which all are independent within the meaning of the Governance Guidelines. The CGC currently consists of Mr. Thomas S. Bruington (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 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 a committee and may fill any vacancy in a committee.

#### **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.

#### **Nomination of Directors**

The Board is largely responsible for identifying new candidates for nomination to the Board. The process by which candidates are identified is through recommendations presented to the Board, which establishes and

discusses qualifications based on corporate law and regulatory requirements as well as education and experience related to the business of the Company.

### **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 Stock Option Plan 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 year.

### **Assessments**

The Board and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. The Chairman of the Board encourages discussion amongst the members of the Board as to evaluation of the effectiveness of the Board as a whole and of each individual director. All directors are free to make suggestions for improvement of the practice of the Board at any time and are encouraged to do so.

## **AUDIT COMMITTEE DISCLOSURE**

The Audit Committee of the Company 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.



## **Audit Committee Charter**

Please see Schedule "A" for the text of the charter of the audit committee.

## **Relevant Education and Experience**

*David J. Cushing - Chairman*

Received a Bachelor of Science in Electrical Engineering from The University of Notre Dame in 1973, and graduated from the University of Maryland School of Law in 1976. Since 1977, he has been engaged in the private practice of law, for much of that time as a member of his firm's management committee with oversight of financial matters. He has been a director of Tsodilo Resources Limited for five years, active in discussion of financial matters and in preparation of annual reports including financial statements, and a member of the Audit Committee participating in audit oversight for those five years and chair of the Audit Committee for the past three years.

*Patrick C. McGinley*

Received a Bachelor of Business Administration from the University of Notre Dame and worked for a major company in the accounting department. He attained a law degree from Creighton University and a Master of Laws in Taxation from Georgetown University. Mr. McGinley has practiced law for over 30 years concentrating in business, taxation and corporate law with a specialty in real estate advising operators and developers in structuring acquisitions and sales, loan documentation and financial analysis related to same. He has also been a principal advisor to a pioneering company involved in the acquisition and pooling of life insurance policies for collateralization by major financial center lending institutions. Mr. McGinley has been a member of the Audit Committee for over 10 years and has served as its chairman for many of those years.

*Jonathan R. Kelafant*

Earned a MSc. From George Washington University and is a member of the American Association of Petroleum Geologists. He has over 25 years of experience in developing oil and gas projects, notably shale projects, in the USA as well as overseas and is currently Vice-President of Advanced Resources in Washington D.C. Mr. Kelafant is a director of Gastem Inc. (TSX-V: GMR).

## **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.

## **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.

Financial Year Ending	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
December 31, 2014	65,000	-	8,320	-
December 31, 2013	48,000	--	6,240	--

<sup>(1)</sup> The aggregate fees billed for audit services.

<sup>(2)</sup> 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.

<sup>(3)</sup> The aggregate fees billed for tax compliance, tax advice and tax planning services.

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

### Other

The Company is relying on the exemption provided in section 6.1 of NI 52-110 as the Company is a "venture issuer" and is exempt from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*).

### OTHER BUSINESS

As at the date hereof, management of the Company knows of no other matters which will be brought before the Meeting, other than those referred to in the accompanying 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 consolidated audited financial statements and related management's discussion and analysis for the year ended December 31, 2013. Copies of the Company's consolidated audited financial statements for the year ended December 31, 2013 may be obtained free of charge by writing to the Corporate Secretary of the Company at 161 Bay Street, Box 508, Toronto, Ontario M5J 2S1.

## **CERTIFICATE**

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

**DATED** this 26<sup>th</sup> day of February, 2015.

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

*(signed) "James M. Bruchs"*

**James M. Bruchs**  
Chairman and CEO

## SCHEDULE "A"

### **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