

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

**NOTICE IS HEREBY GIVEN** that an Annual and Special Meeting (the "**Meeting**") of the shareholders of Tsodilo Resources Limited (the "**Corporation**") will be held at the offices of the Corporation, Canada Trust Tower - BCE Place, 27<sup>th</sup> Floor, 161 Bay Street, Toronto, Ontario on Wednesday, the 9<sup>th</sup> day of July 2003, at the hour of 10:00 o'clock in the forenoon (Toronto time), for the following purposes:

- (a) To receive and consider the consolidated financial statements of the Corporation for the year ended March 31, 2003 and the report of the auditors thereon;
- (b) To elect directors of the Corporation for the ensuing year;
- (c) To appoint PricewaterhouseCoopers LLP. Chartered Accountants, as auditors of the Corporation for the current year and to authorize the directors to fix their remuneration;
- (d) To consider and, if thought fit, to pass, with or without variation, a resolution to repeal the existing stock option plan of the Corporation and to adopt a new stock option plan in the form attached to the Circular as Schedule "B"; and
- (e) To transact such other business as may properly come before the Meeting or any adjournments thereof.

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

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

Shareholders are entitled to vote at the Meeting or any adjournments thereof either in person or by proxy. Those who are unable to attend the Meeting or any adjournments thereof are requested to read, complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out in the accompanying proxy.

The board of directors has fixed the close of business on May 30, 2003 as the record date for the determination of holders of common shares entitled to receive notice of and to vote at the Meeting and any adjournments thereof, except to the extent that a shareholder has transferred any shares of the Corporation after that date and the new holder of such shares establishes proper ownership and requests not later than 10 days before the date of the Meeting or any adjournments thereof that his name be included in the list of shareholders eligible to vote at the Meeting or any adjournments thereof.

The board of directors has by resolution fixed the close of business on the second business day preceding the day of the Meeting (excluding Saturdays, Sundays and holidays) and any adjournment thereof as the time before which proxies to be used or acted upon at the Meeting or any adjournment thereof shall be deposited with the Corporation or its transfer agent.

Dated at Toronto on 5<sup>th</sup> day of June, 2003.

**By Order of the Board of Directors**

(Signed) \_\_\_\_\_  
**Christopher M.H. Jennings**  
**Chairman**

**TSODILO RESOURCES LIMITED**  
**MANAGEMENT INFORMATION CIRCULAR**

**Solicitation of Proxies**

This management information circular is furnished in connection with the solicitation of proxies by the management of TSODILO RESOURCES LIMITED (the "Corporation") for use at the Annual and Special Meeting of Shareholders (the "Meeting") of the Corporation to be held at the time and place and for the purposes set forth in the accompanying Notice of Special Meeting. References in this management information circular (the "Circular") to the Meeting include any adjournment or adjournments thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

**Appointment and Revocation of Proxies**

The persons named in the enclosed form of proxy are officers of the Corporation. **A shareholder desiring to appoint some other person, who need not be a shareholder, to represent him at the Meeting may do so by inserting such person's name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of the Corporation or the Corporation's transfer agent indicated on the enclosed envelope not later than the close of business on the second business day preceding the day of the Meeting (exclusive of Saturdays, Sundays and holidays).**

The board of directors of the Corporation (the "**Board**") has fixed May 30, 2003 as the record date, being the date for the determination of the registered holders of securities entitled to receive notice of the Meeting.

A shareholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a shareholder will be voted in accordance with the directions, if any, given in the proxy.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, executed by the shareholder or by his attorney authorized in writing and deposited either at the registered office of the Corporation or its transfer agent at any time up to and including the second business day preceding the date of the Meeting (excluding Saturdays, Sundays and holidays) or with the Chairman of the Meeting on the day of the Meeting or in any other manner permitted by law.

Registered shareholders may also, rather than returning the proxy by mail or hand delivery, elect to submit a form of proxy by use of the telephone or of the Internet. Those registered holders electing to vote by telephone require a touch-tone telephone to transmit their voting preferences. Registered holders electing to vote by telephone or via the Internet must follow the instructions included in the form of proxy received from the Company.

**Exercise of Discretion by Proxies**

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

should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

### **Voting by Non-Registered Shareholders**

Only registered shareholders of the Company or the persons they appoint as their proxies are permitted to vote at the Meeting. Most shareholders of the Company are “non-registered” shareholders (“Non-Registered Shareholders”) because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an “Intermediary”) that the Non-Registered Shareholder deals with in respect of the shares of the Company (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies of the Notice of Meeting, this management information circular, the form of proxy and the supplemental mailing list return card (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

(i) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “voting instruction form”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or

(ii) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and **deposit it with the Corporation, c/o Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1.**

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the shares of the Company they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder or such other person’s name in the blank space provided. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote which is not received by the Intermediary at least seven (7) days prior to the Meeting.

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

Except as set out herein and except insofar as they may be shareholders of the Corporation, no director, senior officer or insider of the Corporation or any proposed nominee of management of the Corporation for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting.

### **Securities and Principal Holders Thereof**

As at the date hereof, 6,262,297 common shares of the Corporation are issued and outstanding. Each common share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. The record date for the determination of shareholders entitled to receive notice of the Meeting has been fixed at May 30, 2003. In accordance with the provisions of the *Business Corporations Act* [(Yukon), the Company will prepare a list of holders of Common Shares as of such record date. Each holder of Common Shares named in the list will be entitled to vote the 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 before the Meeting, in which case the transferee is entitled to vote his or her shares at the Meeting. All holders of common shares of record as of the time of the Meeting are entitled either to attend and vote thereat in person the respective common shares held by them or, provided a completed and executed proxy shall have been delivered to the registered office of the Corporation or its transfer agent within the time specified in the attached Notice of Annual and Special Meeting, to attend and vote thereat by proxy the respective common shares held by them.

To the knowledge of the directors and officers of the Corporation, the only persons, firms or corporations that beneficially own, directly or indirectly, or exercise control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation are as follows:

<u>Name of Shareholder</u>	<u>Number of Common Shares</u>	<u>Percentage of Outstanding Common Shares</u>
James Michael Bruchs	1,986,112	31.7%

### **Statement of Executive Compensation**

The following table contains information about the compensation paid or payable by the Corporation by way of salary, bonus and other compensation for services rendered during the Corporation's fiscal years ended March 31, 2001, 2002 and 2003, to the Corporation's Chief Executive Officer and each of the Corporation's other executives who served as executive officers as of March 31, 2003 and whose salary and bonus exceeded \$100,000 (collectively, the "**Named Executive Officers**") for the most recently completed fiscal year. Specific aspects of the compensation of the Named Executive Officers are dealt with in further detail in subsequent tables. All compensation figures are reported in Canadian dollars.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			Long – Term Compensation	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Compensation (\$)	Securities Under Options/ SARs Granted (#)	
James Michael Bruchs President and Chief Executive Officer <sup>(3)</sup>	2003	US\$54,000 <sup>(1)</sup>	NIL	NIL	150,000	NIL
D.M. Hoogenhout Chairman and Chief Executive Officer	2002 2001	NIL <sup>(2)</sup> NIL <sup>(2)</sup>	NIL NIL	\$79,480 <sup>(2)</sup> \$101,012 <sup>(2)</sup>	NIL 135,000	NIL NIL

- (1) Effective July 1, 2002, Mr. Bruchs assumed the position of President and Chief Executive Officer of the Corporation with a gross monthly remuneration of US\$6,000, including US\$2,500 paid by Newdico (Proprietary) Limited. Newdico is beneficially held as to 75% by the Corporation and 25% by Trans Hex Group Limited. Mr. Bruchs was refunded by the Corporation for all travel, hotel and other out-of-pocket expenses reasonably incurred by him in relation to the performance of his duties.
- (2) Mr. Hoogenhout was appointed Chairman and, on a consulting basis, Chief Executive Officer of the Corporation with effect from April 1, 2000 at a rate of \$900 per day, excluding GST. This appointment was for a period of one year and was extended for a further year to March 31, 2002. Mr. Hoogenhout was refunded by the Corporation for all travel, hotel and other out-of-pocket expenses reasonably incurred by him in relation to the performance of his duties.
- (3) With the restructuring of the Corporation, approved by the holders of common shares at a special meeting on April 9, 2002, Mr. Daniel Marais Hoogenhout was replaced as Chief Executive Officer by Mr. James Michael Bruchs. The new board of directors and Chief Executive Officer assumed office with the continuance of the Corporation to the Yukon on June 20, 2002.

Long-Term Compensation Plans

*Option Grants for the year ended March 31, 2003*

The following table provides details on stock options granted to the Named Executive Officers in the fiscal year ended March 31, 2003 under the terms of the Corporation's stock option plan (the "**SOP**").

Name	Securities Under Options Granted (#)(1)(2)	% of Total Options Granted in Fiscal Year	Exercise Price (\$)	Market Value of Securities Underlying Options on the Date of Grant (\$)	Expiration Date
James Michael Bruchs	50,000	24%	\$0.15	\$0.15	June 24, 2007
	50,000		\$0.23	\$0.23	September 18, 2007
	50,000		\$0.41	\$0.41	December 31, 2007
	150,000				

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

(2) Pursuant to the SOP, the maximum number of common shares that may be reserved for issuance at any time to all optionees is 1,000,000. Unexercised options are subject to early expiration upon the resignation of the optionee or other termination of employment of the optionee with the Corporation or its affiliates and on the optionee's retirement or death.

*Options Exercised and Value of Unexercised Options*

The following table provides detailed information regarding options exercised by the Named Executive Officers during the fiscal year ended March 31, 2003. In addition, details on remaining options held are provided.

**Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values**

Name	Securities Acquired on Exercise <sup>(2)(3)</sup> (#)	Aggregate Value Realized (\$)	Unexercised Options at March 31, 2003		Value of Unexercised in-the-money Options at March 31, 2003 <sup>(1)</sup>	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
James Michael Bruchs	NIL	NIL	112,500	37,500	\$19,000	NIL

(1) Based on the closing price of the common shares on the TSX Venture Exchange (the "TSX-V") on March 31, 2003 of \$0.38.

(2) Securities under options granted refer to the Corporation's common shares.

(3) Pursuant to the SOP, the maximum number of common shares that may be reserved for issuance at any time to all optionees is 1,000,000. Unexercised options are subject to early expiration upon the resignation of the optionee or other termination of employment of the optionee with the Corporation or its affiliates and on the optionee's retirement or death.

### **Other Compensation Matters**

There were no long-term incentive awards made to the Named Executive Officers of the Corporation during the fiscal year March 31, 2003. There are also no pension plan benefits in place for the Named Executive Officers.

### **Employment Contracts**

Following the restructuring of the Corporation as approved by shareholders at a Special Meeting on April 9, 2002, the Corporation entered into an employment agreement with Mr. Stephen Woodhead effective July 1, 2002, appointing him as its Chief Financial Officer and Corporate Secretary. The agreement is for an indefinite term and Mr. Woodhead's total annual compensation was fixed at \$93,000 during 2003. Mr. Woodhead is entitled to be refunded by the Corporation for all travel, hotel and other out-of-pocket expenses reasonably incurred by him in relation to the performance of his duties.

### **Compensation Of Directors**

#### **A. Standard Compensation Arrangements**

Save and except through the granting of stock options, the directors of the Corporation were not compensated in their capacity as director of the Corporation and its subsidiaries during the fiscal year ended March 31, 2003.

#### **B. Other Arrangements**

Save and except through the granting of stock options, the directors of the Corporation were not compensated in their capacity as director of the Corporation and its subsidiaries during the fiscal year ended March 31, 2003 pursuant to any other arrangement or in lieu of any standard arrangement. An aggregate of 500,000 stock options were granted to four directors of the Corporation during fiscal 2003, compensating two such directors not only in their capacity as director but also in their capacity as executive officers of the Corporation. See "**Long Term Compensation Plans**".

#### **C. Compensation for Services**

Other than as described above, none of the directors of the Corporation were compensated for services rendered to the Corporation in any other capacity during the fiscal year ended March 31, 2003.

### **Composition of the Compensation Committee**

During the fiscal year ended March 31, 2003 the Compensation Committee was composed of Mr. Patrick McGinley (Chairman) and Dr. Christopher Jennings.

### **Report on Executive Compensation**

The Corporation's Compensation Committee is currently composed of two (2) unrelated directors, Mr. Patrick McGinley (Chairman) and Dr. Christopher Jennings. It is the responsibility of the Compensation Committee to determine the level of compensation in respect of the Corporation'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 Corporation 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 Corporation.

In establishing compensation for executive officers, the Compensation Committee takes into consideration individual performance, responsibilities, length of service and levels of compensation provided by industry competitors. Such compensation is composed primarily of three components; namely, base salary, the granting of stock options and the awarding of performance bonuses. The

Compensation Committee recommends guidelines for the SOP and, in consultation with the Chief Executive Officer, reviews the options granted to the Corporation's executives and board members. Performance bonuses are considered from time to time having regard to the Corporation's objectives. No definitive and pre-determined bonus arrangement was entered into in the preceding fiscal years.

The compensation which has been awarded for the upcoming fiscal year is believed to be comparable to compensation of other executives of other companies in the similar pursuit of diamond reserves and production.

Report submitted by: Patrick McGinley  
Christopher Jennings

### **Stock Option Plan**

Simultaneously with approving the restructuring of the Corporation, the shareholders approved a SOP on April 9, 2002 to provide incentive compensation to the directors, officers, employees, consultants and service providers of the Corporation. The option price of any shares cannot be less than the closing price of the shares on the day immediately preceding the date upon which the option is granted. Options granted under the SOP may be exercised during a period not exceeding 5 years subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, officer, director or consultant of the Corporation or any of its subsidiaries, as applicable, or upon the occurrence of specified events such as death. The options are non-transferable. The Board may, from time to time, amend or revise the terms of the SOP or may terminate the SOP at any time. As of March 31, 2003 a total of 625,000 stock options had been granted for the purchase of common shares of the Corporation at prices ranging between \$0.15 and \$0.41 per common share, exercisable for a periods of five years. The maximum number of common shares that may be reserved for issuance at any time to all optionees is 1,000,000. Reference is made to the heading "**Stock Option Plan Resolution**" for disclosure related to anticipated changes to the SOP.

### **Indebtedness of Directors, Executive Officers and Senior Officers**

During the fiscal year ended March 31, 2003, no loans were made by the Corporation to any senior officer, director or any proposed nominee for election as a director of the Corporation or any of their other respective associates for any reason whatsoever.

### **Interest of Insiders in Material Transactions**

Except as otherwise disclosed in this Circular, no officer, insider or proposed nominee for election as a director of the Corporation 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 Corporation's last completed financial year or in any proposed transaction which, in either such case has materially affected or will materially affect the Corporation.

### **Statement of Corporate Governance**

Disclosure concerning the Corporation's corporate governance policies and practices is set out in Schedule "A" to this Circular. This disclosure statement has been approved by the Board.

### **Particulars of Matters to be Acted Upon**

#### **1. Financial Statements**

A copy of the Corporation's consolidated annual financial statements and the auditor's report for the year ended March 31, 2003 have been mailed herewith to shareholders and will be presented at the meeting.

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

Four directors will be elected at the Meeting and **unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the election of the nominees whose**



**names are set forth below.** Management does not contemplate that any of the nominees will be unable to serve as a director but if that should occur for any reason prior to the Meeting or any adjournment thereof, it is intended that discretionary authority shall be exercised by the persons named in the enclosed form of proxy to vote the proxy for the election of any other person or persons in place of any nominee or nominees unable to serve. Each director elected will hold office until the close of business of the first annual meeting of shareholders of the Corporation following his election unless his office is earlier vacated in accordance with the Corporation's by-laws.

The statement as to the shares of the Corporation beneficially owned or over which control or direction is exercised by the nominees for election as directors hereinafter named is in each instance based upon information furnished by the person concerned.

<b>Name and Position and/or office with the Corporation</b>	<b>Present principal occupation if different from office held</b>	<b>No. of Shares Beneficially Owned, Controlled or Directed</b>	<b>Year first became a Director of the Corporation</b>
Dr. Christopher Mark Hubert Jennings Director and Chairman of the Board	Chairman SouthernEra Resources Limited	100,000	2002
Mr. James Michael Bruchs Director, President and Chief Executive Officer	President and Chief Executive Officer Tsodilo Resources Limited	1,986,112	2002
Dr. Andrew Edward Moore Director and Vice President, Exploration	Vice President, Exploration Tsodilo Resources Limited	465,870	2002
Mr. Patrick Charles McGinley Director	Attorney-at-Law District of Columbia Bar	91,920	2002

- (1) Each of the foregoing individuals has held the present principal occupation or other office or position with the same firm set out opposite his name for the past five years, except for: Mr. Bruchs who, prior to July 2002 was Managing Director, Voyager Petroleum International Ltd. and prior to May 2000 was a partner in Harwich Partners Ltd., and Dr. Moore who, prior to July 2002 was a contract geologist, trading as Geological Support Services.
- (2) The Corporation has an Audit Committee currently consisting of Dr. Jennings (Chairman) and Messrs. McGinley and Bruchs.
- (3) The Corporation has a Compensation Committee currently consisting of Mr. McGinley (Chairman) and Dr. Jennings.
- (4) The Corporation has a Corporate Governance Committee currently consisting of Dr. Jennings (Chairman) and Messrs. McGinley and Bruchs.

3. **Appointment of Auditors**

Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as the auditors of the Corporation, to hold office until the next annual meeting of shareholders, at a remuneration to be fixed by the directors.

4. **Stock Option Plan Resolution**

As set forth under the heading "**Stock Option Plan**" the SOP currently provides that the maximum number of common shares that may be reserved for issuance at any time to all optionees is 1,000,000. The SOP currently is not in compliance with the TSX-V policies for stock option plans for Tier 2 listed issuers in a number of other respects. The Board has therefore determined that the current SOP should be repealed and a new stock option plan should be adopted in the form attached to the Circular as Schedule "B".

Management of the Corporation feels that a resolution authorizing and approving the repeal of the current SOP and the adoption of a new stock option plan in the form attached to the Circular as Schedule "B" (the "**SOP Resolution**") is in the best interests of shareholders of the Corporation as the new stock option plan is in accordance with the TSX-V policies for stock option plans for Tier 2 listed issuers.

The new stock option plan must be approved by TSX-V. In order to be effective, the SOP Resolution must be approved by the affirmative vote of not less than a majority of the votes cast thereon by holders of common shares present in person or by proxy at the Meeting. The text of the resolution which shareholders will be asked to approve is as follows.

**"NOW THEREFORE BE IT RESOLVED THAT:**

1. The stock option plan of Tsodilo be and the same is hereby repealed and replaced with the stock option plan in the form attached to the Circular as Schedule "B".
2. Any one director or officer of Tsodilo be and he is hereby authorized and directed, for and in the name of Tsodilo, under the corporate seal or otherwise, to execute and deliver, all such deeds, documents, instruments and assurances and to do all such acts and things as such one director or officer shall deem necessary to give full force and effect to this resolution.

5. **Other Matters**

Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of the Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

**Directors' Approval**

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

**By Order of the Board of Directors**

(Signed)

"Christopher Jennings"  
**Christopher M.H. Jennings**  
**Chairman**

Toronto, Ontario  
June 5, 2003

**SCHEDULE "A"**

**TSODILO RESOURCES LIMITED**

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

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

The Board acknowledges its responsibility for the stewardship of the Corporation, 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 Corporation 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 Corporation's business in the diamond mining industry, particularly having regard to sensitivity to diamond prices, political risks given the locations of the Corporation's operations, environmental and operational risks, based on regular business reports prepared by the Corporation's senior management. In addition, the Audit Committee by its review of the activities and findings of the Corporation's external auditors is aware of the principal risks to the Corporation'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 Corporation, who is in turn charged with those same responsibilities for the balance of the Corporation'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 Corporation 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 Corporation, 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 Corporation that such matters be reported to the Board.

- (v) integrity of internal control and management information systems

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

Although senior management have extensive experience in the diamond mining industry, the Board encourages senior management to participate in appropriate professional and personal development activities, courses and programs and the expenses associated with these activities are paid by the Corporation. Further, the Board supports management's commitment to the training and development of all permanent employees.

The Board currently comprises four members of whom two are considered unrelated directors. The Board reviews the factual circumstances and relevant relationships of each of the directors. The three directors provide no services, other than as directors, to the Corporation and maintain no other relationship with the Corporation and are therefore unrelated directors.

The mandate 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 Corporation 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 Corporation.

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 Corporation believes that the Board members are qualified as directors and represent the various disciplines necessary for the proper governance of the Corporation.

The Corporation 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 Corporation's facilities which permits the Board to participate in a detailed first hand review of the Corporation's activities. In addition, there are periodic social events organized by the Corporation where the Board can interact with senior management.

As of the date of this Management Information Circular, the Board is composed of four members. The Board has reviewed its size and, having regard for the international scope of its operations, has concluded that the number of directors of the Corporation is efficient and effective, given the size and scope of the Corporation's operations. The Board, as presently constituted, brings together a mix of skills, background, ages and attitudes that the Board considers appropriate to the stewardship of the Corporation. In particular, the Board represents many years of experience in the diamond mining industry as well as legal and corporate finance experience. The mandate of the Chairman of the Board includes the consideration of size and composition of the Board.

The Board has responsibility for the stewardship of the Corporation and specifically for: (i) providing input and guidance on and approving the strategic plan and business objectives developed by senior management and overseeing management's implementation of the strategic plan; (ii) considering the principal risks of the business based on regular business reports prepared by senior management and based on the Audit Committee's review of the findings of the external auditors; (iii) assessing the performance of, and developing a succession plan for, the Chief Executive Officer; and (iv) reviewing the ongoing sufficiency and integrity of the Corporation's internal control, financial reporting and management information systems with management and the Corporation's external auditors. In addition to the specific responsibilities enumerated above, the Board is responsible for the supervision of management of the business but not the day-to-day operations, which are the responsibility of the Chief Executive Officer. The Board will also consider those matters that are brought to it by the Chief Executive Officer that, as noted below, are deemed to be material matters.

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

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

- (iv) having ultimate accountability for the development and execution of the strategy and policies of the Corporation and their communication to the Corporation's key internal and external stake holders;
- (v) having responsibility for the day-to-day operations of the Corporation, including the annual planning process, capital management, financial management, acquisitions, divestitures, etc., all of which must be accomplished within the strategic framework of the Corporation established by the Board;
- (vi) having the responsibility for the employment, compensation, job descriptions, performance assessment, leadership development and succession planning of human resources;
- (vii) representing the Corporation to its major shareholders, including investment and financial communities, governments, joint venture partners and the public;
- (viii) bringing the following material decisions to the Board for their review and approval:
  - (A) disposition of assets or cancellation of debt other than in the ordinary and normal course of business;
  - (B) acquisition or initiation of a new business or undertaking or the assumption of any commitment, obligation or liability other than in the ordinary and normal course of business;
  - (C) issuance or sale of securities of the Corporation or rights, options or warrants to acquire securities of the Corporation;
  - (D) redemption or repurchase of securities of the Corporation;
  - (E) declaration or payment of a dividend or other distribution in respect of any securities of the Corporation;
  - (F) any transaction, contract, agreement, undertaking or arrangement with a person with whom the Corporation does not act at arm's length; and
  - (G) any other transaction, contract, agreement, undertaking, commitment or arrangement, not in the ordinary and normal course of business which is or would be material in relation to the Corporation; and
- (ix) presenting to the Board any material business issues resulting from communications with shareholders.

The Chairman of the Board assumes the following role and responsibilities:

- (i) managing the affairs of the Board and monitoring its effectiveness;
- (ii) managing meetings of the Board by ensuring that meaningful agendas are prepared and guiding the deliberations of the Board so that appropriate strategic and policy decisions are made;
- (iii) setting the agenda for meetings of the Board and ensuring that all matters of strategic importance are being dealt with at the Board level during the course of the year; and
- (iv) participating in consultation with other members of the Board in the selection of candidates to be submitted to the Board for appointment as new directors.

The Board has appointed an unrelated director as Chairman of the Board. All members of the Board are free to add items to the agenda, either before or during the meetings, or to request the calling of Board meetings where deemed necessary and all members of the Board are invited to raise issues not on the agenda at Board meetings. Board meetings are usually held at least four times a year. In fiscal 2003, during the nine months following the restructuring of the Corporation that was effective on June 20, 2002, a total of three Board meetings were held. Advance notice is provided, and directors are requested to provide any agenda items they feel should be considered at the meeting. A total of five resolutions dealing with standard matters were also circulated and approved by the Board. In addition, Board members are periodically advised in informal conferences of developments involving the Corporation and asked to advise on such developments.

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

The Audit Committee is composed of three directors, Dr. Christopher Jennings (Chairman) and Messrs. Patrick McGinley and James Bruchs, two of whom are unrelated directors. The Compensation Committee is composed of two directors, Mr. Patrick McGinley (Chairman) and Dr. Christopher Jennings. The Corporate Governance Committee is composed of three directors, Dr. Christopher Jennings (Chairman) and Messrs. Patrick McGinley and James Bruchs. These committees are considered by the Board to be adequate, together with the Board, to ensure proper governance of the Corporation and supervision of management.

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

The Chairman of the Board reviews and approves the design and administration of all compensation and benefit plans and policies for the Corporation's Board. The Compensation Committee reviews and approves the design and administration of all compensation and benefit plans and policies for the Corporation's senior management. Management periodically provides surveys of the marketplace and reports on its consultations with experts to the Compensation Committee. Directors' compensation is fixed by the Chairman of the Board, in consultation with the Board, at competitive levels with due consideration to the periodic changes in the levels of responsibility assigned to members of the Board.

The Corporate Governance Committee expressly assumes responsibility for developing the Corporation's approach to corporate governance issues and monitoring compliance with the Corporation's stated governance policies.

In the appropriate circumstances, the Board will approve the engagement of an outside advisor by an individual director at the expense of the Corporation.

**SCHEDULE "B"**

**TSODILO RESOURCES LIMITED**

**STOCK OPTION PLAN**

1. **PURPOSE OF PLAN**

1.1 The purpose of the Plan is to attract, retain and motivate persons as directors, officers, key employees and consultants of the Corporation and its Subsidiaries and to advance the interests of the Corporation by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Corporation.

2. **DEFINED TERMS**

Where used herein, the following terms shall have the following meanings, respectively:

2.1 "Board" means the board of directors of the Corporation or, if established and duly authorized to act, the Executive Committee or another Committee appointed for such purpose by the board of directors of the Corporation;

2.2 "Business Day" means any day, other than a Saturday or a Sunday, on which the Exchange is open for trading;

2.3 "Consultant" means, an individual (or a company wholly-owned by individuals) who:

- (a) provides ongoing consulting services to the Corporation or any Subsidiary under a written contract;
- (b) possesses technical, business or management expertise of value to the Corporation or any Subsidiary;
- (c) spends a significant amount of time and attention on the business and affairs of the Corporation or any Subsidiary; and
- (d) has a relationship with the Corporation or any Subsidiary that enables the individual to be knowledgeable about the business and affairs of the Corporation;

2.4 "Corporation" means **TSODILO RESOURCES LIMITED** and includes any successor corporation thereto;

2.5 "Directors" means directors or senior officers of the Corporation, or of the Corporation's Subsidiaries to whom stock options can be granted in reliance on a Prospectus exemption under applicable Securities Laws;

2.6 "Discounted Market Price" means the Market Price less a discount which shall not exceed the amount set forth below, subject to a minimum price of \$0.10:

Closing Price	Discount
up to \$0.50	25%
\$0.51 to \$2.00	20%
Above \$2.00	15%

2.7 "Eligible Person" means any Employee, Director or Consultant of the Corporation or any Subsidiary or any Management Company Employee;

2.8 "Employee" means:

- (a) an individual who is considered an employee under the Income Tax Act (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);
- (b) an individual who works full-time for the Corporation or any Subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or any Subsidiary over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or
- (c) an individual who works for the Corporation or any Subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or any Subsidiary over the details and methods of work as an employee of the Corporation or any Subsidiary, but for whom income tax deductions are not made at source;

2.9 "Exchange" means The TSX Venture Exchange and, where the context permits, any other exchange on which the Shares are or may be listed from time to time;

2.10 "Insider" means an Insider as defined under Section 1(1) of the *Securities Act* (Ontario);

2.11 "Management Company Employee" means an individual employed by a Person providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a Person engaged in Investor Relations Activities;

2.12 "Market Price" in respect of the Shares, subject to the exceptions noted below, means the last daily closing price of such Shares before either the issuance of the news release; or the filing of the Price Reservation Form required to fix the price at which the securities are to be issued or deemed to be issued.

- (a) "*Consolidation Exception*" The Market Price is to be adjusted for any share consolidation or split. If the notice of the transaction is within 10 days following a consolidation of the Corporation's share capital, the minimum price per share will be the greater of the Market Price, adjusted for any share consolidation or split, or \$0.10;
- (b) "*Material Change Exception*" If the Corporation announces a Material Change in the affairs of the Corporation after providing notice of the transaction and if the Exchange determines that a party to the transaction was probably aware of that pending Material Change, then the Market Price will be at least equal to the closing price of the Shares on the Trading Day after the day on which that Material Change was announced;
- (c) "*Price Interference Exception*" If the Exchange determines that the closing price is not a fair reflection of the market for the Shares and the Shares appear to have been high-closed or low-closed, then the Exchange will determine the Market Price to be used;
- (d) "*Suspension Exception*" If the Corporation is suspended from trading or has for any reason not traded for an extended period of time, the Exchange may determine the deemed Market Price to be used; and
- (e) "*Minimum Price Exception*" The Exchange will not generally permit Shares to be issued from treasury at a price of less than \$0.10 nor will the Exchange generally permit any securities convertible into Shares to be issued with an effective conversion price of less than \$0.10 per Share.



- 2.13 "Option" means an option to purchase Shares granted under the Plan;
- 2.14 "Option Price" means the price per Share at which Shares may be purchased under the Option, as the same may be adjusted from time to time in accordance with Article 8;
- 2.15 "Optionee" means an Eligible Person to whom an Option has been granted;
- 2.16 "Person" means an individual, a corporation, a partnership, an unincorporated association or organization, a trust, a government or department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual and an associate or affiliate of any thereof as such terms are defined in the *Business Corporations Act, Yukon*;
- 2.17 "Plan" means the **TSODILO RESOURCES LIMITED** Share Option Plan, as the same may be amended or varied from time to time;
- 2.18 "Share Compensation Arrangement" means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise;
- 2.19 "Shares" means the common shares of the Corporation or, in the event of an adjustment contemplated by Article 8, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment; and
- 2.20 "Subsidiary" means any corporation which is a subsidiary as such term is defined in the *Business Corporations Act, Yukon* (as such provision is from time to time amended, varied or re-enacted) of the Corporation.
- 2.21 All Capitalized terms, which are not defined in this Plan, shall have the meanings assigned to them in the TSX-V policies.

### 3. ADMINISTRATION OF THE PLAN

- 3.1 The Plan shall be administered in accordance with the rules and policies of the Exchange in respect of employee stock option plans by the Board. The Board shall receive recommendations of management and shall determine and designate from time to time those Directors, Employees and Consultants of the Corporation or its Subsidiaries or those Management Company Employees to whom an Option should be granted and the number of Shares, which will be optioned from time to time to any individual and the terms and conditions of the grant. For Options granted to Employees, Consultants or Management Company Employees, the Corporation must represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee as the case may be.
- 3.2 The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:
- (a) to establish policies and to adopt, prescribe, amend or vary rules and regulations for carrying out the purposes, provisions and administration of the Plan and make all other determinations necessary or advisable for its administration;
  - (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
  - (c) to determine which Eligible Persons are granted Options and to grant Options;
  - (d) to determine the number of Shares covered by each Option;

- (e) to determine the Option Price;
- (f) to determine the time or times when Options will be granted and exercisable;
- (g) to determine if the Shares which are subject to an Option will be subject to any restrictions upon the exercise of such Option; and
- (h) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options which initially shall be substantially in the form annexed hereto as Schedule "C".

#### 4. SHARES SUBJECT TO THE PLAN

4.1 Options may be granted in respect of authorized and unissued Shares provided that, subject to increase by the Board, the receipt of the approval of the Exchange, if applicable, and the approval of shareholders of the Corporation, the maximum aggregate number of Shares reserved by the Corporation for issuance and which may be purchased upon the exercise of all Options shall be 1,250,000. No fractional Shares may be purchased or issued under the Plan.

#### 5. ELIGIBILITY; GRANT; TERMS OF OPTIONS

5.1 Options may be granted to Eligible Persons.

5.2 Subject to the limits set out in 5.3, 5.4 and 5.5 below, Options may be granted by the Corporation pursuant to the recommendations of the Board from time to time provided and to the extent that such decisions are approved by the Board.

5.3 The maximum number of Options, which may be granted to any one Optionee under the Plan and any other Share Compensation Arrangement in any 12-month period, shall not exceed 5% of the Shares outstanding at the date of the grant (on a non-diluted basis).

5.4 The maximum number of Options, which may be granted to any one Consultant under the Plan and any other Share Compensation Arrangement in any 12-month period, shall not exceed 2% of the Shares outstanding at the date of the grant (on a non-diluted basis).

5.5 The maximum number of Options, which may be granted to any one Employee conducting investor relations activities under the Plan and any other Share Compensation Arrangement in any 12-month period, shall not exceed 2% of the Shares outstanding at the date of the grant (on a non-diluted basis). Further, Options granted to an Optionee who is engaged in investor relations activities must expire within 30-days after the Optionee ceases to be employed to provide investor relations activities.

5.6 Subject to the provisions of this Plan, the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. At no time shall the period during which an Option shall be exercisable exceed 5 years.

5.7 Options issued under the Plan may vest at the discretion of the Board, provided that:

- (a) if the shares are listed on TSX-V the options shall vest no more frequently than equally on a quarterly basis over a period of not less than 18 months and if the shares are listed on any other stock exchange, the shares shall vest in accordance with the requirements of such exchange; and
- (b) options issued to Investor Relations Employees must vest in stages over not less than 12 months with no more than one-quarter (1/4) of the options vesting in any three month period.

5.8 The Option Price of Shares, which are the subject of any Option, shall in no circumstances be lower than the Discounted Market Price of the Shares at the date of the grant of the Option.

5.9 The maximum number of Shares which may be reserved for issuance to any one Optionee under this Plan or under any other Share Compensation Arrangement shall not exceed 5% of the Shares outstanding at the date of the grant (on a non-diluted basis).

5.10 The maximum number of Shares, which may be reserved for issuance to Insiders under the Plan or under any other Share Compensation Arrangement, shall be 10% of the Shares outstanding at the date of the grant (on a non-diluted basis).

5.11 The maximum number of Shares, which may be issued to any one Insider and such Insider's associates under the Plan and any other Share Compensation Arrangement in any 12-month period, shall be 5% of the Shares outstanding at the date of the issuance (on a non-diluted basis). The maximum number of Shares, which may be issued to any Insiders under the Plan and any other Share Compensation Arrangement in any 12-month period, shall be 10% of the Shares outstanding at the date of the issuance (on a non-diluted basis).

5.12 Any entitlement to acquire Shares granted pursuant to the Plan or any other Share Compensation Arrangement prior to the Optionee becoming an Insider shall be excluded for the purposes of the limits set out in 5.9 and 5.10 above.

5.13 An Option is personal to the Optionee and is non-assignable and non-transferable.

## 6. EXERCISE OF OPTIONS

6.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full of the Option Price of the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable period of time following the receipt of such notice and payment.

6.2 Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of an Option shall be subject to:

- (a) completion of such registration or other qualification of such Shares or obtaining approval of such governmental or regulatory authority as counsel to the Corporation shall reasonably determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the listing of such Shares on the Exchange, if applicable; and
- (c) the receipt from the Optionee of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Corporation or its counsel reasonably determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on the Exchange.

6.3 In addition to any Resale Restrictions under Securities Laws, all Options and any Shares issued on the exercise of any Options are legended with a four month Exchange hold period from the date the Options are granted.

## 7. TERMINATION OF EMPLOYMENT; DEATH

7.1 Subject to Section 7.2 and any express resolution passed by the Board with respect to an Option, 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 Corporation or any Subsidiary, or ceasing to be a Management Company Employee. The entitlement of a Consultant to Options including the termination thereof shall be in accordance with the terms of the consulting agreement entered into between the Corporation or any Subsidiary and the Consultant but in no event shall expiry and termination of the Option be extended beyond 90 days from the date the Consultant ceased to be a Consultant of the Corporation or any Subsidiary.

7.2 If, before the expiry of an Option in accordance with the terms thereof, the employment of the Optionee with the Corporation or with any Subsidiary shall terminate, in either case by reason of the death of the Optionee, such Option may, subject to the terms thereof and any other terms of the Plan, be exercised by the legal representative(s) of the estate of the Optionee at any time during the first six months following the death of the Optionee (but prior to the expiry of the Option in accordance with the terms thereof) but only to the extent that the Optionee was entitled to exercise such Option at the date of the termination of his employment.

7.3 Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a Director where the Optionee continues to be employed by the Corporation or continues to be a Director of the Corporation or any Subsidiary.

## 8. CHANGE IN CONTROL AND CERTAIN ADJUSTMENTS

8.1 Notwithstanding any other provision of this Plan in the event of:

- (a) the acquisition by any Person who was not, immediately prior to the effective time of the acquisition, a registered or a beneficial shareholder in the Corporation, of Shares or rights or options to acquire Shares of the Corporation or securities which are convertible into Shares of the Corporation or any combination thereof such that after the completion of such acquisition such Person would be entitled to exercise 30% or more of the votes entitled to be cast at a meeting of the shareholders; or
- (b) the sale by the Corporation of all or substantially all of the property or assets of the Corporation;

then notwithstanding that at the effective time of such transaction the Optionee may not be entitled to all the Shares granted by the Option, the Optionee shall be entitled to exercise the Options to the full amount of the Shares remaining at that time within 90 days of the close of any such transaction.

8.2 Appropriate adjustments with respect to Options granted or to be granted, in the number of Shares optioned and in the Option Price, shall be made by the Board to give effect to adjustments in the number of Shares of the Corporation resulting from subdivisions, consolidations or reclassifications of the Shares of the Corporation, the payment of stock dividends or cash dividends by the Corporation (other than dividends in the ordinary course), the distribution of securities, property or assets by way of dividend or otherwise (other than dividends in the ordinary course), or other relevant changes in the capital stock of the Corporation or the amalgamation or merger of the Corporation with or into any other entity, subsequent to the approval of the Plan by the Board. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board in its sole discretion, subject to approval by the Shareholders of the Corporation and to acceptance by the Exchange respectively, if applicable.

8.3 If there is a reduction in the exercise price of the Options of an Insider of the Corporation, the Corporation will be required to obtain approval from disinterested shareholders.

9. AMENDMENT OR DISCONTINUANCE OF PLAN

9.1 The Board may amend or discontinue the Plan at any time upon receipt of requisite regulatory approval including without limitation, the approval of the Exchange, if applicable, provided, however, that no such amendment may increase the maximum number of Shares that may be optioned under the Plan, change the manner of determining the minimum Option Price or, without the consent of the Optionee, alter or impair any of the terms of any Option previously granted to an Optionee under the Plan. Any amendments to the terms of an Option shall also require regulatory approval, including without limitation, the approval of the Exchange, if applicable.

10. MISCELLANEOUS PROVISIONS

10.1 The holder of an Option shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Option Price of the Shares in respect of which the Option is being exercised) and the issuance of Shares by the Corporation.

10.2 Nothing in the Plan or any Option shall confer upon an Optionee any right to continue in the employ of the Corporation or any Subsidiary or affect in any way the right of the Corporation or any Subsidiary to terminate his employment at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Subsidiary to extend the employment of any Optionee beyond the time which he would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Subsidiary or any present or future retirement plan of the Corporation or any Subsidiary, or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Subsidiary.

10.3 To the extent required by law or regulatory policy or necessary to allow Shares issued on exercise of an Option to be free of resale restrictions, the Corporation shall report the grant, exercise or termination of the Option to the Exchange and the appropriate securities regulatory authorities.

11. SHAREHOLDER AND REGULATORY APPROVAL

11.1 The Plan shall be subject to the approval of the shareholders of the Corporation to be given by a resolution passed at a meeting of the shareholders of the Corporation in accordance with the *Business Corporations Act, Yukon*, and to acceptance by the Exchange, if applicable. Any Options granted prior to such approval and acceptances shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless such approval and acceptance is given.

11.2 Approval of the disinterested shareholders of the Corporation shall be obtained for any reduction in the exercise price where the Optionee is an Insider of the Corporation at the time of the proposed reduction.

