



NOTICE OF ANNUAL MEETING

To Be Held on September 1, 2004

and

MANAGEMENT INFORMATION CIRCULAR

July 22, 2004

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 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 Annual 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. To be valid, proxies must be deposited at the registered office of the Corporation with the Corporation's transfer agent at the address indicated on the enclosed envelope on or before 5:00 p.m., EST on Monday, August 30, 2004.**

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 on any ballot that may be called for and if a shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, 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 last Business Day preceding the date of the Meeting (excluding Saturdays, Sundays and holidays), or with the Chairman of the Meeting on the date of the meeting or in any other manner permitted by law.

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 Annual Meeting and with respect to other matters which may properly come before the Meeting.** At the time of printing of this Circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters, which are not now known to management, should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

Voting by Non-Registered Shareholders

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares of the Corporation are beneficially owned by non-registered shareholders who hold their shares through a nominee such as a bank, trust company or securities broker, or through a clearing agency, such as Canadian Depository for Securities Limited (or CDS), in which the nominee is a participant.

Under Canadian securities laws, nominees are required to seek voting instructions from non-registered shareholders, unless the shareholder has waived the right to receive proxy materials. Generally, nominees will send to their non-registered shareholders either a request for voting instructions or a proxy form, to permit the non-registered shareholders to vote their shares.

Each nominee has its own procedures that must be carefully followed. If a non-registered shareholder wishes to vote at the Meeting by proxy, the non-registered shareholder must follow the instructions of their nominee, including those regarding when and where the voting instructions or proxy form is to be delivered. If a non-registered shareholder wishes to vote at the Meeting in person, the non-registered shareholder should appoint themselves as a proxyholder by striking out the printed name in the request for voting instructions or proxy form and inserting their own name in the space provided, and otherwise following the instructions of their nominee.

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 person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last fiscal year, 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, 9,006,383 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 July 28, 2004. In accordance with the provisions of the *Business Corporations Act* (Yukon), the Corporation will prepare a list of holders of common shares as of such record date. Each holder of common shares named in the list will be entitled to vote the common shares shown opposite his or her name on the list at the Meeting, except to the extent that (a) the shareholder has transferred any of his or her shares after the record date, and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he or she owns such shares and demands not later than ten days prior to the Meeting that his or her name be included in the list before the Meeting, in which case the transferee is entitled to vote his or her shares at the Meeting.

To the knowledge of the directors and officers of the 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 10% or more of the voting rights attached to any class of voting securities of the Corporation as of the date of this Circular are as follows:

<u>Name of Shareholder</u>	<u>Number of Common Shares</u>	<u>Percentage of Outstanding Common Shares</u>
James Michael Bruchs	2,474,001	27.47%

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, 2002, 2003 and 2004, to each of the Corporation's Chief Executive Officers, the Chief Financial Officer and each of the Corporation's other executives who served as executive officers as that term is defined by applicable securities legislation as of March 31, 2004 (collectively, the "**Named Executive Officers**"). 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 unless otherwise designated.

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 ⁽⁵⁾	2004	US\$81,000	NIL	NIL	100,000	NIL
	2003	US\$54,000 ⁽¹⁾	NIL	NIL	150,000	NIL
Andrew E. Moore Vice President, Exploration	2004	US\$72,000	NIL	NIL	100,000	NIL
	2003	US\$49,500 ⁽²⁾	NIL	NIL	150,000	NIL
Stephen Woodhead Chief Financial Officer and Coporate Secretary	2004	\$63,540	NIL	NIL	NIL	NIL
	2003	\$69,750 ⁽³⁾	NIL	NIL	NIL	NIL
	2002	\$132,435 ⁽⁴⁾	NIL	\$237,338 ⁽⁵⁾	NIL	NIL
D.M. Hoogenhout Chairman and Chief Executive Officer	2002	NIL ⁽⁶⁾	NIL	\$79,480 ⁽⁶⁾	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"). Newdico is beneficially held as to 75% by the Corporation and 25% by Trans Hex Group Limited ("Trans Hex Group"). In October 2003, Mr. Bruchs' monthly remuneration was fixed at \$7,500 per month, including \$3,000 paid by Newdico as of January 1, 2004. Mr. Bruchs was reimbursed 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) Effective July 1, 2002, Dr. Moore assumed the position of Vice president, Exploration of the Corporation with a gross monthly remuneration of US\$5,500, including US\$3,000 paid by Newdico. Newdico is beneficially held as to 75% by the Corporation and 25% by Trans Hex Group. In October 2003, Dr. Moore's monthly remuneration was fixed at \$6,500 per month, including approximately \$3,500 - \$4,000, as a result of currency fluctuations, being paid by Newdico as of April 1, 2003. Dr. Moore was reimbursed 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) Effective July 1, 2002, Mr. Woodhead assumed the position of Chief Financial Officer and Corporate Secretary with a gross monthly remuneration of \$7,500. In October 2003, Mr. Woodhead's monthly remuneration was fixed at \$5,295. Mr. Woodhead was reimbursed 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.
- (4) With effect from April 1, 1998, a portion of Mr. Woodhead's compensation was charged to Trans Hex Group based on the actual time he spent assisting with that company's affairs. The portion reimbursed to the Corporation during the 2002 fiscal year amounts to approximately 13% (2001: 11%) of Mr. Woodhead's total compensation. The amount reflected represents the net expense included in the books of the Corporation during the relevant fiscal year.

As a measure to conserve cash available to the Corporation, the Employment Agreement of Mr. Woodhead was terminated on October 31, 2001, although Mr. Woodhead continued to undertake the duties of Chief Financial Officer and Secretary on a contract basis until March 31, 2002, as required by the Corporation. Subject to the terms of the Employment Agreement, Mr. Woodhead was entitled to a payment equal to 13 months of his then applicable total compensation.

- (5) 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 reimbursed 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. With the restructuring of the Corporation, approved by the holders of common shares at a special meeting on April 9, 2002, Mr. Hoogenhout was replaced as Chief Executive Officer by Mr. 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, 2004

The following table provides details on stock options granted to the Named Executive Officers in the fiscal year ended March 31, 2004 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 President and Chief Executive Officer	50,000 50,000	13.5% 13.5%	\$0.50 \$0.75	\$0.50 \$0.75	June 8, 2008 December 31, 2008
Andrew E. Moore Vice President, Exploration	50,000 50,000	13.5% 13.5%	\$0.50 \$0.75	\$0.50 \$0.75	June 8, 2008 December 31, 2008
Stephen Woodhead Chief Financial Officer and Corporate Secretary	NIL	NIL	NIL	NIL	NIL
D.M. Hoogenhout Chairman and Chief Executive Officer	NIL	NIL	NIL	NIL	NIL

(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 1,250,000. 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, 2004. 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 ⁽²⁾⁽³⁾ (#)	Aggregate Value Realized (\$)	Unexercised Options at March 31, 2004		Value of Unexercised in-the-money Options at March 31, 2004 ⁽¹⁾	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
James Michael Bruchs, President and Chief Executive Officer	NIL	NIL	175,000	75,000	42,500	3,000
Andrew E. Moore, Vice President, Exploration	NIL	NIL	175,000	75,000	42,500	3,000
Stephen Woodhead, Chief Financial Officer and Corporate Secretary	50,000	\$7,500	42,500	17,500	5,500	2,000
D.M. Hoogenhout Chairman and Chief Executive Officer	NIL	NIL	NIL	NIL	NIL	NIL

(1) Based on the closing price of the common shares on the TSX on March 31, 2004 of \$0.55.

(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 1,250,000. 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, 2004. There are also no pension plan benefits in place for the Named Executive Officers.

Employment Contracts

There were no employment contracts with Named Executive Officers of the Corporation during the fiscal year ended March 31, 2004.

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, 2004.

B. Other Arrangements

Save and except through the granting of stock options, the directors of the Corporation were not compensated in their capacity as directors of the Corporation and its subsidiaries during the fiscal year ended March 31, 2004 pursuant to any other arrangement or in lieu of any standard arrangement. An aggregate of 350,000 stock options were granted to five directors (Messrs. Jennings, Bruchs, McGinley, Moore and Kelso) of the Corporation during fiscal 2004, compensating two such directors (Messrs. Bruchs and Moore) 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

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, 2004.

Composition of the Compensation Committee

During the fiscal year ended March 31, 2004 the Compensation Committee was composed of two (2) unrelated directors: Dr. Christopher Jennings (Chairman) and Mr. Patrick McGinley, and the Company's President and CEO: James M. Bruchs.

Report on Executive Compensation

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: Christopher M.H. Jennings
Patrick. C. McGinley
James M. Bruchs

Indebtedness of Executive Officers, Directors and Employees

No director, executive officer, proposed director or associate of any of the foregoing is or has been indebted to the Corporation pursuant to a securities purchase or other program and the Corporation has not guaranteed the indebtedness of any such individual to another entity, nor is there any aggregate indebtedness to report on behalf of any executive officers, directors, employ, former executive officers, directors or employees of the company or any of its subsidiaries

Interest of Informed Persons in Material Transactions

Except as otherwise disclosed in this Circular, no director or executive officer of the Corporation, no person or company who was of record or, to the knowledge of the Corporation, who owns beneficially, directly or indirectly, more than 10% of any class of voting securities of the Corporation, no 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 or any of its subsidiaries.

Statement of Corporate Governance

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

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, 2004 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, 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 as of the date of this Circular.

Name and Position and/or office with the Corporation and country of residence (1) (2) (3) (4)	Present Occupation if Different From Office Held	Period of Service as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed	Term of Directorship
Dr. Christopher Mark Hubert Jennings Director and Chairman of the Board Cayman Islands	Chairman, SouthernEra Resources Limited	Since 2002	100,000	(5)
Mr. James Michael Bruchs Director, President and Chief Executive Officer Gaborone, Botswana	Officer of Corporation	Since 2002	2,474,001	(5)
Mr. Patrick Charles McGinley Director Washington, D.C. United States	Attorney-at-Law Washington, D.C.	Since 2002	165,572	(5)
Mr. R. Stuart Angus Director Vancouver, BC Canada	Managing Director – Mergers & Acquisitions Endeavor Financial	NA	NIL	(5)

- (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 Mr. Angus who, prior to July 2003 was a partner in Fasken Martineau DuMoulin LLP and prior to February 2001 was a partner at Stikeman Elliott LLP.
- (2) The Corporation has an Audit Committee currently consisting of Mr. McGinley (Chairman) and Messrs. Jennings and Bruchs.
- (3) The Corporation has a Compensation Committee currently consisting of Dr. Jennings (Chairman) and Messrs McGinley and Mr. Bruchs.
- (4) The Corporation has a Corporate Governance Committee currently consisting of Dr. Jennings (Chairman) and Messrs. McGinley and Bruchs.
- (5) 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.

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. **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.

5. **ADDITIONAL INFORMATION**

Financial information is provided in the Corporation's audited financial statements and MD&A for its most recently completed fiscal year. Copies of the aforementioned documents can be obtained by request through the Corporation's offices in Toronto, Canada or accessed through the Corporation's website: www.TsodiloResources.com.

Additional information relating to Tsodilo Resources Limited is available on SEDAR at www.sedar.com.

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
July 22, 2004

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 location 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 three members of which two are considered unrelated directors. The Board reviews the factual circumstances and relevant relationships of each of the directors. The two unrelated 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 three members. An additional individual has been selected to be a nominee on the management's slate of proposed directors for election at the September 1, 2004 annual meeting. 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 2004, two 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 six 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, Mr. Patrick McGinley (Chairman) and Messrs. Christopher Jennings and James Bruchs, two of whom are unrelated directors. The Compensation Committee is composed of three directors, Dr. Christopher Jennings (Chairman) and Messrs. Patrick McGinley and James Bruchs. 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.