

DELRAND RESOURCES LIMITED

ANNUAL INFORMATION FORM

For the financial year ended December 31, 2011

Dated March 30, 2012

TABLE OF CONTENTS

	Page
PRELIMINARY INFORMATION	1
Date of Information	1
Financial Statements	1
Incorporation by Reference of Technical Reports	1
Currency.....	1
Forward-Looking Statements	1
ITEM 1: CORPORATE STRUCTURE.....	2
1.1 Name, Address and Incorporation	2
1.2 Intercorporate Relationships.....	2
ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS	3
ITEM 3: DESCRIPTION OF THE BUSINESS	5
3.1 General	5
3.2 Risk Factors	6
3.3 Delrand's Projects in the DRC.....	12
3.3.1 Tshikapa Project (southern DRC).....	12
3.3.2 Northern DRC Diamond Project	17
3.3.3 Northern DRC Iron Ore Project.....	18
3.4 Qualified Persons	19
ITEM 4: DIVIDENDS.....	19
ITEM 5: DESCRIPTION OF CAPITAL STRUCTURE	19
ITEM 6: MARKET FOR SECURITIES	20
ITEM 7: ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER	20
ITEM 8: DIRECTORS AND OFFICERS	21
8.1 Name, Occupation and Security Holding	21
8.2 Corporate Cease Trade Orders or Bankruptcies	23
8.3 Personal Bankruptcies	23
8.4 Penalties or Sanctions.....	24
8.5 Conflicts of Interest.....	24
ITEM 9: AUDIT COMMITTEE INFORMATION	24
ITEM 10: PROMOTERS.....	26
ITEM 11: LEGAL PROCEEDINGS AND REGULATORY ACTIONS	26
ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	26
ITEM 13: TRANSFER AGENT AND REGISTRAR.....	27
ITEM 14: MATERIAL CONTRACTS.....	27
ITEM 15: INTERESTS OF EXPERTS	28
15.1 Names of Experts	28
15.2 Interests of Experts	28
ITEM 16: ADDITIONAL INFORMATION	28
SCHEDULE "A" - AUDIT COMMITTEE TERMS OF REFERENCE	

PRELIMINARY INFORMATION

Date of Information

All information in this annual information form ("**AIF**") is as at December 31, 2011, unless otherwise indicated.

Financial Statements

This AIF should be read in conjunction with the consolidated financial statements as at and for the year ended December 31, 2011 and related management's discussion and analysis of Delrand Resources Limited (the "**Company**" or "**Delrand**"). The financial statements and management's discussion and analysis are available under the Company's profile on the SEDAR website at www.sedar.com. The Company prepares its financial statements in Canadian dollars and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Incorporation by Reference of Technical Reports

The following are incorporated by reference into, and form part of, this AIF. The following reports are available under the Company's profile on the SEDAR website at www.sedar.com.

1. Section 7 of the technical report of Venmyn Rand (Pty) Limited dated July 31, 2007 and entitled "National Instrument 43-101 Technical Report on the Kwango, Lubao and Tshikapa Projects of BRC Diamond Corporation in the Democratic Republic of Congo" (the "**Venmyn Technical Report**"); and
2. The technical report of Michiel de Wit and Fabrice Matheys dated March 31, 2009 and entitled "National Instrument 43-101 Technical Report on the Tshikapa Project of BRC DiamondCore Ltd. in the Democratic Republic of Congo" (the "**Tshikapa Technical Report**").

Any statement contained in a document incorporated by reference herein is not incorporated by reference to the extent that any such statement is modified or superseded by a statement contained herein. Any such modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

Currency

All dollar amounts in this AIF are expressed in Canadian dollars, except as otherwise indicated. References to "\$" or "Cdn\$" are to Canadian dollars, and references to "US\$" are to United States dollars.

Forward-Looking Statements

This AIF and the documents incorporated by reference herein contain forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements relating to exploration results, potential mineralization, potential mineral resources and the Company's plans and objectives with respect to its projects) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those

discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainties relating to the availability and costs of financing needed in the future; the possibility that future exploration results will not be consistent with the Company's expectations; changes in equity markets; changes in diamond markets; political developments in the Democratic Republic of the Congo; foreign currency fluctuations; inflation; changes to regulations affecting the Company's activities; delays in obtaining or failure to obtain required project approvals; the uncertainties involved in interpreting geological data; and the other risks discussed in item 3.2 of this AIF ("Risk Factors").

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

ITEM 1: CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

The head office and registered office of the Company is located at 1 First Canadian Place, Suite 7070, 100 King Street West, Toronto, Ontario, M5X 1E3, Canada. The Company also has offices in the Democratic Republic of the Congo (the "**DRC**").

The Company was incorporated under the Ontario *Business Corporations Act* on August 7, 1990 by articles of incorporation. The Company's name was changed from 906986 Ontario Inc. to BRC Development Corporation pursuant to articles of amendment effective December 16, 1997. By articles of continuance effective on August 11, 2004, the Company was continued under the *Canada Business Corporations Act* and its name was changed to BRC Diamond Corporation. The name of the Company was changed to BRC DiamondCore Ltd. pursuant to articles of amendment effective February 10, 2008. Pursuant to articles of amendment dated June 20, 2011, the Company changed its name from BRC DiamondCore Ltd. to Delrand Resources Limited and consolidated its outstanding common shares on a two to one basis (the "**Share Consolidation**").

1.2 Intercorporate Relationships

The Company has one material subsidiary, BRC DiamondCore Congo SPRL. BRC DiamondCore Congo SPRL is a DRC company which is wholly-owned by the Company. The Company also has a second subsidiary, BRC Diamond South Africa (Pty) Ltd. BRC Diamond South Africa (Pty) Ltd, which is a South African company wholly-owned by the Company, is inactive.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

The Company is a diamond exploration company focussed on kimberlite projects in the DRC. The Company also has a 25% interest in an iron ore project in the DRC being operated by Rio Tinto and funded by Rio Tinto up to the feasibility study stage. The Company's head office is located in Toronto, Ontario, Canada and the Company also has offices in the DRC.

The Company commenced its diamond exploration program at its Tshikapa project in the DRC in March 2006.

In March 2006, the Company completed a private placement equity financing for total gross proceeds of \$6,650,000. Kingsdale Capital Markets Inc. acted as the Company's agent in connection with this financing.

In March 2007, the Company completed a non-brokered private placement equity financing for total gross proceeds of \$5,000,000.

In April 2007, the Company hired Dr. Michiel C.J. de Wit to join the Company as its President and Chief Executive Officer. Dr. de Wit has extensive experience in the diamond industry, having begun his career as an exploration geologist for the Geological Survey in South Africa prior to joining De Beers for whom he worked for 29 years. Dr. de Wit managed various exploration programs for De Beers in Africa which led to a number of kimberlite discoveries. Prior to his most recent appointment as general manager for De Beers in the DRC, Dr. de Wit was responsible for all exploration programs for De Beers in Africa.

During 2007 and 2008, the Company continued its diamond exploration programs in the DRC and continued to adjust its DRC property portfolio by both acquiring additional exploration permits (either directly or through option agreements with the permit holders) and relinquishing exploration permits which were no longer of interest, to ensure that its property portfolio was focused on areas with the greatest potential.

In February 2008, the Company completed the acquisition (the "**Diamond Core Transaction**") of all of the outstanding shares of Diamond Core Resources Limited ("**Diamond Core**") in exchange for the issuance of common shares of the Company. Diamond Core was a South African-based diamond exploration company with a number of kimberlite and alluvial projects located in South Africa. Prior to the Diamond Core Transaction, Diamond Core's shares were publicly traded on the JSE Limited in Johannesburg, South Africa. The Diamond Core Transaction was implemented by way of a court-sanctioned scheme of arrangement under the provisions of the *Companies Act, 1973* (South Africa). In accordance with terms of the Diamond Core Transaction, all Diamond Core shareholders were issued one common share of the Company for every 24.5 Diamond Core ordinary shares held (which resulted in such shareholders holding, immediately following the completion of the Diamond Core Transaction, approximately 47% of the outstanding shares of the Company), and the Company's shares commenced trading on the JSE Limited in Johannesburg, South Africa. As well, the Company's name was changed from BRC Diamond Corporation to BRC DiamondCore Ltd. and the Company's shares also commenced trading on the Toronto Stock Exchange (such shares previously traded on the TSX Venture Exchange). RBC Capital Markets acted as the Company's corporate advisor in connection with the Diamond Core Transaction.

During 2008 following the Diamond Core Transaction, Diamond Core continued its bulk sampling operations. Diamond sales from these projects commenced in 2008, realizing proceeds of approximately \$8.5 million.

In December 2008, the Company suspended operations at its South African projects in response to the collapse of diamond prices and the global economic downturn. This suspension was continued in 2009 as diamond prices remained depressed. With its South African operations having been placed on a care and maintenance basis, the Company retrenched all operational staff at the South African operations (the retrenchment process was concluded by April 2009). As a further cost saving measure, the Company curtailed its operations in the DRC for most of 2009 (the Company's camp at its Tshikapa project in the DRC was under care and maintenance between March and November of 2009). Exploration at Tshikapa resumed in November 2009.

In July 2009, Diamond Core (which was the holding company for the Company's South African projects) was the subject of a final liquidation order by the Northern Cape High Court in South Africa. The application for the liquidation was initiated by the former corporate advisor of Diamond Core, which had been the exclusive adviser to Diamond Core on the "Diamond Core Transaction" (as defined above) with the Company. The liquidation application was based on a claim in respect of the balance allegedly owing to the advisor on a success fee of US\$1million with respect to the Diamond Core Transaction. Diamond Core had disputed the claim based on performance. An application for leave to appeal the liquidation order was lodged with the Northern Cape High Court but this was denied by the Court in early 2010. A petition that the appeal be heard by the Supreme Court of Appeal was also denied.

Effective September 30, 2009, the Company disposed of all of its shares in Diamond Core for nominal consideration, and a further amount of US\$500,000 if the purchaser is able to achieve an offer of compromise with the creditors of Diamond Core which is approved by the court.

In November 2009, the Company completed debt settlement transactions with certain of its creditors pursuant to which such creditors accepted common shares of the Company, issued from treasury by the Company, in satisfaction of indebtedness owed to them by the Company (the "**Debt Settlements**"). The total number of common shares issued by the Company to the creditors under the Debt Settlements was 21,658,665 shares (the "**Debt Shares**"), and the total amount of Company debt settled by such share issuances was \$8,663,466. One of the creditors involved in the Debt Settlements was Banro Corporation ("**Banro**"), the largest shareholder of the Company. 15,844,978 of the Debt Shares were issued to Banro, such that Banro now owns 17,716,994 (or 35.65%) of the outstanding common shares of the Company. See item 12 of this AIF ("Interest of Management and Others in Material Transactions") for additional information in respect of this transaction with Banro. The foregoing share figures have been adjusted to reflect the two to one Share Consolidation effected by the Company in June 2011.

Also in November 2009, the Company completed a non-brokered private placement of 10,000,000 units of the Company at a price of \$0.10 per unit for proceeds to the Company of \$1,000,000. Each such unit consisted of one common share of the Company and one warrant of the Company, with each such warrant entitling the holder to purchase one common share of the Company at a price of \$0.132 for a period of four years. See item 12 of this AIF ("Interest of Management and Others in Material Transactions") for additional information in respect of this private placement. The foregoing information has been adjusted to reflect the two to one Share Consolidation effected by the Company in June 2011.

In January 2010, the Company entered into an agreement (the "**JV Agreement**") with Rio Tinto Minerals Development Limited ("**Rio Tinto**") for the exploration for iron ore in areas within the Province Orientale, in the DRC. These areas are covered by exploration permits (the "**Permits**") in which the diamond and iron ore rights had been controlled by the Company. Pursuant to the JV Agreement, which is in the form of a shareholders' agreement, the Company owns 25% of the share capital of the joint venture company which owns the DRC company that holds the Permits, with Rio Tinto owning 75% of the share capital of the joint venture company. Under the JV Agreement, all iron ore exploration up to and including the completion of any feasibility study will be funded by Rio Tinto. The Company will not

suffer any dilution during this period, such that the Company's 25% interest in the properties will be maintained during this period. The exploration will be carried out by Rio Tinto (or one of its affiliates) as operator. After the completion of any feasibility study, funding for the project is to be provided by Rio Tinto and Delrand pro rata based on their respective interests in the said joint venture company. Initial geological research and exploration indicates that the Permit areas, which are largely unexplored using modern exploration methods, are highly prospective for the discovery of iron ore deposits. As part of the 2010 exploration program, Rio Tinto commenced a reconnaissance drill program over the Permit areas.

In February 2011, the Company announced that it plans to resume exploration for diamonds over properties (the "**DRC North Project**") in Province Orientale in the northeastern DRC. This is as a result of a then recent analysis of samples previously collected during the earlier reconnaissance phase of the exploration program, but not analysed at the time due to budget constraints. The analysis revealed the presence of micro diamonds and other indicators which typically indicate the presence of primary sources of kimberlite diamonds proximal to the area. The Company also announced in February 2011 that it has entered into a new joint venture arrangement with Rio Tinto Mining and Exploration Limited, whereby Rio Tinto Mining and Exploration Limited will fund the proposed new exploration program over the DRC North Project up to and including a pre-feasibility study (assuming on-going satisfactory results). At that stage, Delrand would have a 30% interest in the DRC North Project. Thereafter, funding would be in proportion to equity.

On May 11, 2011, the Company closed a non-brokered private placement of 3,750,000 units of the Company at a price of \$0.16 per unit for proceeds to the Company of \$600,000. Each such unit was comprised of one common share of the Company and one warrant of the Company entitling the holder to purchase one common share of the Company at a price of \$0.22 for a period of three years. On May 27, 2011, the Company closed a non-brokered private placement of 1,250,000 units of the Company at a price of \$0.20 per unit for proceeds to the Company of \$250,000. Each such unit was comprised of one common share of the Company and one warrant of the Company entitling the holder to purchase one common share of the Company at a price of \$0.22 for a period of three years. The purchasers of the units under this May 27, 2011 financing were directors and officers of the Company. The foregoing information has been adjusted to reflect the Share Consolidation.

In May and November 2011, the Company announced drill results from the Company's iron ore joint venture project with Rio Tinto (see item 3.3.3 of this AIF ("Northern DRC Iron Ore Project")).

ITEM 3: DESCRIPTION OF THE BUSINESS

3.1 General

The Company is a diamond exploration company focussed on kimberlite projects in the DRC. The Company currently has two such projects: the Tshikapa project in Province Kasai in southern DRC and the DRC North Project in Province Orientale in northern DRC. The Company also has a 25% interest in an iron ore project in the DRC being operated by Rio Tinto and funded by Rio Tinto up to the feasibility study stage. The Company's head office is located in Toronto, Ontario, Canada and the Company also offices in the DRC.

The Company, whose management team has extensive experience in the DRC, was one of the first companies to identify emerging diamond opportunities in the DRC, and today maintains a significant land position in some of the most prospective diamond regions of that country.

As a cost saving measure, the Company significantly reduced its operations in the DRC for most of 2010 and 2011. During 2011, the Company carried out a limited work program, conducting exploration work at the Company's DRC North Project and Tshikapa project during the first half of 2011. Further exploration will in part depend upon the results of this exploration.

The Tshikapa project is located within the so-called Tshikapa triangle, which lie in the broader kimberlite emplacement corridor which extends from known kimberlite pipes located in Angola. Deposits within this Tshikapa diamond region have been extensively mined by alluvial mining companies and small-scale miners. It is estimated that over 100 million carats of diamonds have been recovered from this area. No kimberlites have been discovered in this region and the traditional model is that these diamonds have been sources out of Angola by north-flowing rivers that operated during the Cretaceous. However, the mineral chemistry and surface textures of diamond satellite minerals recovered from stream sediment samples by the Company suggest that, yet undiscovered, local sources exist. The Company has therefore focused its attention on the Tshikapa triangle through exploration permits of its own and through various option agreements with other companies who hold other exploration permits.

In addition, the Company holds significant ground at its DRC North Project in Province Orientale close to Bafwasende. This project comprises exploration permits held by the Company directly and through an option agreement that the Company has with a DRC company which holds other exploration permits. The region within which the project is located has for many decades been the source of high quality diamonds derived from alluvial operations. However, as with Tshikapa, no primary sources have ever been found north of the equator, either in the DRC or in the CAR. The Company believes that primary sources are present in the area, which is underlain by Archaean rocks of the Mbomou Craton. Thick laterite formations, however, cover much of this part of the DRC masking kimberlite pipes that might be present.

Employees

The Company and its subsidiaries had a total of 6 employees as at December 31, 2011. The Company also makes use of part-time or shared personnel as a resource optimization and cost saving measure, particularly for its drilling and geophysical activities.

Environmental Protection

The Company has fulfilled the environmental obligations under DRC mining legislation with respect to its DRC exploration permits.

3.2 Risk Factors

The exploration of diamond properties is a speculative activity that involves a high degree of financial risk. The risk factors which should be taken into account in assessing the Company's activities and an investment in its securities include, but are not necessarily limited to, those set out below. Any one or more of these risks could have a material adverse effect on the value of any investment in the Company and the business, financial position or operating results of the Company and should be taken into account in assessing the Company's activities.

The following summary, which is not exhaustive, represents some of the major risk factors that affect the Company.

Working Capital Deficit

The Company had a working capital deficit of \$533,191 as at December 31, 2011. The Company's ability to continue operations is dependent on several factors, including its ability to secure additional funding. Management is exploring all available options to secure additional funding including equity financing and strategic partnerships. Given the current economic climate for diamond exploration companies, there is no certainty that management will be successful in securing additional funding.

Exploration Risks

None of the mineral properties held by the Company contains a known body of commercial ore or an economic deposit of diamonds. Development of the mineral properties depends on satisfactory exploration results. Mineral exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Few properties which are explored are ultimately developed into producing mines. If the Company's exploration programs are successful, substantial expenditures are required to establish reserves through drilling, to develop processes to extract the diamonds and to develop the mining and processing facilities and infrastructure at any site chosen for mining.

Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that diamonds will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing diamond properties are affected by many factors including the cost of operations, the size and quality of the diamonds, proximity to infrastructure, financing costs, fluctuations in markets, costs of processing equipment and such other factors as government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting diamonds and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of these factors could adversely affect the economics of the properties.

Country Risks

The Company's projects are located in the DRC. The assets and operations of the Company are therefore subject to various political, economic and other uncertainties, including, among other things, the risks of war and civil unrest, hostage taking, military repression, labour unrest, illegal mining, expropriation, nationalization, renegotiation or nullification of existing licenses, permits, approvals and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations, currency controls and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitude in the DRC may adversely affect the Company's operations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights could result in loss, reduction or expropriation of entitlements. In addition, in the event of a dispute arising from operations in the DRC, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

The DRC is a developing nation emerging from a period of civil war and conflict. Physical and institutional infrastructure throughout the DRC is in a debilitated condition. The DRC is in transition from a largely state controlled economy to one based on free market principles, and from a non-democratic political system with a centralized ethnic power base, to one based on more democratic principles. There can be no assurance that these changes will be effected or that the achievement of these objectives will not have material adverse consequences for the Company and its operations. The DRC continues to experience instability in parts of the country due to certain militia and criminal elements. While the government and United Nations forces are working to support the extension of central government authority throughout the country, there can be no assurance that such efforts will be successful.

The DRC has historically experienced relatively high rates of inflation.

HIV/AIDS, malaria and other diseases represent a serious threat to maintaining a skilled workforce in the mining industry in the DRC. There can be no assurance that the Company will not lose members of its workforce or workforce manhours or incur increased medical costs, which may have a material adverse effect on the Company's operations.

Additional Funds for Future Exploration

As a mineral exploration company, the Company does not generate cash flow from its operations and it must rely primarily on issuances of its securities to finance its activities. The exploration of the Company's properties will require substantial funds and there is no assurance that such funds will be available to the Company on commercially reasonable terms or in sufficient amounts to allow the Company to continue to pursue its objectives.

The inability of the Company to raise further funds, whether through additional equity issuances or by other means, could result in delays or the indefinite postponement of planned exploration activities or, in certain circumstances, the loss of some or all of its property interests or cessation of all exploration activities. The occurrence of any of these events could have a material adverse effect upon the Company.

Diamond Prices

The economic viability of the Company's projects is dependent upon, among other things, the market price of any diamonds extracted. The market for diamonds is sensitive to changes in the global economic climate, particularly the United States economy. Prices of diamonds are affected by numerous factors beyond the control of the Company, including international, economic and political conditions, levels of supply and demand, currency availability, inventory levels, interest rates, rate of inflation and currency exchange rates.

With increasing competition in the diamond industry, the prices for rough diamonds may be subjected to the effects of market forces, both positive and negative, to a higher degree than has been experienced in the past. This may lead to more frequent price fluctuations than has previously been the case.

Title to Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Currency Fluctuations

The Company's costs in the DRC are incurred in U.S. dollars and, to a lesser extent, Congolese francs. As a result, the Company is exposed to market risks resulting from fluctuations in foreign currency exchange rates. Material fluctuations in the value of any such foreign currencies as compared to the Canadian dollar could result in a material adverse effect on the financial position and results of the Company. No currency hedge policies are in place or are presently contemplated.

Future Profitability of Operations Cannot be Assured

The Company's DRC operations have not had any mining operations and have only incurred operating losses throughout their history. The Company's ability to operate profitably in the future will depend on, among other things, the success of its exploration activities, its ability to bring its properties into production, the price of diamonds and its ability to control costs. There can be no assurance that the Company can become profitable or even generate sufficient cash flow to sustain its operations and exploration activities at current levels.

Insurance Coverage

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes, adverse property ownership claims, unusual or unexpected geological conditions, ground or slope failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, monetary losses and legal liability.

Available insurance does not cover all the potential risks associated with a resource company's operations. The Company may also be unable to maintain insurance to cover insurable risks at economically feasible premiums, and insurance coverage may not be adequate to cover any resulting loss. Moreover, insurance against risks such as the validity and ownership of mining claims and environmental pollution or other hazards as a result of exploration is not generally available to the Company or to other companies in the mining industry on acceptable terms. As a result, the Company might become subject to liability for pollution or other hazards for which it is uninsured or for which it elects not to insure because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

Regulatory Requirements

All phases of the Company's operations are and will be subject to a significant degree of governmental regulation, affecting areas such as exploration, property development, mining, production, taxes, labour standards, occupational health, waste disposal, land use, water use, environmental protection, mine safety, land claims of local people and other matters. Further, and as discussed below, the Company will require numerous governmental permits and approvals to further explore and, if such exploration is successful, develop its properties.

While the Company believes that it is presently in compliance in all material respects with such existing laws, existing and proposed governmental regulations could have a material adverse effect on the Company going forward. For example, environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in

environmental regulation will not affect the Company's operations in a materially adverse fashion. Other amendments to current laws, regulations or permitting requirements or more stringent implementation or interpretation of any such laws or regulations could have a material adverse impact on the Company and could increase exploration costs, require abandonment of existing properties or cause delays in the development of new properties. The occurrence of any of these events could have a material adverse effect on the Company.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions or other sanctions that could result in the cessation or curtailment of the Company's operations or require the undertaking of corrective measures. In addition, the Company may be required to compensate those suffering loss or damage by reason of the breach of applicable law and may have civil or criminal fines or penalties imposed upon it in connection therewith.

Pre-existing Environmental Liabilities

Pre-existing environmental liabilities may exist on the properties in which the Company currently holds an interest or on properties that may be subsequently acquired by the Company which are unknown to the Company and which have been caused by previous or existing owners or operators of the properties. In such event, the Company may be required to remediate these properties and the costs of remediation could be substantial. Further, in such circumstances, the Company may not be able to claim indemnification or contribution from other parties. In the event the Company was required to undertake and fund significant remediation work, such event could have a material adverse effect upon the Company.

Governmental Permits and Approvals

A variety of government approvals and permits are required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned activities at its mineral properties.

The Company's continuing right to earn or maintain its interest in certain properties is dependent upon compliance with applicable laws and the relevant agreements to which it is a party. Additional expenditures on certain properties will be required by the Company to earn or maintain its interest in these properties. In this regard, there can be no assurance that the Company will have sufficient financial resources to enable it to comply with the provisions of applicable laws and the agreements relating to its properties that entitle it to earn or maintain its interest therein, and if it fails to do so, its interest in certain of these properties may be reduced or lost.

Infrastructure for the Projects

The Company's projects are located in remote areas, which lack basic infrastructure, including sources of power, water, housing, food and transport. In order to develop any of these projects the Company will need to establish the facilities and material necessary to support operations in the remote locations in which they are situated. The remoteness of each such project will affect the potential viability of any mining operations, as the Company will also need to establish substantially greater sources of power, water, physical plant and transport infrastructure than are currently present in the applicable area. The lack of availability of such sources may adversely affect the feasibility of any mining and will, in any event, require the Company to arrange significant financing, locate adequate supplies and obtain necessary governmental approvals, none of which can be assured.

Market Perception

Market perception of junior resource companies such as the Company may shift such that these companies are viewed less favourably. This factor could impact the ability of the Company to raise further funds, which could have a material adverse effect on the Company's business, financial condition and prospects.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of the Company's common shares in the public markets, or the potential for such sales, could decrease the trading price of such shares and could impair the Company's ability to raise capital through future sales of common shares.

Dependence on Management and Key Personnel

The success of the Company depends on the good faith, experience and judgment of the Company's management and advisors in supervising and providing for the effective management of the business and the operations of the Company. The Company is dependent on a small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. The Company currently does not have key person insurance on these individuals. The Company may need to recruit additional qualified personnel to supplement existing management and there is no assurance that the Company will be able to attract such personnel.

Competition

The mining industry is intensely competitive in all of its phases. The Company faces strong competition from other mining enterprises, some of which possess greater financial resources, experience and technical facilities than those of the Company. In further developing its business, the Company will be required to compete with such other enterprises for qualified personnel, for further capital, and in connection with the acquisition and exploration of additional mineral concessions, claims, leases and other mineral interests. Given the level of competition in the mining industry generally, and the fact that the Company must compete against enterprises with greater financial resources and expertise as well as more sophisticated technical facilities, the Company could be prevented from, or delayed in attracting the required additional capital, qualified personnel and/or in acquiring additional mineral interests. Consequently, the Company's operations and financial condition could be materially and adversely affected.

Conflict of Interest

A number of directors of the Company also serve as directors and/or officers of other companies involved in the exploration and development of natural resource properties. As a result, conflicts may arise between the obligations of these individuals to the Company and to such other companies.

Share Price Risk

The market price of publicly traded shares, particularly for a junior resource issuer like the Company, is affected by many variables not directly related to the success of the company, including the market for all junior resource sector shares, the breadth of the public market for the shares, and the attractiveness of alternative investments. The affect of these and other factors on the market price of common shares on the exchange on which the Company trades suggests that the Company's shares will be volatile.

Investment Returns

The Company has never paid a dividend nor made a distribution on any of its securities. Further, the Company may never achieve a level of profitability that would permit payment of dividends or making other forms of distributions to securityholders. In any event, given the stage of the Company's development, it will likely be a long period of time before the Company could be in a position to make dividends or distributions to its investors. The payment of any future dividends by the Company will be at the sole discretion of its board of directors. In this regard, the Company currently intends to retain any earnings to finance the expansion of its business and does not anticipate paying dividends in the foreseeable future.

Enforcement of Civil Liabilities

As the major assets of the Company are located outside of Canada, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company, or the management of the Company, residing outside of Canada.

3.3 Delrand's Projects in the DRC

The Company's diamond projects in the DRC have been divided into the northern and southern projects. The southern project (identified as the Tshikapa project) comprises nine exploration permits in the Tshikapa area where the focus is on kimberlite exploration and where some very encouraging results for the discovery of kimberlites have been produced from the Company's sampling and aeromagnetic surveys. The northern project (defined herein as the DRC North Project) consists of 46 exploration licences situated north of Bafwasende, all of which are part of a joint venture agreement with Rio Tinto in the search for diamonds in primary sources. In addition, the Company is also involved in an iron ore project with Rio Tinto, also in the Orientale Province.

3.3.1 Tshikapa Project (southern DRC)

Project Description and Location

The Tshikapa project is located in the south-western part of the Kasai Occidental near the town of Tshikapa. The Tshikapa project is located within the so-called Tshikapa triangle, bordering the Kasai River in the east, the Loange River in the west and the Angolan border in the south. The properties also lie within the broader kimberlite emplacement corridor which extends from known kimberlite pipes located in Angola. The Tshikapa diamond field has been extensively mined by alluvial diamond companies and small-scale miners, and it is estimated that it has produced over 100 million carats of diamonds since 1912. The traditional model is that these diamonds have been sourced out of Angola by northward flowing rivers that operated during the Cretaceous period. However, the mineral chemistry and surface textures of diamond satellite minerals recovered from stream sediment samples in the Tshikapa area suggest that, yet undiscovered, local sources exist.

The Company has therefore focused its attention on the Tshikapa triangle through exploration permits of its own and through option agreements with local and international companies who hold other exploration permits. Detailed exploration work has eliminated some of these exploration permits as these have been found not to be prospective.

As at December 31, 2011, Delrand had retained the highly prospective exploration permits listed in Table 1 below.

Table 1: Exploration Permits in Tshikapa area

Permit Holder	Option Agreement Date	Exploration Permit Numbers	No. of Permits	Km ²
Acacia	05/02/2005	1175, 1176, 1177, 1180, 1187, 1188	6	1,055
Caspian Oil & Gas	23/08/2008	976, 977	2	178
Delrand	n/a	9083	1	113
		TOTAL:	9	1,346

A summary of the basic terms of each option agreement with the above-mentioned companies is set out in Table 2 below. Of these, Caspian Oil & Gas is an international company, while Acacia is a local Congolese company.

Table 2: Delrand's Partners in Tshikapa Triangle

Company	Basic Terms
Acacia sprl	Option payment of US\$350,000 which gives Delrand 55%, Acacia 40% and State 5% of JV Co. Delrand can purchase an additional 15% from Acacia for US\$750,000. Thereafter dilution. Acacia sprl has advised the Company that it wishes to modify the terms of the option agreement between itself and the Company. The Company is continuing its discussions with Acacia sprl and believes an agreement can be reached that is satisfactory to both parties.
Caspian Oil & Gas	After spending US\$200,000, Delrand can create JV Co – Delrand 65%; Caspian 35%. When Delrand completes feasibility study – Delrand 71%, Caspian 24%, State 5%. Delrand to fund up to and including feasibility. Thereafter dilution or Caspian can choose a 4.75% net profit interest.

The DRC mining legislation requires an Environmental Rehabilitation Plan ('Plan d'Atténuation et de Réhabilitation' or "PAR") before the start of each project. This means a baseline study completed and approved by the government. A financial deposit is then required which is lodged at a local bank for any future rehabilitation costs. Annual reports on the work conducted every year are required to update the PAR.

The authorization to start work ('Attestation de Prospection') is issued once the PAR requirements have been met and all the local stakeholders on the ground have been informed of the prospective exploration program. These have been obtained for all exploration permits.

Delrand's primary focus is to discover diamond bearing kimberlite pipes within the Tshikapa triangle. Many primary targets have been defined from the Company's airborne geophysics and stream sediment sampling programs.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the main area is available by daily commercial flights from Kinshasa to Tshikapa. Charter companies are also used for this purpose if and when required. Using the main Kinshasa to Tshikapa road is possible but best done in the dry season and may take one to two weeks. The transport of bulk

materials or heavy equipment is normally done by boat from Kinshasa to a docking station at Djoka Punda approximately 100 kilometres north of Tshikapa on the Kasai River.

The various target areas are situated anywhere between 5 and 100 kilometres from Tshikapa and are accessible by a network of generally poorly maintained roads. Four by four vehicles are essential for this purpose.

Although the southern DRC experiences a wet season, exploration programs are able to continue throughout the year. The drilling phase in particular is easy to keep operating all year round. The wet season is from October to March making the roads more difficult to navigate and more time is generally needed when embarking on local trips. There are local charter companies that operate AN2 Aircraft that can land on very short local airstrips and can be used to get supplies close to the various target areas.

Temperatures in the summer are in the mid-30s but the evenings are pleasant. The wet season in the summer provides for regular heavy thunder showers. The winters are dry and cool and provide ideal working conditions.

The area enjoys an elevation of between 600 and 700m amsl. The topography is relative flat with deeply incised rivers. The vegetation is open savannah except in the river valleys where thick indigenous forests exists.

History

The first diamond in the Tshikapa triangle was found in 1907 by Forminière who owned the concession area over large tracks of southern DRC. Alluvial deposits around Tshikapa were mined by Forminière from 1912 until 1960. After independence, Miba continued for some time mining the alluvial deposits, but independence triggered the influx of many local artisanal miners who are still active today. Several diamond mining companies have acquired mining and exploration licences since the new DRC Mining Code came into existence in 2002. Since 2003, companies like De Beers Congo sprl, Gem Diamonds Limited, Namakwa Diamonds, Caspian Oil & Gas, Kings Mines sprl, Group Abba sprl, Pangea DiamondFields Plc, Jindal Minerals and Metals Africa Congo, AMB and SouthernEra have been accessing ground for larger alluvial operations and/or kimberlites exploration. However, since the economic downturn, Gem Diamonds Limited, SouthernEra, Mwana Resources, Namakwa Diamonds and AMB have exited the DRC. De Beers and Pangea Diamond Fields Plc (recently taken over by IGE Resources AB) have stopped operating but have retained their infrastructure. Jindal has stopped operating on its diamond properties.

Geological Setting

The area is underlain by Archaean basement ($> 2.5\text{Ba}$) which includes gneisses, granites and granodiorites. It has a patchy cover of Karoo Supergroup rocks mainly in the form of Dwyka Group sediments, infilling local valleys and depressions, overlain by upper Karoo sediments. The basement and Karoo sediments are overlain by Cretaceous sediments. The base of Cretaceous is composed of coarse-grained conglomerates and has been a major target for the diamonds (Kwango Formation or Calondo Formation in Angola). The Cretaceous sediments are overlain by Kalahari Group sands that generally thicken towards the north.

Exploration

The Company has covered its exploration permits in the Tshikapa triangle with 200 litre stream sediments samples collected at a density of approximately one sample per 25 km^2 . In total, some 862 samples have

been collected. All samples have been concentrated in the DRC by the Company using a Du Toit/Armstrong mechanical jig designed and manufactured by Gondwanaland Diamonds Ltd. The mineral sorting and classification of the concentrates was conducted by MSA Geoservices Ltd and Afrid Kimberlitic Services, both based in South Africa. Both are reputable laboratories staffed with experienced sorting personnel.

In addition, the area has also been covered by 200 metre line spacing airborne gradiometry magnetic surveys flown with sensors some 70 metres above the ground with flight line spacing of 200 metres. In total, 30,086 line kilometres were flown covering 4,684 km².

Blocks measuring 1 x 1.6 kilometres covering anomalous areas have been followed up by high density airborne magnetics flown at 50 metre line spacing some 30 metres above the ground and by ground surveys conducted by Delrand. A total of 119 blocks were covered adding up to 3,999 line kilometres. These data has been used to define the various drill targets. The geophysical surveys were flown by Xcaliber and NRG. Both are geophysical survey contractors, one based in South Africa and the other in Australia, respectively, and have extensive experience to operate in Africa.

All geophysical data is sent to Diamond Geophysics, a geophysical consulting company based in Australia, for verification and interpretation. Diamond Geophysics has extensive experience in geophysical data interpretation for kimberlites. The interpretation includes accurate coordinates of the drill target, a first pass size of the magnetic anomaly and estimated depth to magnetic source.

Delrand acquired a core drill and started a program of systematic drilling in July 2008. This drilling was discontinued in January 2009 and restarted again from November to December 2009. Various rock types have been intersected including granites, gneisses and some volcanic breccias.

Mineralization

Diamonds occur in both alluvial deposits and kimberlites. Although both types of deposits are present in the DRC, only alluvial deposits have so far been found and mined in the Tshikapa triangle. However, since Delrand believes, based on robust geological evidence, that primary sources are present in the Tshikapa area, the Company's strategy is to focus on the discovery of kimberlites. These occur as carrot shaped funnels in the earth's crust and are generally between 50 metres to 1,000 metres in diameter.

Drilling

Delrand used a special man-portable core rig, Hydrocore Gopher, with a three diesel power pack that can be dismantled for easy transport. The rig is capable of drilling BQ size holes down to 300 metres. It is manufactured by Hydrocore Drills Ltd. in Canada and is well tested in these types of environments. An experienced expat drill foreman was hired from South Africa to supervise the program and to train a local drill crew. Holes were drilled to identify the cause of each magnetic anomaly. This is done by measuring the magnetic susceptibility of the core as it comes out of the ground. These measurements are then combined with the visual log of the core. All cores are photographed and then stored at the Tshikapa base camp just outside the town.

Sampling and Analysis

Stream samples are collected after inspection, by the project geologist, of the various trap sites available over a distance of 500 metres along a sample site. The sample volume is 200 litres of screened material which is separated into the following fractions: minus 0.3, 0.3 – 0.425, 0.425 – 0.7, 0.7 – 1.0 and 1.0 to 2.0 mm. The fractions 0.3, 0.425, 0.7 and 1.0 mm are hand gravitated by an experienced geologist. The

minus 0.3 mm fraction is collected and stored for any potential future base mineral exploration. The samples are dried, packed and air freighted to Kinshasa, DRC where these are concentrated by the Du Toit/Armstrong mechanical jig. Tracers are used in both the hand gravitation and jiggling process to monitor its efficiencies.

Screens used for reconnaissance sampling, where the recovery of single grains can be significant, are kept separate from those that are used in follow up programs, where grains can be abundant, to prevent contamination of grains from one sample to the next. Screens used in very positive follow-up programs are destroyed after completion of these programs.

Drill samples are collected in the form of core. A differential GPS is used to site the drill hole from the coordinates received from the geophysical consultant. The depth of the hole is monitored using the drill rods and any loss in core is recorded both on the log and in the core tray. A geologist is attached to the drill rig at all times and his responsibility is to log and measure the retrieved cores. Only tungsten drill bits are used to avoid any contamination in any potential micro-diamond process on any part of the core.

Security of Samples

Each sample gets a unique 6-digit number printed on water-proof sample tickets. All samples are submitted in consignments not exceeding 100 samples. Sample numbers are inserted into a database which is linked to the result tables once these are received from the different laboratories. One project geologist manages the database making sure all sample information is entered correctly and advises the field geologists of any discrepancies should these occur. All fraction not sent to the laboratory are stored in the Delrand store in Kinshasa, DRC for any future reference should this be required.

Mineral Resource and Mineral Reserve Estimates

No resources have so far been defined to warrant resource and reserve estimates.

Exploration and Development

During the first and second quarters of 2010, four large ground magnetic follow-up blocks were completed over the Investors Equity Ltd exploration permit areas. Modelling of these data by Rio Tinto geophysicists suggests that these are not necessarily intrusions, and if they are they will be very small in size. No further work was recommended, and the option agreement with Investors Equity Ltd was subsequently cancelled.

Detailed stream sampling was conducted over the Caspian Oil & Gas exploration permit areas (permit numbers 976 and 977) during the second quarter of 2011. In total, 40 samples were collected over the area on a density of 1 sample per 4.5 km². The screened stream samples were concentrated using the Company's mechanical jig in Kinshasa, DRC before being dispatched to Rio Tinto's heavy mineral sorting laboratory in Perth (Australia) for sorting and the positive grains for microprobe analysis. Diamonds and kimberlitic minerals (garnet and ilmenite) are especially visible and abundant in samples from three small drainage basins (Matshibola, Ngombe and Kamukala), much of which are being exploited by artisanal miners for macro diamonds. No results have been received to date.

3.3.2 Northern DRC Diamond Project

Project Description, Location and Exploration

The Company's northern DRC North Project is located in Orientale Province and consists of 46 exploration permits, two of which are held by the Company directly and the balance of which are held through an option agreement with the holder of the permits. The status of this project is early stage and green fields' exploration has been carried out around Bafwasende and Bomili.

Delrand initially had an option agreement with the holder of 44 exploration permits (the "**Option Permits**") in Province Orientale in northeastern DRC, some 200 kilometres ENE of Kisangani. The Option Permits are central around Bafwasende and cover 7,313 km². The area is underlain by Archaean basement (Mbomou Craton) which in the south is covered by Proterozoic platform sediments. A large number of alluvial diamond diggings are concentrated on the Option Permit areas, but the primary kimberlite sources for the diamonds have never been found. Delrand also holds two additional exploration permits in its own name directly north of this ground at Bomili, which cover 749 km².

Delrand, through the said option agreement, conducted a reconnaissance stream sampling programme in the area between September 2008 and March 2009. In March 2009, security concerns prevented any follow-up work and an application for *force majeure* was accepted by the government.

In early 2011, this *force majeure* was lifted and a new joint venture arrangement was secured by the Company with Rio Tinto, whereby Rio Tinto will fund the follow-up exploration program over the DRC North Project up to and including a pre-feasibility study (assuming on-going satisfactory results). At that stage, Delrand would have a 30% interest in the DRC North Project. Thereafter, funding would be in proportion to equity.

During the reconnaissance stream sampling program, 285 stream samples were collected (266 over the Option Permits ground and 19 over the Delrand permits ground at Bomili) on an approximate 1-sample-per-25 km² grid. Each sample measured 30 litres of screened material (-0.7 to +0.4mm fraction). The samples were hand gravitated in the field and further concentrated by a mechanical jig in Kinshasa, DRC after which the sample concentrates were sorted at Rio Tinto's heavy mineral sorting laboratory in Perth, Australia. Chemical analyses were subsequently carried out on visually positive grains by X-ray microprobe methods using energy dispersive spectroscopy for the major element oxides and laser ablation methods where trace element data were obtained.

The results highlighted an area of interest over the central part of the Option Permits ground and on the northern and south-western parts of the Delrand permits ground. A number of samples from the central Option Permits ground have returned ilmenites, chromites (including several diamond-inclusion types), an eclogitic garnet and micro-diamonds (15 in total). There is a high proportion of yellow to yellow-brown diamonds with nitrogen chemistries indicating multiple sources. The restricted colour range of the diamonds perhaps suggests similar, and proximal rather than distal source(s). Some of the reconnaissance samples from the Delrand permits ground also contain mantle minerals (relatively un-abraded ilmenite and chromite) which indicate that primary sources for diamonds are possibly proximal to the area.

The follow-up program over the positive areas was restricted to 16 Option Permit areas and the two Delrand permit areas, and the sampling program was initiated by the Company in the first quarter of 2011. In total, 490 and 97 follow-up stream samples were collected on a sample density of 1 in 4.7 km² and 1 in 4.1 km² over the Option Permit areas and Delrand permit areas, respectively. All samples were concentrated by the Company's mechanical jig in Kinshasa, DRC before being consigned to Rio Tinto's

heavy mineral laboratory in Perth, Australia. The results of these follow-up samples are scheduled to be completed during the first quarter of 2012.

Geological Setting and History

The knowledge of the geology of Equateur is rudimentary but believed to be palaeo-Proterozoic while the basement in Orientale is most likely Archaean in age. The earliest geological exploration in northern DRC started in 1909 and the first gold and diamonds there were found by prospectors employed by Forminière in the early 1920s. Diamonds occur in alluvial deposits and no primary sources have so far been discovered in the DRC north of the equator, but no modern exploration techniques have been applied to those areas. Diamonds are found in sediments around Bafwasende and Bondo, but these are scattered and low grade. The diamonds in northern DRC are similar to those found and mined in the Central African Republic and are of good quality. The Company's objective is to explore for primary kimberlites, which occur as carrot-shaped funnels in the earth's crust generally between 50 and 1,000 metres in diameter.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The climate is tropical and the vegetation is classified as tropical rain forest. Being north of the equator, the area enjoys a relative 'dry' season between October and February. The area is relatively flat with isolated basement hills.

There are regular flights from Kinshasa to Kisangani by various local airlines. The road from Kisangani to Bafwasende has recently been resurfaced and is in good condition. However, the infrastructure from there on is poor and access to the field areas is best by motorbike, canoe or foot. All materials can either be flown in on scheduled flights or can be shipped from Kinshasa to Kisangani by boat on the Congo River, which takes approximately two to three weeks.

3.3.3 Northern DRC Iron Ore Project

In January 2010, the Company entered into an agreement (the "**JV Agreement**") with Rio Tinto Minerals Development Limited ("**Rio Tinto**") for the exploration for iron ore in areas within the Province Orientale, in the DRC. These areas are covered by exploration permits (the "**Permits**") in which the diamond and iron ore rights had been controlled by the Company as part of the Company's northern DRC diamond project. Pursuant to the JV Agreement, which is in the form of a shareholders' agreement, the Company owns 25% of the share capital of the joint venture company which owns the DRC company that holds the Permits, with Rio Tinto owning 75% of the share capital of the joint venture company. Under the JV Agreement, all iron ore exploration up to and including the completion of any feasibility study will be funded by Rio Tinto. The Company will not suffer any dilution during this period, such that the Company's 25% interest in the properties will be maintained during this period. The exploration will be carried out by Rio Tinto (or one of its affiliates) as operator. After the completion of any feasibility study, funding for the project is to be provided by Rio Tinto and Delrand pro rata based on their respective interests in the joint venture company.

Initial geological research and exploration indicates that the Permit areas, which are largely unexplored using modern exploration methods, are highly prospective for the discovery of iron ore deposits. As part of the 2010 exploration program, Rio Tinto commenced a reconnaissance drill program over the Permit areas. Rio Tinto has established a self-contained iron ore exploration base camp near Isiro. Rio Tinto has also covered the Permits by an airborne magnetic survey flown at 400 metres flight spacing. Areas of interest have subsequently been filled in by flight lines 200 meters apart.

In May 2011, the Company announced that its joint venture with Rio Tinto has discovered high grade haematite (a form of iron ore) in its exploration areas within Province Orientale, DRC. Additional iron ore results were announced by the Company in November 2011. The drilling results for 1,117 metres of diamond drill holes, which are detailed below, revealed average grades from the mineralized intercepts ranging from 62.5% to 68.5% iron.

Mapping and first pass drilling has been completed on the Zatusa 01 and 02 target areas with 11 diamond drill holes, one of which had to be abandoned, totaling 1,117 meters. Seven of these holes intercepted high grade haematite mineralization. The mineralized package was not present in the remaining holes despite their central location.

The target areas had been selected after the regional airborne magnetic survey referred to above had identified geophysical anomalies which subsequent ground follow up indicated to be associated with outcropping haematite mineralization. Mineralized intervals, where intercepted by a drill hole, range in thickness from 37 meters to 121 meters with both friable and massive textures being observed.

Analytical results have been received for all the seven holes with values of 62.5%-68.5% for Fe; 0.56% to 4.78% for Al_2O_3 ; 0.48% to 6.36% for SiO_2 and 0.040% to 0.148% for P, with the elevated high phosphorous values appearing to be associated with recent weathering. Despite limited thicknesses in some of the holes, the results give encouragement that high-grade haematite is present in the area.

Rio Tinto, as the operator, intends to complete the helicopter supported reconnaissance over the remainder of the Bomokandi permit area.

3.4 Qualified Persons

Dr. Michiel C. J. de Wit, who is President and a director of the Company and a "qualified person" (as such term is defined in National Instrument 43-101), has reviewed and approved the technical information in this AIF. See item 15.1 of this AIF for the names of the "qualified persons" (as such term is defined in National Instrument 43-101) for the purposes of the technical reports incorporated by reference into this AIF.

ITEM 4: DIVIDENDS

Subject to the requirements of the *Canada Business Corporations Act*, there are no restrictions in the Company's articles or by-law that would restrict or prevent the Company from paying dividends. However, the Company has not paid any dividend or made any other distribution in respect of its outstanding shares and management does not anticipate that the Company will pay dividends or make any other distribution in respect on its shares in the foreseeable future. The Company's board of directors, from time to time, and on the basis of any earnings and the Company's financial requirements or any other relevant factor, will determine the future dividend policy of the Company with respect to its shares.

ITEM 5: DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of common shares, of which 49,704,341 common shares were issued and outstanding as of the date of this AIF. The following is a summary of the material provisions attaching to the common shares.

The holders of the common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each common share held at all meetings of the shareholders of the Company. The holders of the common shares are entitled to (a) receive any dividends as and when declared by the board of directors, out of the assets of the Company properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Company in the event of any liquidation, dissolution or winding-up of the Company.

ITEM 6: MARKET FOR SECURITIES

The Company's common shares are listed for trading on the Toronto Stock Exchange (the "TSX") and on the JSE Limited in Johannesburg, South Africa, in each case under the symbol "BCD". The Company's common shares commenced trading on the JSE Limited on February 4, 2008 and commenced trading on the TSX on February 11, 2008. Prior to February 11, 2008, such shares traded on the TSX Venture Exchange.

The following table sets forth the high and low sale prices and volume of trading of the Company's common shares for the months indicated, as reported by the TSX.

<u>Month</u>	<u>High</u> (Cdn\$)	<u>Low</u> (Cdn\$)	<u>Volume</u> (#)
2011			
December	0.27	0.27	32,550
November	0.32	0.27	48,186
October	0.36	0.25	1,215,987
September	0.27	0.20	415,669
August	0.36	0.20	539,341
July	0.31	0.26	130,864
June	0.36	0.16	2,382,439
May	0.26	0.16	631,415
April	0.30	0.15	530,635
March	0.30	0.20	173,242
February	0.30	0.24	277,030
January	0.30	0.24	308,316

The share price and trading volume information in the above table has been adjusted to reflect the two to one Share Consolidation effected by the Company in June 2011.

The closing price of the common shares of the Company on March 28, 2012 was \$0.31 per share, as reported by the TSX.

ITEM 7: ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Company, no securities of the Company are held in escrow or held subject to a contractual restriction on transfer.

ITEM 8: DIRECTORS AND OFFICERS

8.1 Name, Occupation and Security Holding

The following table sets forth, as of the date hereof, the name and municipality of residence of each director and officer of the Company, as well as such individual's current position(s) with the Company, principal occupation(s) during the past five years and period of service as a director (if applicable). Each director will hold office until the close of the next annual meeting of shareholders of the Company unless his office is earlier vacated in accordance with the by-law of the Company.

<u>Name, Municipality of Residence and Current Position(s) with the Company</u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Director Since</u>
Michiel C.J. de Wit Irene, South Africa President and a director	President of the Company since February 2008; President and Chief Operating Officer of Tsodilo Resources Limited (a diamond and metals exploration company) from May 2010 to present; President and Chief Executive Officer of the Company from May 2007 to February 2008; General Manager for De Beers in the Democratic Republic of the Congo from July 2005 to April 2007; prior to July 2005, De Beers' Exploration Manager for Africa.	July 5, 2007
Brian P. Scallan Johannesburg, South Africa Vice President, Finance and a director	Vice President, Finance of the Company since August 2008; Vice President, Commercial of Banro Corporation (a gold mining company) from March 2010 to present; Head of Funding at Nikanor PLC (an AIM listed company developing a copper cobalt mine in the DRC) from November 2006 to February 2008; prior to November 2006, self-employed consultant providing project and corporate finance advisory consultancy work in Africa.	August 28, 2008
Maurice J. Colson ⁽¹⁾ Toronto, Ontario, Canada Director	Self-employed business consultant (actively involved in providing strategic counsel and assistance with financing to emerging private and public companies in Canada and to Canadian companies operating in China, Africa, and South America).	August 11, 2010
Geoffrey G. Farr Toronto, Ontario, Canada Corporate Secretary and a director	Vice President, General Counsel of Banro Corporation (a gold mining company) from February 2011 to present; in-house legal counsel to each of the Company, Loncor Resources Inc. (a gold exploration company) and Gentor Resources Inc. (a mineral exploration company) from February 2011 to present; partner of Macleod Dixon LLP (a law firm) ⁽²⁾ until February 2011.	February 11, 2008

<u>Name, Municipality of Residence and Current Position(s) with the Company</u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Director Since</u>
Arnold T. Kondrat ⁽³⁾ Toronto, Ontario, Canada Director	Executive Vice President of Banro Corporation (a gold mining company); consultant to the Company from February 2008 to present and, prior to February 2008, Executive Vice President of the Company; Executive Vice President of Loncor Resources Inc. (a gold exploration company) from October 2009 to present; President of Sterling Portfolio Securities Inc. (a private venture capital firm); Executive Vice President of Gentor Resources Inc. (a mineral exploration company).	August 7, 1990
Stephen C. Thomson ⁽¹⁾⁽³⁾ Johannesburg, South Africa Director	Senior partner of Thomson Wilks (a law firm).	February 11, 2008
Simon F. W. Village ⁽³⁾ Kent, United Kingdom Chairman of the Board of Directors and a director	Chief Executive Officer and President of Banro Corporation (a gold mining company) from September 2011 to present, and Chairman of the Board of Directors of Banro Corporation from November 2004 to February 2012; consultant to the Company from May 2007 to present; consultant to Loncor Resources Inc. (a gold exploration company) from January 2010 to present.	March 18, 2005
William R. Wilson ⁽¹⁾ Arvada, Colorado, U.S.A Director	Self-employed mineral industry consultant (provides consulting services in the areas of corporate management, engineering and marketing) from August 2010 to present; President and Chief Operating Officer of New Horizon Uranium Corporation (a mineral exploration company) from October 2005 to August 2010.	March 17, 2009
Donat K. Madilo Mississauga, Ontario, Canada Treasurer	Chief Financial Officer of Banro Corporation (a gold mining company) from September 2007 to present and, prior to September 2007, Treasurer of Banro Corporation; Chief Financial Officer of Loncor Resources Inc. (a gold exploration company) from November 2008 to present; prior to November 2008, Treasurer of Nevada Bob's International Inc. (prior to November 2008, Loncor Resources Inc. was named Nevada Bob's International Inc. and was an international licensor); Treasurer of the Company; Chief Financial Officer of Gentor Resources Inc. (a mineral exploration company) from March 2010 to present.	Not applicable

-
- (1) Member of the audit committee of the board of directors of the Company (the "**Audit Committee**").
 - (2) Macleod Dixon LLP is now called Norton Rose Canada LLP after merging with Norton Rose OR LLP effective January 1, 2012. Norton Rose Canada LLP acts as counsel to the Company.
 - (3) Member of the compensation committee of the board of directors of the Company.

As of the date hereof, the directors and officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over, 10,094,950 common shares of the Company, representing 20.31% of the issued and outstanding common shares of the Company as of the date hereof. As well, the directors and officers of the Company as a group hold, as of the date hereof, 837,500 stock options granted pursuant to the Company's Stock Option Plan and 6,750,000 warrants of the Company.

8.2 Corporate Cease Trade Orders or Bankruptcies

No director or officer of Delrand, or a shareholder holding a sufficient number of securities of Delrand to affect materially the control of Delrand, is, or within the 10 years before the date of this AIF has been, a director or officer of any company that, while that person was acting in that capacity,

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

Michiel C. J. de Wit and Brian P. Scallan (Messrs. de Wit and Scallan are directors and officers of the Company) were directors of Diamond Core at the time Diamond Core was the subject of a final liquidation order by the Northern Cape High Court in South Africa in July 2009. At that time, Diamond Core was a wholly-owned subsidiary of the Company. The Company disposed of all of its shares of Diamond Core effective September 30, 2009. See item 2 of this AIF ("General Development of the Business") for additional information.

An application to liquidate Diamond Core Technical Services (Pty) Ltd, which is a subsidiary of Diamond Core, was also made during 2009. At the time of this application, the Company still held all of the shares of Diamond Core and Messrs. de Wit and Scallan were directors of Diamond Core Technical Services (Pty) Ltd. The Company understands that the application to liquidate Diamond Core Technical Services (Pty) Ltd was withdrawn.

8.3 Personal Bankruptcies

No director or officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such

persons has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer, shareholder or personal holding company.

8.4 Penalties or Sanctions

No director or officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons has

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

8.5 Conflicts of Interest

To the best of the Company's knowledge, there are no existing or potential material conflicts of interest between the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company.

ITEM 9: AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The text of the Audit Committee's charter is attached to this AIF as Schedule "A".

Composition of the Audit Committee

The members of the Audit Committee are as follows: Maurice J. Colson, Stephen C. Thomson and William R. Wilson. Each such member is "financially literate" and "independent" within the meaning of National Instrument 52-110 - *Audit Committees* ("NI 52-110").

Relevant Education and Experience of Audit Committee Members

The following is a description of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member:

Maurice J. Colson

Mr. Colson holds a Masters of Business Administration (M.B.A.) from McGill University in Montreal, and has worked in the investment industry for more than 35 years. He was for many years managing director for a major Canadian investment dealer in the United Kingdom. He is actively involved in providing strategic counsel and assistance with financing to emerging private and public companies in Canada and to Canadian companies operating in China, Africa, and South America. Mr. Colson is a member of the audit committee of several Canadian publicly traded companies, and is the former President and Chief Executive Officer of the TSX Venture-listed company, Lithium One Resources.

Stephen C. Thomson

Mr. Thomson is the senior partner of Thomson Wilks. He is a qualified commercial attorney in South Africa in addition to having a diploma in company direction. He has been in practice since 1987 and has extensive experience in corporate law and commercial litigation and his firm represents a number of mining companies and companies involved in the mining industry.

William R. Wilson

Mr. Wilson holds a Masters of Business Administration (M.B.A.) from the University of Southern California. He has been a director and senior officer of a number of public companies in both Canada and the United States, and has been a member of the audit committee of several of these companies.

Reliance on Certain Exemptions

At no time since the commencement of the year ended December 31, 2011 has the Company relied on an exemption in section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), section 3.2 of NI 52-110 (*Initial Public Offerings*), section 3.3(2) of NI 52-110 (*Controlled Companies*), section 3.4 of NI 52-110 (*Events Outside Control of Member*), section 3.5 of NI 52-110 (*Death, Disability or Resignation of Audit Committee Member*) or section 3.6 of NI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*), on an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*) or on section 3.8 of NI 52-110 (*Acquisition of Financial Literacy*).

Audit Committee Oversight

At no time since the commencement of the Company's financial year ended December 31, 2011 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors of the Company.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies or procedures for the engagement of non-audit services.

External Auditors Service Fees

The following table summarizes the total fees of Deloitte & Touche LLP, the external auditors of the Company, in respect of the financial years of the Company ended December 31, 2011 and December 31, 2010:

	<u>2011</u>	<u>2010</u>
Audit Fees	\$44,000	\$43,000
Audit-Related Fees	\$20,000 ⁽¹⁾	-
Tax Fees	\$8,500 ⁽²⁾	\$17,500 ⁽²⁾
All Other Fees	-	-

(1) The services comprising these fees related to assistance with implementation of International Financial Reporting Standards.

(2) The services comprising fees related to the preparation of the Company's tax returns.

ITEM 10: PROMOTERS

No person or company has been, within the three most recently completed financial years or during the current financial year, a "promoter" (as such term is defined under applicable Canadian securities laws) of the Company.

ITEM 11: LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is in dispute with two former officers and directors with respect to claims made by them in relation to their departure from the Company. One of these individuals had applied in 2008 for a summary judgment against the Company in the Witwatersrand Local Division of the High Court of South Africa; the application was dismissed and the Company was granted leave to defend the claim. This individual has not taken further steps to progress that matter. However, in October 2010, almost two years after the original claim, the same former director and officer instituted fresh proceedings against the Company. He has repeated the claim made previously, but this time in a summons lodged before the North Gauteng High Court in South Africa. This individual is claiming he is owed payment of 1.2 million South African rand plus interest. The trial date for this matter has been set down for September 10, 2012. The other former director and officer has referred two disputes to arbitration at the CCMA (the Commission for Conciliation, Mediation and Arbitration) in Johannesburg, South Africa and an action to the High Court in that same jurisdiction. He elected to withdraw an application for summary judgment. The Company is defending all the foregoing actions.

Regulatory Actions

During the financial year ended December 31, 2011, (a) no penalties or sanctions were imposed against the Company by a court or regulatory body, and (b) no settlement agreements were entered into by the Company with a court relating to securities legislation or with a securities regulatory authority.

ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the fourth quarter of 2007, the Company obtained a \$3,000,000 credit line (the "**Loan Facility**") from a Canadian financial institution. During the first quarter of 2008, the Loan Facility was increased from \$3,000,000 to \$6,000,000. The Loan Facility was guaranteed by Banro Corporation ("**Banro**"), the Company's largest shareholder (see below for details regarding the number of shares held). In September 2009, Banro advanced to the Company a loan in the amount of \$6,337,991 that was used to pay in full the Loan Facility (principal and interest). In November 2009, the Company completed debt settlement transactions with certain of its creditors (the "**creditors**") pursuant to which such creditors accepted common shares of the Company, issued from treasury by the Company, in satisfaction of indebtedness owed to them by the Company (the "**Debt Settlements**"). The total number of common shares issued by the Company to the creditors under the Debt Settlements was 21,658,665 shares (the "**Debt Shares**"), and the total amount of Company debt settled by such share issuances was \$8,663,466. Banro was one of the creditors involved in the Debt Settlements. Immediately prior to the closing of the Banro Debt Settlement, Banro held 1,872,016 (or 14.35%) of the outstanding common shares of the Company. 15,844,978 of the Debt Shares were issued by the Company to Banro, to settle \$6,337,991 of indebtedness owed by the Company to Banro, such that Banro now owns 17,716,994 (or 35.65%) of the

outstanding common shares of the Company. Certain of the directors and officers of the Company are also directors and/or officers of Banro (see item 8 of this AIF, "Directors and Officers").

Macleod Dixon LLP, which acted as legal counsel to the Company, was also one of the creditors involved in the Debt Settlements. 1,843,688 of the Debt Shares were issued by the Company to Macleod Dixon LLP, to settle \$737,475 of indebtedness owed by the Company to Macleod Dixon LLP. Geoffrey G. Farr, who is a director and Corporate Secretary of the Company, was a partner of Macleod Dixon LLP at the time of the transaction. Macleod Dixon LLP is now called Norton Rose Canada LLP after merging with Norton Rose OR LLP effective January 1, 2012. Norton Rose Canada LLP acts as counsel to the Company.

Arnold T. Kondrat (who is a director of the Company) and Simon F. W. Village (who is Chairman of the Board and a director of the Company) acquired call options on all of the Debt Shares held by the creditors, pursuant to which Messrs. Kondrat and Village had the right to require the creditor to sell all of its Debt Shares to Messrs. Kondrat and Village for a purchase price equal to \$0.32 per share. The call options were exercisable until April 15, 2011, except in the case of 1,625,000 of the Debt Shares in which case the call option was exercisable until May 15, 2010. As well, one of the creditors had a put option on its 2,345,000 Debt Shares, pursuant to which such creditor had the right to require Messrs. Kondrat and Village to purchase such shares from such creditor. The said call and put options expired without being exercised.

Also in November 2009, the Company completed a non-brokered private placement of 10,000,000 units of the Company (the "**Units**") at a price of \$0.10 per Unit for proceeds to the Company of \$1,000,000 (the "**Financing**"). Each Unit consisted of one common share of the Company and one warrant of the Company, with each such warrant entitling the holder to purchase one common share of the Company at a price of \$0.132 for a period of four years. Certain of the directors of the Company purchased Units under the Financing. The directors of the Company who purchased Units under the Financing and the number of Units purchased by such directors are as follows: Mr. Kondrat - 3,625,000 Units; Mr. Village - 1,750,000 Units; Michiel C. J. de Wit - 250,000 Units (Mr. de Wit is also President of the Company); Brian P. Scallan - 250,000 Units (Mr. Scallan is also Vice President, Finance of the Company); and Mr. Farr - 250,000 Units. As well, a family trust of Mr. Village purchased 1,875,000 of the Units issued under the Financing. Mr. Village has advised the Company that he was not a settlor of the trust and is excluded as a beneficiary of the trust, and he does not control or direct the trust.

The foregoing information has been adjusted to reflect the two to one Share Consolidation effected by the Company in June 2011.

ITEM 13: TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's common shares in Canada is Equity Financial Trust Company at its office in Toronto, Ontario. In South Africa, Computershare Investor Services (Pty) Limited, at its office in Johannesburg, South Africa, acts as transfer secretaries for the Company.

ITEM 14: MATERIAL CONTRACTS

There are no contracts that are material to the Company entered into by the Company within the most recently completed fiscal year, or before the most recently completed fiscal year but after January 1, 2002 which are still in effect, other than material contracts entered into in the ordinary course of business that are not required to be filed under National Instrument 51-102 *Continuous Disclosure Obligations*.

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

- (a) Deloitte & Touche LLP, Chartered Accountants and Licensed Public Accountants, who provide the independent auditors' report accompanying the Company's annual consolidated financial statements. Deloitte & Touche LLP has confirmed to the Company that Deloitte & Touche LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Ontario.
- (b) Catherine A. Telfer and Fabrice G. Matheys, who are the "qualified persons" (as such term is defined in National Instrument 43-101) for the purpose of the Venmyn Technical Report.
- (c) Michiel de Wit and Fabrice Matheys, who are the "qualified persons" (as such term is defined in National Instrument 43-101) for the purpose of the Tshikapa Technical Report.

15.2 Interests of Experts

To the knowledge of the Company, none of the individuals referred to in paragraphs (b) and (c) of item 15.1 above beneficially owns, directly or indirectly, or exercises control or direction over, 1% or more of the outstanding common shares of the Company.

Dr. de Wit, who is President and a director of the Company, holds 325,000 common shares of the Company, 325,000 warrants of the Company and 375,000 stock options of the Company granted pursuant to the Company's Stock Option Plan. Mr. Matheys, who was an employee of the Company at the time the Tshikapa Technical Report was prepared, held at such time 140,000 (or 70,000 taking into account the Share Consolidation) stock options of the Company granted pursuant to the Company's Stock Option Plan.

ITEM 16: ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is contained in the Company's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2011.

Schedule "A"

BRC DIAMOND CORPORATION

Terms of Reference
Audit Committee of the Board of Directors of
BRC Diamond Corporation

June 29, 2005

MANDATE

A. Role and Objectives

The audit committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of BRC Diamond Corporation (the "**Corporation**") established for the purpose of overseeing the accounting and financial reporting process of the Corporation and external audits of the consolidated financial statements of the Corporation. In connection therewith, the Committee assists the Board in fulfilling its oversight responsibilities in relation to the Corporation's internal accounting standards and practices, financial information, accounting systems and procedures, financial reporting and statements and the nature and scope of the annual external audit. The Committee also recommends for Board approval the Corporation's audited annual consolidated financial statements and other mandatory financial disclosure.

The Corporation's external auditor is accountable to the Board and the Committee as representatives of shareholders of the Corporation. The Committee shall be directly responsible for overseeing the relationship of the external auditor. The Committee shall have such access to the external auditor as it considers necessary or desirable in order to perform its duties and responsibilities. The external auditor shall report directly to the Committee.

The objectives of the Committee are as follows:

1. to be satisfied with the credibility and integrity of financial reports;
2. to support the Board in meeting its oversight responsibilities in respect of the preparation and disclosure of financial reporting, including the consolidated financial statements of the Corporation;
3. to facilitate communication between the Board and the external auditor and to receive all reports of the external auditor directly from the external auditor;
4. to be satisfied with the external auditor's independence and objectivity; and
5. to strengthen the role of independent directors by facilitating in-depth discussions between members of the Committee, management and the Corporation's external auditor.

B. Composition

1. The composition of the Committee shall be in accordance with the requirements of applicable securities laws, applicable corporate laws, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules. Determinations as

to whether a particular director satisfies the requirements for membership on the Committee shall be made by the full Board.

2. Members of the Committee shall be appointed by the Board. Each member shall serve until his successor is appointed, unless he shall resign or be removed by the Board or he shall otherwise cease to be a director of the Corporation.
3. The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership.
4. The Committee shall have access to such officers and employees of the Corporation and to such information respecting the Corporation as it considers to be necessary or advisable in order to perform its duties and responsibilities.

C. Meetings

1. At all meetings of the Committee, every question shall be decided by a majority of the votes cast. In case of an equality of votes, the matter will be referred to the Board for decision.
2. A quorum for meetings of the Committee shall be a majority of its members.
3. Meetings of the Committee shall be scheduled at such times during each year as it deems appropriate. Minutes of all meetings of the Committee shall be taken. The Chief Financial Officer (or, in the event the Corporation does not have a Chief Financial Officer, the person who performs similar functions to a Chief Financial Officer) shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Committee Chair.
4. The Committee shall report the results of meetings and reviews undertaken and any associated recommendations to the Board.
5. The Committee shall meet periodically with the Corporation's external auditor (in connection with the preparation of the annual financial statements and otherwise as the Committee may determine).

RESPONSIBILITIES

As discussed above, the Committee is established to assist the Board in fulfilling its oversight responsibilities with respect to the accounting and financial reporting processes of the Corporation and external audits of the Corporation's consolidated financial statements. In that regard, the Committee shall:

1. satisfy itself on behalf of the Board with respect to the Corporation's internal control systems including identifying, monitoring and mitigating business risks as well as compliance with legal, ethical and regulatory requirements. The Committee shall also review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or other contingency (including tax assessments) that could have a material effect on the financial position or operating results of the Corporation (on a

consolidated basis), and the manner in which these matters may be, or have been, disclosed in the financial statements;

2. review with management and the external auditor the annual consolidated financial statements of the Corporation, the reports of the external auditor thereon and related financial reporting, including Management's Discussion and Analysis and any earnings press releases, (collectively, "**Annual Financial Disclosure**") prior to their submission to the Board for approval. This process should include, but not be limited to:
 - (a) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future year's financial statements;
 - (b) reviewing significant accruals, reserves or other estimates;
 - (c) reviewing accounting treatment of unusual or non-recurring transactions;
 - (d) reviewing adequacy of reclamation fund;
 - (e) reviewing disclosure requirements for commitments and contingencies;
 - (f) reviewing financial statements and all items raised by the external auditor, whether or not included in the financial statements; and
 - (g) reviewing unresolved differences between the Corporation and the external auditor.

Following such review, the Committee shall recommend to the Board for approval all Annual Financial Disclosure;

3. review with management all interim consolidated financial statements of the Corporation and related financial reporting, including Management's Discussion and Analysis and any earnings press releases, (collectively "**Quarterly Financial Disclosure**") and, if thought fit, approve all Quarterly Financial Disclosure;
4. be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than Annual Financial Disclosure or Quarterly Financial Disclosure, and shall periodically assess the adequacy of those procedures;
5. review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus of the Corporation;
6. with respect to the external auditor:
 - (a) receive all reports of the external auditor directly from the external auditor;
 - (b) discuss with the external auditor:
 - (i) critical accounting policies;

- (ii) alternative treatments of financial information within GAAP discussed with management (including the ramifications thereof and the treatment preferred by the external auditor); and
 - (iii) other material, written communication between management and the external auditor;
- (c) consider and make a recommendation to the Board as to the appointment or re-appointment of the external auditor, being satisfied that such auditor is a participant in good standing pursuant to applicable securities laws;
- (d) review the terms of engagement of the external auditor, including the appropriateness and reasonableness of the auditor's fees, and make a recommendation to the Board as to the compensation of the external auditor;
- (e) when there is to be a replacement of the external auditor, review with management the reasons for such replacement and the information to be included in any required notice to securities regulators and recommend to the Board for approval the replacement of the external auditor along with the content of any such notice;
- (f) oversee the work of the external auditor in performing its audit or review services and oversee the resolution of any disagreements between management and the external auditor;
- (g) review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Corporation and its affiliates in order to determine the external auditor's independence, including, without limitation:
 - (i) requesting, receiving and reviewing, on a periodic basis, written or oral information from the external auditor delineating all relationships that may reasonably be thought to bear on the independence of the external auditor with respect to the Corporation;
 - (ii) discussing with the external auditor any disclosed relationships or services that the external auditor believes may affect the objectivity and independence of the external auditor; and
 - (iii) recommending that the Board take appropriate action in response to the external auditor's information to satisfy itself of the external auditor's independence;
- (h) as may be required by applicable securities laws, either:
 - (i) pre-approve all non-audit services to be provided by the external auditor to the Corporation (and its subsidiaries, if any), or, in the case of *de minimis* non-audit services, approve such non-audit services prior to the completion of the audit; or

- (ii) adopt specific policies and procedures for the engagement of the external auditor for the purposes of the provision of non-audit services; and
 - (i) review and approve the hiring policies of the Corporation regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation;
- 7. (a) establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
- (b) review with the external auditor its assessment of the internal controls of the Corporation, its written reports containing recommendations for improvement, and the Corporation's response and follow-up to any identified weaknesses;
- 8. with respect to risk management, be satisfied that the Corporation has implemented appropriate systems of internal control over financial reporting (and review senior management's assessment thereof) to ensure compliance with any applicable legal and regulatory requirements;
- 9. review annually with management and the external auditor and report to the Board on insurable risks and insurance coverage; and
- 10. engage independent counsel and other advisors as it determines necessary to carry out its duties and set and pay the compensation for any such advisors.