

NAMIBIAN MINERALS CORPORATION
MANAGEMENT PROXY CIRCULAR
FOR THE 2001 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
SOLICITATION OF PROXIES

The information contained in this management proxy circular (the “Circular”) is furnished in connection with the solicitation of proxies to be used at the annual and special meeting (the “Meeting”) of shareholders of Namibian Minerals Corporation (the “Company” or “Namco”) to be held on Friday, June 29, 2001 at 11:30 a.m. at 243-247 Pavillion Road, London, England, and at all adjournments of the meeting, for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by employees of the Company. **The solicitation of proxies by this circular is being made by or on behalf of the management of the Company** and the total cost of the solicitation will be borne by the Company. The information contained herein is given as at May 18, 2001, except where otherwise noted.

Copies of the Company’s latest annual information form (together with the documents incorporated therein by reference), the comparative financial statements of the Company for the year ended December 31, 2000, together with the report of the auditors thereon, management’s discussion and analysis of the Company’s financial condition and results of operations for the year ended December 31, 2000, the interim financial statements of the Company for periods subsequent to the end of the Company’s last fiscal year and additional copies of this Circular are available upon request from the Secretary of the Company.

All dollar values in this Circular are stated in United States dollars, unless otherwise noted.

Appointment of Proxies

The persons named in the enclosed form of proxy are representatives of management of the Company and are directors and officers of the Company as of the date of the Circular. A shareholder who wishes to appoint some other person to represent such shareholder at the meeting may do so by inserting such person’s name in the blank space provided in the form of proxy. Such other person need not be a shareholder of the Company.

To be valid, proxies must be deposited with any one of the following:

- (a) the Company’s registrar and transfer agent, Computershare Trust Company of Canada, at 4th Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9 (Fax: (604) 685-4079),
- (b) Transfer Secretaries (Pty.) Limited, P.O. Box 2401, Windhoek, Namibia (Fax: (264) 61-248531), or

- (c) the Company at its principal office at 243-247 Pavilion Road, London, England SW1X 0BP (Fax: 44-20-7824-8889),

so as to arrive not later than the close of business on June 27, 2001 or, if the meeting is adjourned, at least 48 hours before the time of such adjourned meeting, excluding Saturdays and holidays.

Non-Registered Holders

Only registered holders of common shares of the Company, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, common shares of the Company beneficially owned by a holder (a “Non-Registered Holder”) are registered either:

- (a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

In accordance with the requirements of National Policy Statement No. 41 of the Canadian Securities Administrators, the Company has distributed copies of the notice of meeting, this Circular and the form of proxy (collectively, the “meeting materials”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the meeting materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive meeting materials will either:

- (a) be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with any one of Computershare Trust Company of Canada, Transfer Secretaries (Pty.) Limited or the Company as described above under “Appointment of Proxies”; or
- (b) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting instruction form by telephone).

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. ***In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.***

Revocation

A registered shareholder who has given a proxy may revoke the proxy by:

- (a) completing and signing a proxy bearing a later date and depositing it with any one of Computershare Trust Company of Canada, Transfer Secretaries (Pty.) Limited or the Company as described above under "Appointment of Proxies"; or
- (b) depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing: (i) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of the Meeting, at which the proxy is to be used, or (ii) with the chairman of the Meeting prior to the commencement of the Meeting on the day of the meeting or any adjournment of the Meeting; or
- (c) in any other manner permitted by law.

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the Intermediary at least seven days prior to the Meeting.

VOTING OF PROXIES

The management representatives designated in the enclosed form of proxy will vote or withhold from voting the shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions of the shareholder as indicated on the proxy and, if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. ***In the absence of such direction, such shares will be voted by the management representatives for the election of directors, for the appointment of auditors, for the amendment to the articles of the Company, as indicated under those headings in this Circular.***

The enclosed form of proxy confers discretionary authority upon the management representatives designated in the form of proxy with respect to amendments to or variations of matters identified in the notice of meeting and with respect to other matters which may properly come before the

Meeting. At the date of this Circular, the management of the Company knows of no such amendments, variations or other matters.

VOTING SHARES

On May 18, 2001, the Company had outstanding 85,329,372 common shares. Each holder of common shares of record at the close of business on May 18, 2001, the record date established for notice of the Meeting, will be entitled to one vote for each common share held on all matters proposed to come before the Meeting, except to the extent that the holder has transferred any common shares after the record date and the transferee of such shares establishes ownership of them and makes a written demand, not later than the close of business on June 19, 2001, to be included in the list of shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such shares. Other than a special resolution, which must be passed by a two-thirds majority (66 2/3%) of the votes cast at the Meeting, or the election of directors, all other matters require a simple majority (50%) of the votes cast at the Meeting.

PRINCIPAL HOLDERS OF VOTING SECURITIES

To the knowledge of the directors and officers of the Company, the only persons or corporations who beneficially own, directly or indirectly, or exercise control or direction over, securities of the Company carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company are indicated below:

<u>Name and Address</u>	<u>Designation of Class</u>	<u>Number of Securities</u>	<u>Percentage of Class</u>
LL Mining Corporation B.V. ("LL Mining") ⁽¹⁾	Common	37,727,273	44.2%

⁽¹⁾ LL Mining Corporation B.V. is a Netherlands corporation which is wholly owned by Meijer Witgoed Capelle B.V., which in turn is wholly owned by Mr. Lev Leviev, a prominent Israeli businessman in the diamond industry.

PARTICULARS OF MATTERS TO BE ACTED UPON

A. Amendment to the Company's Articles to Increase Number of Directors

At the Meeting, shareholders will be asked to approve a special resolution ("Resolution 1") approving an amendment to the articles of continuance of the Company.

In order to be effective, Resolution 1 must be passed by a two-thirds majority (66 2/3%) of the votes cast at the Meeting. **The board of directors has determined that the amendment to the Articles is in the best interest of the Company and recommends that shareholders vote in favour of Resolution 1. The intention of management representatives, designated in the enclosed form of proxy, is to vote the shares in respect of which they are appointed proxy in favour of Resolution 1, a copy of which is set out in the Schedule to this Circular. Management representatives will vote in this manner unless the shareholders direct in their form of proxy that the shares be otherwise voted.**

Pursuant to the current corporate articles governing the Company, the maximum number of directors of the Company is currently seven. Pursuant to a US\$9,400,000 private placement by the Company of special warrants and special notes (the “Special Notes”) on March 23, 2001, the holders of Special Notes were given the right to nominate two individuals as management nominees for election as directors at each annual meeting. Similarly, in connection with a US\$15,000,000 private placement by the Company of common shares and warrants on May 1, 2001 to LL Mining, LL Mining was granted the right to nominate two-sevenths of the board of directors (rounding up to the next highest whole number) as management nominees for election as directors at each annual meeting. In connection with these two transactions, the board of directors believes it would be desirable to increase the maximum number of directors from 7 to 10 by revising the articles of the Company.

Resolution 1 also stipulates that the Articles of the Company be amended to provide that subject to the minimum and maximum number of directors set out in the articles, the directors of the Company may set the number of directors to be elected by shareholders at a meeting of shareholders. **The board of directors has determined that such an amendment to the articles is in the best interest of the Company as it serves to clarify in the articles who is responsible for establishing the size of the board of directors.**

B. Election of Directors

The board of directors has proposed an amendment of the articles of the Company to increase the maximum number of directors from 7 to 10 (see “Amendment to the Company’s Articles to Increase Number of Directors” above) in order to accommodate the addition of new directors to the board. If the amendment is approved, the size of the board of directors will be set at 10 directors and shareholders will elect this number of directors to the board. Each director of the Company is elected annually and holds office until the next annual meeting of the shareholders unless that person ceases to be a director before then.

In the absence of instructions to the contrary, the management representatives named in the enclosed form of proxy intend to cast the votes to which the shares represented by such proxy are entitled in favour of the nominees herein listed. Management does not contemplate that any of the nominees will be unable to serve as a director.

The following table sets out the names of the persons to be nominated for election as directors, the positions and offices which they presently hold with the Company, their respective principal occupations and the number of shares of the Company which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the date hereof:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Became Director</u>	<u>Number of Shares</u>
JOHN ALASTAIR HOLBERTON ⁽¹⁾⁽²⁾ Cape Town, South Africa	President and Chief Executive Officer of the Company.	1993	2,636,557

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Became Director</u>	<u>Number of Shares</u>
CARLO CIVELLI ⁽²⁾⁽³⁾ Zurich, Switzerland	Independent businessman and a director of Clarion Finanz AG, a company specialising in investment banking.	1993	645,000
HOWARD L. BECK, Q.C. ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Independent businessman and a director of a number of public and private companies.	1996	—
ANDREW E. BUXTON ⁽¹⁾⁽³⁾ London, England	Non-executive director of Mercury World Mining Trust (a company engaged in investment, from 1993) and of Henderson Far East Income Trust PLC, a company engaged in investment.	1997	50,000
LOINE GEINGOS Windhoek, Namibia	Non-executive director of Global Projects Namibia (Pty) Ltd. (a company engaged in food catering); Oshiwanda Fishing Co (Pty) Ltd. (a company engaged in fishing); Namibia Sea Food Processor (Pty) Ltd. (a company engaged in food processing); Charity and Development Projects CC (a charitable organization); Offshore Development Company (a company engaged in import/export business)	1999	5,700
ARYE BARBOY ⁽⁴⁾ Lehavim, Israel	Director of International Investment, Leviev Group of Companies (from 1994); Partner and Financial Director, United Project Services Ltd. (from 1990 to 1998)	—	—
ELIEZER NEFUSSY ⁽⁴⁾ Ramat-gan, Israel	General Manager, ILD Hotels (from 2000); Chief Financial Officer, ILD Hotels (from 1989); Chief Financial Officer, Hed Arzi (from 1993 to 1996)	—	—
JAY KELLERMAN ⁽⁴⁾ Toronto, Ontario	Partner, Stikeman Elliott law firm (from 1997); Partner, Smith Lyons law firm (from 1994 to 1997)	—	—
FRANK GIUSTRA ⁽⁵⁾ Vancouver, British Columbia	Founder and Chairman, Lions Gate Entertainment Corp. (from 1997); Chairman and CEO, Yorkton Securities Inc. (from 1995 to 1997)	—	—
NEIL WOODYER ⁽⁵⁾ Vancouver, British Columbia	Managing Director, Endeavour Financial (from 1988)	—	—

(1) Member of the Compensation Committee.

(2) Member of the Nominating Committee.

(3) Member of the Audit Committee.

(4) Nominees of LL Mining.

(5) Nominees of the holders of Special Notes (or the debentures underlying those Special Notes).

No director, executive officer or officer of the Company, or any proposed nominee for election as a director of the Company, or any associate of any such director, officer or proposed nominee is, or at any time since the beginning of the most recently completed financial year of the Company has been, indebted to or benefiting from financial assistance from the Company or any of its subsidiaries.

If Resolution 1 is not passed by shareholders, the number of directors to be elected by shareholders will remain at seven and the following three individuals listed above will not be nominated by management as directors: Howard Beck, Carlo Civelli, and Jay Kellerman.

C. Appointment of Auditor

Shareholders are asked to approve, and the persons named in the enclosed form of proxy intend to vote in favour of, the reappointment of Deloitte & Touche LLP, Chartered Accountant, as auditor of the Company for the ensuing year, to hold office until the close of the next annual meeting of the shareholders, at a remuneration to be fixed by the board of directors. Deloitte & Touche have served as auditors of the Company since December 1, 1993.

D. Other Business

Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the form of proxy solicited hereby will be voted on such matters in accordance with the best judgement of the persons voting by proxy.

EXECUTIVE COMPENSATION

The following Summary Compensation Table, presented in accordance with the regulation to the *Securities Act* (Ontario), sets forth the compensation paid in respect of individuals who were, in respect of the financial year ended December 31, 2000, the Chief Executive Officer and the only other executive officer of the Company whose total salary and bonus exceeded CAD\$100,000 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year Ended ⁽⁴⁾	Annual Compensation			Long-Term Compensation Awards	
		Salary (US\$) ⁽¹⁾⁽²⁾	Bonus (US\$)	Other Annual Compensation ⁽³⁾ (US\$)	Common Shares Under Options / SARs Granted ⁽⁵⁾ (#)	All Other Compensation (US\$)
Alastair Holberton, Chief Executive Officer, President & Director	2000	448,000	Nil	Nil	Nil/Nil	Nil
	1999	373,000	271,000	Nil	1,000,000/Nil	Nil
	1998	220,000	77,000	Nil	Nil/Nil	Nil
Charles Purdy ⁽⁶⁾ , Chief Financial Officer, Secretary & Director	2000	164,000	4,000	Nil	Nil/Nil	Nil
	1999	141,000	89,000	Nil	Nil/Nil	Nil
	1998	83,000	29,000	Nil	Nil/Nil	Nil

Notes

- (1) All salary amounts paid in pounds sterling are converted to United States dollars as of December 31, 2000, at a rate of exchange of US\$1.00 = £0.67.
- (2) All figures are in United States dollars, unless otherwise stated. Prior year figures have been restated on the basis of the relevant rates of exchange on December 31, 2000.
- (3) The value of perquisites and other personal benefits for each Named Executive Officer does not exceed the lesser of C\$50,000 and 10% of the total annual salary and bonus of such Named Executive Officer and accordingly is not recorded.
- (4) The Company changed its financial year-end in 1998, resulting in a seven month financial year for 1998 beginning June 1, 1998 and ending on December 31, 1998.
- (5) Alastair Holberton held options exercisable into 1,000,000 common shares at US\$3.70 which expired in 2001. The Company granted Alastair Holberton new options in 1999 to replace these options. The new options may be exercised to acquire common shares at US\$2.75.
- (6) Charles Purdy and the Company have agreed that Mr. Purdy will cease to be Chief Financial Officer and Secretary of the Company immediately following the Meeting.

No officers of the Company other than the Named Executive Officers received, in their capacity as officers or employees of the Company or its subsidiaries, individual compensation in excess of CAD\$40,000 for services in all capacities during the most recently completed financial year.

STOCK OPTION INCENTIVE COMPENSATION

No stock options were granted to any of the Named Executive Officers, directors and officers during the year ended December 31, 2000.

The following table sets forth information relating to options exercised by the Named Executive Officers, directors and officers during the year ended December 31, 2000:

AGGREGATED OPTION EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION VALUES⁽¹⁾

Name	Common Shares Acquired on Exercise (#)	Aggregate Value Realized (US\$)	Unexercised Options at December 31, 2000 (#)	Value of Unexercised in-the-Money Options at December 31, 2000 (US\$)
			Exercisable / Unexercisable	Exercisable / Unexercisable
Alastair Holberton Chief Executive Officer, President & Director	10,000	312 ⁽²⁾	615,000 / 375,000	Nil / Nil
Charles Purdy Chief Financial Officer, Secretary & Director	Nil	Nil	156,250 / 93,750	Nil / Nil

Notes

⁽¹⁾ The high and low trading price of the Company's stock on NASDAQ for the 30 days prior to the date of exercise of the option was US\$3.25 and US\$2.34, respectively.

⁽²⁾ Determined as the difference between the market value of the common shares underlying the option at the date of exercise (being US\$2.7812 per share at closing of NASDAQ on September 8, 2000) and the exercise price of the option.

Employment Contracts

Alastair Holberton

The Company entered into a service agreement dated September 10, 1993 with Alastair Holberton, the Chief Executive Officer and President of the Company. The agreement provides that Mr. Holberton is employed by the Company on a non-exclusive basis and prohibits Mr. Holberton from being contractually involved with any enterprise that competes with the business of the Company. The term of the agreement was five years commencing on August 1, 1993 and the agreement continues thereafter unless and until terminated by either party giving proper notice. At Mr. Holberton's instigation, this agreement was revised on May 11, 2001 and the notice period required for termination was reduced from 36 months to three months ("Proper Notice"). Mr. Holberton's salary is reviewed annually. Mr. Holberton agreed to a voluntary reduction in salary from £300,000 following the Company's recent difficulties. For the period from February 2001 to June 2001, Mr. Holberton's base salary was set at £210,000. After June 2001, Mr. Holberton's base salary is set at £250,000 per annum.

The agreement with Mr. Holberton provides for a payment in the event of termination for whatever reason (other than in circumstances where the Company gives Proper Notice) of a sum

equal to his then applicable salary and the value of other benefits which he would have received if the agreement had been terminated by the Company giving Proper Notice. The sum payable to Mr. Holberton in the event of such termination will be calculated gross and without deduction for any amount assessable by way of a discount for mitigation, accelerated receipt or otherwise.

Eliezer Nefussy

The Company is currently in negotiations with Mr. Nefussy in respect of his appointment as Chief Financial Officer. This appointment will occur following the Meeting.

Charles Purdy

The Company and Charles Purdy have agreed in principle that Mr. Purdy will cease to be Chief Financial Officer and Secretary as of the Meeting and Eliezer Nefussy will be appointed as the Company's Chief Financial Officer. Subject to a written agreement, the Company and Mr. Purdy have agreed that in consideration for waiving the 36 month notice period in his employment agreement, Mr. Purdy will be paid a redundancy payment of £45,000 before June 30, 2001 and will enter into a 12 month consulting agreement. The proposed terms of such agreement are as follows: Mr. Purdy will be paid £10,000 per month for up to 15 days of consulting per month for the first three months. For the remaining nine months, Mr. Purdy will be paid £3,500 per month for up to five days of consulting per month. Further, on or about July 1, 2001, Mr. Purdy will have vested 100,000 options to acquire common shares of the Company. The exercise price of the options will be US\$0.50. The options will expire 36 months after the date of vesting.

COMPOSITION OF COMPENSATION COMMITTEE

The compensation committee of the board of directors of the Company (the "Compensation Committee") is comprised of three directors: Howard L. Beck (Chairman), J. Alastair Holberton and Andrew E. Buxton. Alastair Holberton is the Chief Executive Officer of the Company. Neither Mr. Beck nor Mr. Buxton is an officer, employee or former officer or employee of the Company or any of its affiliates or is eligible to participate in the Company's executive compensation program, except as described under "Compensation of Directors". The Compensation Committee meets as required, and at least annually, to monitor and review management compensation policies and benefits, management succession planning and to review overall composition and quality of the Company's management resources. The Compensation Committee's mandate is to review and approve changes to executive compensation. This includes an annual evaluation of the performance of the Named Executive Officers of the Company and a review of the performance reports for other executive officers.

REPORT ON EXECUTIVE COMPENSATION

Philosophy

The Company believes that executive compensation should be based on the role and responsibility of the executive in relation to both the marketplace for comparable executive services and within the Company, as well as on the executive's individual performance, and that this should apply equally to all executive officers. The compensation arrangements of the

Company are focused on rewarding performance. Accordingly, compensation levels are and will continue to be monitored to ensure that they are competitive within the relevant marketplace.

The key components of executive compensation are currently base salary, short-term incentives and long-term incentives. The short and long-term incentive plans are designed to provide a significant amount of variable compensation which is linked to individual performance and increases in shareholder value.

Short-term incentives are represented by cash bonus awards. Awards are determined based on both the performance of the Company and the individual executive. The performance of the Company is measured by the achievement of pre-arranged objectives established for individual executives by the board of directors and other objectives of the Company. The individual performance of the executive is based on the degree to which that executive has met specific pre-agreed objectives.

Long-term objectives are intended to reward management based on increases in the value of the Company's common shares. The purpose of these arrangements, reflected primarily in the Company's stock option plan, is to achieve a commonality of interest between shareholders and management and to motivate executives to improve the Company's longer term financial success, measured in terms of enhanced shareholder wealth over the long term. The allocation of share options to executives is based on criteria similar to those applicable to short-term incentives and, in part, on maintaining individual executives' pro rata interest in the stock option plan.

Compensation of the Chief Executive Officer

The compensation of Alastair Holberton, the Chief Executive Officer of the Company, is determined by Mr. Beck and Mr. Buxton in accordance with the compensation principles discussed above under "Philosophy". The base salary of Alastair Holberton, Chief Executive Officer and President of the Company, was reduced as from February, 2001 from £300,000 to £210,000 until June 2001, at which time it is set at £250,000 per annum. Based on Mr. Holberton's performance and achievement of corporate goals, the Compensation Committee did not approve a cash bonus for the 2000 financial year.

Report presented by:

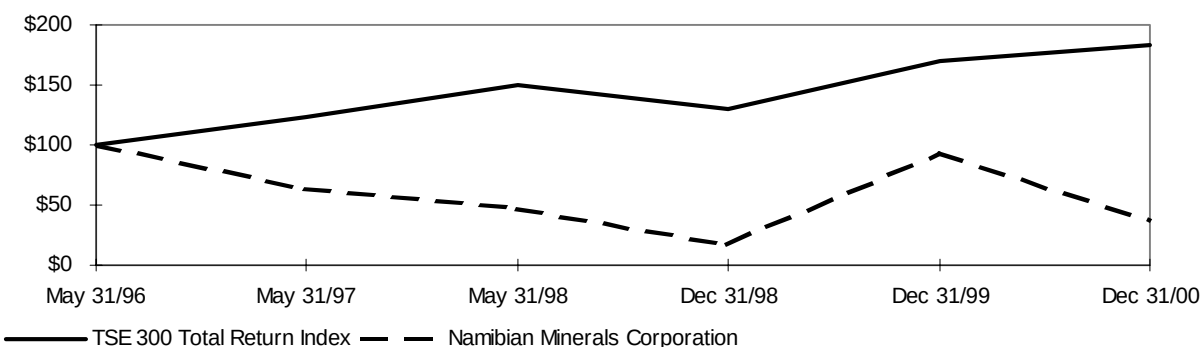
J. Alastair Holberton

Howard L. Beck

Andrew E. Buxton

PERFORMANCE GRAPH

The following graph charts the performance of an investment in the Common Shares assuming an investment of C\$100 on May 31, 1996 against the TSE 300 Total Return Index during such period. The total cumulative shareholder return to December 31, 2000 for C\$100 invested in the Company on May 31, 1996 was C\$36.71 as compared with C\$183.14 for the TSE 300 Total Return Index.



COMPENSATION OF DIRECTORS

Other than compensation paid to Alastair Holberton and Charles Purdy, as disclosed above in the Summary Compensation Table, the non-executive directors each received US\$12,000 in compensation in the most recently completed financial year for their services in their capacity as directors of the Company.

Andrew Buxton, who was elected a director of the Company on September 30, 1997, receives £12,000 per year with respect to consulting work Mr. Buxton does for the Company in addition to the non-executive director compensation he receives.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company believes that sound corporate governance practices are essential to the well being of the Company and its shareholders. The mandate of the board of directors is to supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company.

Frequency of meetings as well as the nature of agenda items change depending upon the state of the Company's affairs and in light of opportunities or risks which the Company faces.

Board Composition

The board of directors is currently composed of seven members. However, if Resolution 1 is passed, the number of directors on the board will be set at 10. The board of directors is constituted with a majority of individuals who qualify as "unrelated directors" within the meaning of the 1994 report of The Toronto Stock Exchange Committee of Corporate Governance in Canada (the "TSE Report"). The increase in the size of the Company's board of directors is necessary to accommodate the rights of the holders of Special Notes (and the debentures underlying those Special Notes) and of LL Mining. Under these circumstances, the Company believes that 10 directors is an appropriate size for the board of directors.

Alastair Holberton, the Chief Executive Officer of the Company, and Charles Purdy, the current Chief Financial Officer of the Company, are currently also directors. Eliezer Nefussy, the proposed Chief Financial Officer, is a management nominee for election as director. The board

believes that given the direct involvement of the Company's officers in the Company's business, the presence of the Chief Executive Officer and the Chief Financial Officer is beneficial to the other directors and their participation as directors contributes to the effectiveness of the board.

Independence from Management

Mr. Holberton is Chair of the board of directors and Chief Executive Officer of the Company. In the view of the board of directors, the fact that Mr. Holberton occupies both offices does not impair the ability of the board of directors to act independently of management. They have reached this conclusion based on the fact that a majority of the directors on the board are unrelated directors.

Board Committees

The board of directors currently has three committees: the Audit Committee, the Nominating Committee and the Compensation Committee. From time to time, *ad hoc* committees of the board may be appointed. The Company does not have an executive committee.

Audit Committee

The current members of the Audit Committee are Andrew Buxton (Chairman), Howard Beck and Carlo Civelli. This committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the Company's external auditors. The committee is also responsible for reviewing quarterly financial statements and the annual financial statements prior to their approval by the full board of directors. Pursuant to the investment agreement dated March 30, 2001 between Paul Weststrate BV (now LL Mining) and the Company, the Company undertook to seek to have the board of directors of the Company appoint one of the directors designated by LL Mining as the chairman of the Audit Committee.

Nominating Committee

The Nominating Committee is currently composed of three directors. The committee is responsible for reporting to the board with respect to appropriate candidates for nomination to the board of the Company and to the boards of subsidiary companies, and for evaluating the performance of the board. The committee is also responsible for making recommendations to the full board with respect to developments in the area of corporate governance and the practices of the board. The current members of the Nominating Committee are Messrs. Alastair Holberton (Chairman), Carlo Civelli and Howard Beck.

Compensation Committee

The membership and role of the Compensation Committee is described above under "Composition of the Compensation Committee".

Decisions Requiring Board Approval

In addition to those matters which must by law be approved by the board, management is also required to seek board approval for any disposition or expenditure in excess of \$5,000,000. Management is also required to consult with the board before entering into any venture which is outside of the Company's existing businesses.

Board Performance

It is the responsibility of the Chair of the board to ensure the effective operation of the board. At least once each year, the Chair meets with all the independent directors as a group to discuss the effectiveness of the process the board follows and the quality of information provided to directors by management. The Chair also meets at least once each year on an individual basis with every member of the board to discuss that director's contribution to board and committee meetings and any other matters which the individual directors wish to raise with the Chair.

Shareholder Feedback

The Company maintains an investor relations department which the board believes is important and highly effective. Every shareholder inquiry receives a prompt response from the investor relations department or an appropriate officer of the Company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains directors' and officers' liability and company reimbursement insurance. This coverage was renewed in 2000 for the one year period ending October 20, 2001. The insurance has a limit of coverage of US\$7,500,000 in aggregate for worldwide coverage, plus an additional 10% coverage in respect of defence costs. The policy is subject to various exclusions, including claims against directors or officers arising through fraud or wilful misconduct, personal injury and property and certain pollution claims. An additional insurance policy was purchased by the Company for coverage of US\$7,500,000, on the same conditions of coverage as the initial policy discussed above. The Company has been informed by its insurers that officers and directors of the Company will not be insured against claims by any significant shareholder of the Company such as LL Mining.

Directors' Approval

The contents of this Circular and the sending thereof to the shareholders of the Company have been approved by the directors of the Company.

London, England, May 18, 2001.

By Order of the Board of Directors

"J. Alastair Holberton"
Chief Executive Officer and Director

SCHEDULE

SPECIAL RESOLUTION 1: AMENDING CONSTATING DOCUMENTS TO INCREASE NUMBER OF DIRECTORS

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The articles of the Company be amended to increase the maximum number of directors of the Company from 7 to 10 directors by amending paragraph 4 of the Company's articles of continuance to read as follows:

"4(a) Number (or minimum or maximum number) of directors

Minimum - 3

Maximum - 10"

2. The articles of the Company be revised to clarify the ability of the directors to set the number of directors to be elected by shareholders at a meeting of shareholders by adding the following as paragraph 4(b) to the Company's articles of continuance:

"Subject to the minimum and maximum number of directors set out in the articles of the Corporation, the directors of the Corporation may set the number of directors to be elected by shareholders at a meeting of shareholders."

3. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute and deliver Articles of Amendment, in duplicate, to the Yukon Registrar of Corporations to give effect to the foregoing and to do all such other acts and things and to sign, execute and deliver all such further and additional documents, agreements, instruments and certificates as may be necessary or desirable to give effect to the foregoing.
4. The board of directors of the Company is hereby authorized to revoke this resolution at any time prior to the amendment to the articles of the Company becoming effective without further approval of the shareholder of the Company and to determine not to proceed with the amendment to the articles of the Company.