



RENEWAL ANNUAL INFORMATION FORM

March 30, 2007

Suite 910- 475 Howe Street
Vancouver, British Columbia V6C 2B3

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PRELIMINARY NOTES

Incorporation of Financial Statements

Incorporated by reference into this renewal annual information form (the "Annual Information Form") are the audited consolidated financial statements for Brazilian Diamonds Limited (the "Company" or "Brazilian Diamonds") for the fiscal years ended December 31, 2006 and December 31, 2005 together with the auditor's report thereon. The financial statements were filed via SEDAR on March 28, 2007 and are available for review on the SEDAR website located at www.sedar.com. All financial information in this Annual Information Form is prepared in accordance with accounting principles generally accepted in Canada.

Currency and Metric Equivalents

All dollar amounts are expressed in Canadian dollars unless otherwise indicated. The Company's accounts are maintained in Canadian dollars. The business activities of the Company, carried out through its subsidiaries in Brazil are conducted primarily with the Brazilian Real. The rate of exchange on December 29, 2006 as reported by the Bank of Canada, for the conversion of one Brazilian Real into Canadian dollars was \$0.5458.

For ease of reference, the following factors for converting Imperial measurements into metric equivalents are provided:

<u>To convert from Imperial</u>	<u>To metric</u>	<u>Multiply by</u>
Acres	Hectares	0.405
Feet	Metres	0.305
Miles	Kilometres	1.609
tons (2000 pounds)	Tonnes	0.907
ounces (troy)/ton	grams/tonne	34.286

CORPORATE STRUCTURE

Name and Incorporation

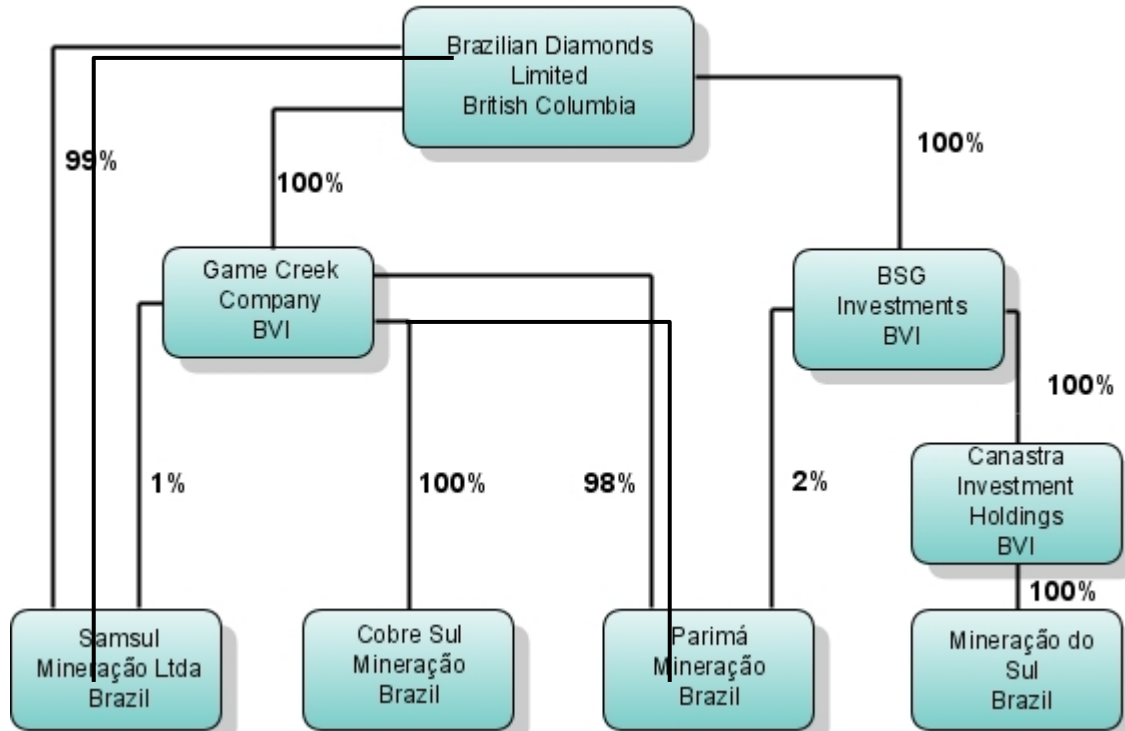
The Company was incorporated under the Company Act (British Columbia) on June 24, 1983 under the name Black Swan Gold Mines Ltd. by registration of its Memorandum and Articles with the British Columbia Registrar of Companies. On October 16, 1987 the Memorandum of the Company was altered by subdividing the Company's authorized capital four for one. On May 6, 1994 the Memorandum of the Company was amended by increasing the authorized capital of the Company from 40,000,000 Common Shares to 150,000,000 Common Shares. On February 27, 1997 the Memorandum of the Company was altered by increasing the authorized capital to 300,000,000 Common Shares, consolidating the Company's authorized and issued share capital on a five for one basis and, subsequently, increasing the Company's authorized capital to 100,000,000 Common Shares. At the Company's annual general meeting held on September 30, 1999, the shareholders approved the name change to "Black Swan Resources Ltd." which was affected on October 15, 1999 with the regulatory authorities. On February 5, 2001 the Company was continued under the Yukon Business Corporations Act and in conjunction therewith the Company's authorized capital became an unlimited number of Common Shares without par value. Effective November 19, 2003 the Company continued back into British Columbia under the British Columbia Business Corporations Act (formerly the Company Act (British Columbia)) and changed its name to Brazilian Diamonds Limited.

The head office of the Company is located at Av. Afonso Pena, 3.130 – Sala 907, Funcionários, Belo Horizonte - MG/Brazil CEP: 30 130-009. The executive office address of the Company is located at 910 -

475 Howe Street, Vancouver, British Columbia, Canada, V6C 2B3. The registered office of the Company is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

Subsidiaries

The following corporate chart sets forth all of the Company's subsidiaries, their jurisdictions of incorporation and the percentage of voting securities held by the Company:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Company, together with its subsidiaries, focuses on the exploration and development of prospective mineral properties. The Company is currently concentrating its resources on a number of diamond properties in Brazil. Diamond exploration and development continues to be the strategic direction for the Company.

Effective December 7, 2006, the Company completed the disposition of its interest in the Cata Preta joint venture (the "Disposition"). On October 21, 2005, the Company entered into an agreement (the "October Agreement") with Hidefield Gold plc ("Hidefield Gold"), a public company listed on AIM, for the sale of the Company's 50% interest in the Cata Preta Gold Project within the Quadrilátero gold district of Minas Gerais.

Subsequently, the Company entered into a letter agreement dated November 29, 2006 to outline the terms necessary to effect the transactions necessary to give effect to the October Agreement and the terms of closing of the Disposition. The Company, through BSG Investments Inc. ("BSG"), the Company's wholly-owned subsidiary and the owner of 1,050,000 shares (the "OPML Shares") of Ouro Preto Mineração Ltda. ("OPML"), which holds the mineral licences (the "Licenses") that are the subject matter of

the joint venture, entered into a bare trust agreement in favour of Hidefield Gold, under which it now holds the OPML Shares in trust for Hidefield Gold in consideration for which Hidefield Gold has (1) granted to BSG a 5% net profits interest royalty (the "NPI") in respect of any mine or commercial venture developed by Hidefield on any of the properties that are the subject of the Licences, and (2) has agreed to pay to the Company 20% of net proceeds received by Hidefield Gold from the joint venture, lease or outright sale of any of the Licence. As such, the Company has transferred to Hidefield Gold 50,000 shares of Cata Preta Holdings Ltd. ("CPHL" and the "CPHL Shares"), representing all the issued and outstanding shares of CPHL, the Company's wholly-owned subsidiary through which it currently holds 3,050,000 of the issued and outstanding shares of OPML, in consideration for which Hidefield Gold has issued 2,500,000 ordinary shares to the Company at a deemed price of 6 pence per share. The Company now holds 14,625,000 ordinary shares of Hidefield Gold, representing 5.98% of the issued share capital of Hidefield Gold. Kenneth Judge, the Company's Chairman, is also the Chairman of Hidefield Gold. Francis Johnstone, a director of the Company is also a director of Hidefield Gold.

On December 8, 2006, the Company completed a private placement of 24,710,000 new common shares raising approximately £1.98 million before expenses of the issue. Of the 24,710,000 shares subscribed for under the placing, 21,510,000 shares were placed by the Company and Teather & Greenwood Limited with UK institutional investors at a price of \$0.18 per share (8 pence per share) and 3,200,000 shares were placed by the Company with a US institutional investor at a price of \$0.18 per share (US\$0.16 per share).

On October 17, 2006, the Company announced the recovery of significant micro-diamond counts from the first drill-hole in a series of deep diamond drill tests on the large Régis kimberlite in central Minas Gerais. Two drill holes (RDH-01 and RDH-02) were completed in August 2006 to depths of 317 meters and 251 meters respectively. RDH-01 was tested at the Saskatchewan Research Council (SRC) of Canada and returned 129 micro-diamonds from a total of 348.75 kg of tested material. The most prolific sample interval yielded 92 micro-diamonds from 16.25 kg of kimberlite between 301.7 to 311.5 metres. The largest stone recovered in this interval remained on a 0.300 mm screen. The second most prolific interval yielded 20 micro-diamonds from 48.7 kg at the top of the pyroclastic kimberlite (113.4 to 142.8 m.). The largest stone from any of the samples, which remained on a 0.425 mm screen, was recovered from this interval.

Effective September 13, 2006, the Company completed the acquisition of the Chapada Diamantina Kimberlite Project data sets from De Beers Brasil Ltda. The Chapada Diamantina Kimberlite Project is located in the State of Bahia, Brazil. The Company paid an initial cash payment on closing of \$165,975 (US\$150,000). A second payment of Cdn \$150,000 is due 180 days after closing and is to be paid either in cash or shares with the third payment of Cdn\$150,000 due 360 days after closing which can also be paid either in cash or shares. The Company will be required to issue to De Beers 1 million shares in the event of the discovery on this portfolio of properties, a kimberlite pipe which after bulk testing is confirmed to contain more than 200 carats of diamonds. In the event that the Company's shares are issued in lieu of cash payments, the number of shares issued will be determined using the higher of the prevailing market price of the Company's shares and Cdn\$0.10 per share. De Beers will retain the right to re-acquire an interest of up to 40% in any kimberlite discovery on the portfolio (and confirmed to contain more than 200 carats of diamonds). In order to exercise this right, De Beers will have to pay to the Company an amount calculated as 300% of the Company's exploration expenditures to that date, on the kimberlite body.

On March 2, 2006, the Company completed a private placement of 4,352,093 common shares at a price of Cdn \$0.34 (17pence), with a European investor for proceeds of Cdn \$1,479,712 (£739,856). The proceedings of this financing, which is in addition to the financing on February 16, 2006, will be used to assist the Company with funding of (i) accelerated exploration activity including drilling and bulk sampling of a number of kimberlite bodies in and around the Santa Antônio do Bonito River valley; (ii) further upgrading of the already substantial laboratory at Patos de Minas; (iii) the costs of an anticipated expansion of the licence portfolio in the Santa Antônio do Bonito River valley area; and (iv) general corporate, financing and administrative expenses. Of these shares, 352,093 were issued in connection

with interest accrued, owing and unpaid on a convertible loan agreement dated February 14, 2003 as detailed below.

Effective March 1, 2006, Robert W. Anderson resigned as the Company's CFO and Secretary and Kerry Beamish was appointed as CFO to fill the vacancy. Mr. Beamish has twenty years of financial experience with private and public corporations holding positions of treasurer, controller and financial analyst. Jacqueline Collins was appointed as the Company's Secretary on March 6, 2006. Ms. Collins is currently the corporate secretary and legal administrator of HRG Management Ltd., a management company that has common directors with the Company and certain other public companies with which the Company shares premises.

On February 15, 2006, the Company completed a brokered private placement with Teather & Greenwood of 8,735,294 common shares at a price of Cdn \$0.34 (17 pence) for proceeds of \$2,970,000 (£1,485,000). Teather & Greenwood received a cash commission of 5% on the placement.

On January 31, 2006, the process of accreditation for the Patos de Minas diamond laboratory to ISO 17025 standards advanced further with the approval by INMETRO, the Brazilian standards agency, of the Company's submission. The laboratory treats samples for third party clients and has begun to expand the scope of its activities. The laboratory specializes in mineral processing material from the Company's diamond exploration program and has the capability of recovering indicator minerals and diamonds from sediment samples and mini-bulk samples up to approximately 10 tonnes in size. The laboratory has now received full ISO 17025 accreditation.

On January 25, 2006, the President of Brazil created a "working group" consisting of a number of important federal ministries and representatives of the local community and interested organizations to recommend a final solution to the Serra da Canastra National Park boundary debate within 90 days. The Brazilian government has announced that following the receipt of this report, the recommended boundary dimension will be confirmed through a Presidential Decree which would then be ratified by Congress. The boundary debate, which is not far distant from the Canastra 1 project, is said to be the reason for delays within federal authorities in finalizing licensing of operations at Canastra 1.

On January 24, 2006, the Company entered into an agreement with Westhouse Securities LP ("Westhouse") whereby the Company engaged Westhouse to act as nominated advisor to the Company on an ongoing basis in relation to its quotation on AIM. Pursuant to the agreement the Company is obligated to pay to Westhouse an annual fee of £25,000 (plus VAT).

On January 19, 2006, the Company entered into an agreement with Teather & Greenwood Limited ("T&G") whereby the Company engaged T&G to act as sole broker to the Company for the purposes of the rules contained in the booklet "AIM – Rules for Companies" published by the London Stock Exchange plc. Pursuant to the agreement the Company is obligated to pay T&G an annual fee of £25,000 (plus VAT).

On December 7, 2005, the Company issued a total of 3,468,939 common shares at a deemed price per share of Cdn \$0.25 in connection with the conversion of a convertible loan agreement dated February 14, 2003. The loan was for the principal amount of US\$571,000 and was converted into 3,468,939 common shares of the Company using a conversion rate of Cdn \$1.5188 to US \$1.00 and a conversion price of Cdn \$0.25 per share, both as provided for in the loan agreement.

On September 15, 2005, drilling in the vicinity of the Santo Antônio do Bonito River commenced with six of the first ten drill holes in the Dinamerico target area intersecting kimberlitic material producing garnets which are visually similar to that of pyropes found in alluvial samples in the valley below. A small (38.15 kg) sample of this material was sent to the Saskatchewan Research Council ("SRC"), an independent laboratory in Saskatchewan, Canada, for micro-diamond testing which resulted in recovery through the use of the caustic fusion technique of 1 micro-diamond which remained on a 0.106 mm screen. The amount of core available for testing is too small to enable a proper evaluation of the potential of this interval and drilling is underway to recover a larger sample for further testing. This single micro-diamond

is the first diamond recovered from tests on the bedrock in the Santo Antônio do Bonito drainage, approximately 3 kilometres upstream from the small section of the river where artisanal miners have recovered 9 gem quality diamonds of over 300 carats each.

On July 11, 2005, the Company received the required environmental licenses to permit commencement of bulk sampling test work at the Santo Antônio do Bonito alluvial project. A total of seven (7) licenses were issued by FEAM, the Minas Gerais State environmental agency. These licenses permit the excavation of alluvial material from four (4) bulk test sites and the construction of the bulk sampling plant.

On May 25, 2005, the Company, through its wholly owned subsidiary, Game Creek, entered into an agreement with De Beers, to purchase a data set for the Maravilha Region of the State of Minas Gerais, Brazil ("Maravilha Data Set"). Pursuant to the agreement, the Company paid a total of \$299,750 for the purchase of the data set by making cash payment of C\$50,000 and issuing 450,000 common shares of the Company at an agreed issued value of \$249,750. The "Maravilha" database covers approximately 6,400 hectares located between the Abaeté River Region and the city of Belo Horizonte in Minas Gerais, Brazil adjacent to areas where the company is presently focussing its diamond exploration activities. This area includes the diamondiferous "Maravilha 3" kimberlite and is also thought to have the potential to host additional diamond discoveries.

On March 30, 2005, the Company completed the 5th core drill hole (TDH5) on the Tucano 1 anomaly and began the drill testing two other similar geophysical anomalies located within 500 m of the body. The 5th drill hole was terminated at 50 m, after exiting kimberlite and entering country rock at 37.7 m. It is believed that this drill hole defines the eastern edge of the body which may be between 1.5 and 2 hectares in surface extent. Further micro diamond results were received from the Saskatchewan Research Council (SRC), Canada with five micro-diamonds were recovered including four that remained on a 0.106 mm screen, and one that remained on a 0.150 mm screen (no micro-diamonds remained on the smallest screen used at 0.075 mm).

On March 22, 2005, the Company contracted with Stephen Fabian, the Company's President, for a short term housing loan to assist him with the acquisition of an apartment in Brazil. The principal amount of the loan was US\$150,000 calculated at a rate of 5% per annum calculated monthly and payable upon repayment of the principal amount on or before December 15, 2005. The loan was repaid in full on March 6, 2006.

On January 26, 2005, the Company received preliminary micro-diamond test results from the discovery drill hole at the Tucano 1 kimberlite, located in the State of Minas Gerais, Brazil. The Saskatchewan Research Council (SRC) of Canada has reported that after processing 66.9 kg of submitted material, comprising 3 samples, a total of 182 micro-diamonds were recovered with an aggregate weight of 0.573 milligrams (0.00287 carats). For further details please see "Item 4 Narrative Description of the Business".

On January 25, 2005, a private placement was arranged for 2,500,000 common shares with an institutional investor at a price of Cdn 47 cents per share for total proceeds of Cdn\$1,750,000.

On January 25, 2005, Hamilton Capital Partners Limited ("Hamilton"), a company with which Kenneth Judge, the Chairman and a director of the Company, is associated, sold 7,500,000 common shares of the Company to institutional investors at a price of Cdn 47 cents per share. Simultaneously, Hamilton exercised existing warrants over 7,500,000 new common shares at a price of Cdn 20 cents per share. Williams De Broe received a cash commission of 3% in connection with the placements.

Upon completion of this transaction, the Company agreed to grant to Hamilton 2,500,000 warrants (the "Warrants") to subscribe for new common shares in the Company. The Warrants are exercisable within three years of the date of grant at an exercise price of Cdn 70 cents per share. The Company agreed to grant the Warrants to Hamilton as consideration for the early exercise of its 7,500,000 warrants (expiry date February 23/06).

In addition, the Company agreed with Hamilton and Rock Capital Partners Limited ("Rock Capital"), a company with which Stephen Fabian and Francis Johnstone, who are both directors of Brazilian, are associated, that Hamilton and Rock Capital would purchase 11,125,000 and 1,000,000 "Hidefield Gold units" respectively from the Company at a price of 4.5 pence per unit. Each Hidefield Gold unit comprises one ordinary share in Hidefield Gold and the right to acquire a further share in Hidefield Gold from the Company at 6 pence per share within three years of the date of grant. The price of 4.5 pence represented a premium of approximately 9% to the closing mid-market price of Hidefield Gold shares on 25 January 2005.

As a result of the placing of the new shares, the exercise of warrants by Hamilton and the sale of Hidefield Gold units to Hamilton and Rock Capital, the Company generated, in aggregate, approximately Cdn\$3.9 million, before expenses. The funds raised through these transactions were used during the 2005 year to fund the Company's kimberlite exploration program, including drilling and mini-bulk sampling and the upgrading of the Company's laboratory at Patos de Minas, Minas Gerais, Brazil with the training of a new kimberlite indicator mineral picking team.

On December 17, 2004, Dr. Glenn Brown was appointed to the board of directors. Mr. Brown is a mining industry analyst and adjunct professor at the Lassonde Program in Mineral Engineering at the University of Toronto.

On December 9, 2004, the Company announced that it changed its financial year end to December 31st from March 31st in order to bring the holding company's year end into alignment with requirements under Brazilian law that the Brazilian subsidiaries have a calendar year end.

On November 10, 2004, the Company announced that it had been advised by Hidefield Gold, the operator of the previous Cata Preta Joint Venture, that the final phase of the initial drilling program had been completed and a preliminary, economic scoping study of the "Carvoeira" gold deposit at the Cata Preta project in Minas Gerais, Brazil, had commenced. For further details please see "Narrative Description of the Business".

On November 9, 2004, the Company announced the purchase of two additional extensive diamond exploration datasets from the De Beers Group. For further details please see "Significant Acquisitions and Significant Dispositions".

On September 20, 2004, the Company acquired from the De Beers Group their entire diamond exploration database covering the Serra da Canastra region of Brazil. For further details please see "Significant Acquisitions and Significant Dispositions".

On February 11, 2004, the Company signed a joint venture agreement on the Santo Antonio do Bonito properties with two important partners in Minas Gerais, Companhia de Desenvolvimento Econômico de Minas Gerais ("CODEMIG") and Mineração Rio Novo ("MRN"). CODEMIG is the development arm of the Minas Gerais Government and for many years has been involved in developing mining projects in the State. MRN is the mining arm of Andrade Gutierrez, a large civil engineering and telecommunications group in Brazil, which operates the Rio Novo alluvial diamond project. The agreement followed two years of initial studies prior to CODEMIG's commitment to fund an \$800,000 definitive feasibility study. This is expected to take up to three years to complete from the date of signing and will involve geophysics, extensive bulk sampling and banka drilling on the Company's license areas. Under the agreement, Brazilian Diamonds would be free carried to full project development (capital expenditures are currently estimated to be in the order of US\$8 to 10 million to put the project into production) whilst retaining a 25% interest in the alluvial project. The kimberlite targets within the Santo Antonio do Bonito river system remain under the control of Brazilian Diamonds and the Company is actively exploring for the bedrock sources of the legendary large diamonds which have been recovered from this river. In fact over a 5-kilometer stretch of this river, 9 gem quality diamonds, all over 300 carats in size have been recovered by artesian miners. During 2004 and 2005, Brazilian Diamonds conducted a large-scale alluvial river drainage sampling programme looking for the indicator minerals, which may indicate the bedrock source for these large diamonds. Recent success from this programme has led the Company to commence a

programme of diamond drilling and mini-bulk sampling for micro diamonds using the new Patos de Minas mineral processing laboratory. Initial results from this drilling and bulk sampling programme have been encouraging.

During fiscal 2004 and 2003, a major effort was undertaken to complete the economic plan and mining licensing approvals for the Canastra 1 kimberlite project. Gemcom Brasil completed the conceptual study and determined that Canastra 1 could produce 114,000 carats over a four-year mine life. Capital expenditures would be very low as the Company already owns the major items of capital equipment including a 15 tonne per hour dense media diamond separation plant and Flowsort x-ray diamond recovery system. The Brazilian Mines department (DNPM) awarded these approvals and the environmental licensing report has been prepared, ready to be submitted to the appropriate authorities for licensing. The Company is still awaiting final approval from the Brazilian Federal Environmental Agency (IBAMA) to finalise the licensing processes so that site construction may commence. This approval has been delayed largely due to bureaucratic problems within the agency over plans to re-define the boundaries of a nearby national park. The matter has been referred by the President of Brazil to an inter-ministerial work group who must report its findings by the end of April 2006. As a consequence of these actions, the Canastra 1 project is now unlikely to commence operations until the end of 2006, thirty months behind schedule. Work continued within the surrounding Canastra region with ground geophysics conducted over a number of selected known kimberlites including the large Canastra 8 body, which covers 21 hectares at surface and the promising Canastra 35 body. A deep drill programme to a depth of 350 metres has been planned for Canastra 8 and the Company is also awaiting environmental clearance to commence work on this project.

Significant Acquisitions

Effective September 13, 2006, the Company completed the acquisition of the Chapada Diamantina Kimberlite Project from De Beers Brasil Ltda. See "General Development of the Business – Three Year History" set out above.

NARRATIVE DESCRIPTION OF THE BUSINESS

The Company is engaged in the exploration, development and exploitation of mineral resources in Brazil.

For information on the Company's exploration properties please see a National Instrument 43-101F1 technical report filed on March 30, 2007 on SEDAR with securities regulators entitled, "Technical Description of Brazilian Diamonds Ltd.'s Exploration Properties, Minas Gerais and Bahia States, Brazil" by Harrison O. Cookenboo, Ph.D., P. Geo. (APEGBC license #23483, P.Geol. (Licensee #L1028 Northwest Territories and Nunavut) and Jefferson Miranda, Ph.D, CREA, (the "Technical Report"). The Technical Report is filed on SEDAR at www.sedar.com This report and the updates under the heading "The Brazilian Properties" below, regarding the program since the date of the report, are specifically incorporated by reference into, and form an integral part of, this Renewal Annual Information Form ("AIF").

THE BRAZILIAN PROPERTIES

States of Minas Gerais and Bahia, Brazil

The Company is exploring for diamonds on 190,000 hectares of mineral licenses in Bahia and Minas Gerais states, Brazil. The program includes four advanced exploration and evaluation projects: 1) The Régis Kimberlite, where drilling in 2006 has returned micro-diamond counts from a previously untested central pipe-like body; 2) the Santo Antônio do Bonito alluvial joint venture study, which has returned high-value diamonds and is awaiting completion of the final report; 3) The Canastra 1 kimberlite, which produced 5000 carats of diamonds when bulked sampled in 1998 and is awaiting permitting, and 4) the Salvador 1 kimberlite, which was purchased from De Beers as part of the Chapada Diamantina Project acquisition in 2006, and which is scheduled for bulk sampling to begin in the second quarter of 2007.

The properties are located within the Archean basement terrane of the São Francisco Craton, and to the west in the Brasília Belt, which is a Proterozoic metamorphic belt that thrusts over the more ancient rocks of the craton. In addition to the advanced projects listed above, Brazilian Diamonds is working on several less advanced projects applying a diamond exploration model developed by the Company for the São Francisco Craton and adjacent Brasília Belt region of Brazil.

This exploration model integrates diamond exploration data sets acquired in priority areas by the company between 2002 and 2006 from other explorers including De Beers Brasil Ltda., Canabrava Diamonds, Mineração de Sul Ltda., and Cobre Sul. These data sets include more than 320,000 electron microprobe analyses, 40,000 line km of airborne geophysics, 67,000 indicator mineral samples, as well as drilling, bulk sample results, and known kimberlite locations. This data, along with publicly available reports, studies and maps, are being used to continuously identify new targets for exploration and testing.

Brazilian Diamonds began re-evaluation of the Régis Kimberlite in 2004 due to favourable indicator mineral chemistry comparable to diamond-bearing bodies from the Brasília Belt. This re-evaluation identified an untested central pipe shaped body. Drilling during 2006 intersected kimberlite returned micro-diamonds from this central pipe. A total of 6 drill holes have been completed at Régis. The first two drill holes yielded 129 micro-diamonds from 348.75 kg of tested core. Results from the next drill holes are expected soon.

Concurrently, the first stage of a CDN\$800,000 feasibility study was completed in 2006 by the joint venture partners with the goal of reaching a final decision on establishing a large scale alluvial diamond mine on the downstream flats of the Santo Antônio do Bonito River. The first five alluvial mining test pits yielded a total of 107 diamonds weighing 24.22 carats were recovered from the five pits. Largest of these diamonds is a 5.92 carat pink stone estimated at a value of US\$45,000 by independent local Brazilian diamond buyers (estimates ranged from US\$6,000 to US\$10,000 per carat). The next 3 largest stones weigh 2.75, 2.71 and 1.92 carats apiece, with the remaining stones recovered down to a minimum size of 0.02 carats. Most of diamonds, including all the largest and most valuable stones were recovered from 3332 m³ (in-situ) of basal gravels reached at a level between 3.3 and 10.7 metres in the different pits. In total, 9615 m³ of sands and gravel were processed from the five test pits. The diamonds recovered to date are encouraging, especially the recovery of a very high-value pink stone from such small samples. The total sample size is much too small for confident prediction of average diamond values per carat, and point to the need for additional larger samples.

The newest advanced project for the Company is the Salvador 1 kimberlite in the Chapada Diamantina region of Bahia State, which was acquired from De Beers Brasil in the 3rd quarter of 2006. Brazilian Diamonds' review of data associated with the Salvador 1 Kimberlite suggests the pipe is diamond-bearing. Uncertainties in the diamond recovery from the existing tests and the relatively small samples sizes, combined with the significant surface area of the body probably exceeding 6 hectares, suggests larger tests are warranted. The Company has proposed a program of 6 sample pits, each extracting samples of 640 m³ of kimberlite, which will be completed in 2007 following successful permitting.

The Brazilian Diamonds properties are deemed to merit further exploration and evaluation for diamonds, with priorities including further delineation of Régis Kimberlite targets, planning and initiation of alluvial mining along the Santo Antônio do Bonito River, as well as trial mining of the Canastra 1 pipe. An exploration work program in the amount of CDN\$2.53 million is recommended to advance the priority projects, with a separate program of CDN\$2.0 million recommended for trial mining of the Canastra 1 pipe, once permitting has been completed.

These projects are located in mostly farming and ranching country in the state of Minas Gerais and Bahia, which both have a long history of mining and good infrastructure. Mining began in Minas Gerais during the Portuguese colonial days of 17th century and in fact the state's name is Portuguese for "General Mines". Access to all the properties is available by paved and dirt roads and populations centers ranging from small villages to the cosmopolitan city of Belo Horizonte (4 million people) can supply all logistical requirements. The Salvador 1 project can also be reached from the City of Salvador (2.5 million people) by both paved and dirt roads and other farming communities are located near to the project.

Project Description and Location

The Company has 190,872 hectares of mineral claims under license for diamond exploration in Minas Gerais and Bahia States, Brazil. Another 10,796 hectares of claims are under application and are awaiting a final decision by the government agency responsible. These diamond exploration licenses are held by wholly-owned Brazilian subsidiaries SAMSUL Mineração Ltda, Mineração do Sul Ltda, Parimá Mineração Ltda, and Cobre Sul.

The diamond properties occur in four distinct regions:

1. Coromandel, 380 km west of Belo Horizonte.
2. Patos de Minas, 150 kilometres northeast of Coromandel and the location of Brazilian diamond's mineral processing laboratory.
3. Serra da Canastra, 200 kilometres south of Coromandel and 270 kilometres southwest of Belo Horizonte.
4. Chapada Diamantina, 500 kilometers west-north-west of Salvador, capital of Bahia and 900 kms north from Belo Horizonte.

Brazilian Diamonds made exploration advances on properties in the Coromandel and Patos de Minas regions in 2006, and believes it has progressed significantly towards acquiring permits in the Serra da Canastra region. Bulk testing of the Company's new project in Chapada Diamantina, Bahia will commence in 2007.

For further information on the project description and location please see page 10 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

For information on the accessibility, climate, local resources, infrastructure and physiography please see page 25 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

History

For information on the history please see page 30 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Geological Setting

For information on the geological setting please see page 34 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Deposit Types

For information on the types of mineral deposits please see page 41 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Mineralization

For information on mineralization please see page 44 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Exploration

For information on exploration please see page 47 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Drilling

For information on drilling please see page 71 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Sampling Method and Approach

For information on sampling method and approach please see page 74 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Sample Preparation, Analyses and Security

For information on sample preparation, analyses and security please see page 76 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Data Verification

For information on data verification please see page 77 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Adjacent Properties

For information on adjacent properties please see page 78 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Mineral Processing and Metallurgical Testing

For information on mineral processing and metallurgical testing please see page 79 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Mineral Resource and Mineral Reserve Estimates

For information on mineral resource and mineral reserve estimates please see page 80 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

Other Relevant Data and Information

For Other Relevant Data and Information please see page 82 of the Technical Report filed on SEDAR at www.sedar.com and specifically incorporated by reference into, and form an integral part of, this AIF.

RISK FACTORS

Risks of Mining Operations

The business of mining is subject to a variety of risks such as accidents, flooding, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences may delay production, increase production costs or result in liability. The Company has insurance in amounts that it considers adequate to protect itself against certain risks of mineral exploration. However, the Company may become subject

to liability for hazards which it cannot insure against or which it may elect not to insure against because of premium costs or other reasons. In particular, the Company is not insured for environmental liability or earthquake damage.

Title Matters

While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be affected by undetected defects in title, such as the reduction in size of the mineral claims and other third party claims affecting the Company's priority rights, at the discretion of the Department of Mines (DNPM). The Company's interests in mineral tenures are comprised of exclusive rights under government licences and contracts to conduct operations in the nature of exploration and, in due course if warranted, development and mining, on the licence areas. Maintenance of such rights is subject to ongoing compliance with the terms of such licences and contracts.

Conflicts of Interest

Directors of the Company are or may become directors of other reporting companies or have significant shareholdings in other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Company and its directors attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

Currency Fluctuations

The Company maintains its accounts in Canadian dollars. Future operations by the Company may make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. While, at present, monetary inflation in Brazil is relatively low in past years the exchange value of the Brazilian Real has been subject to hyper-inflation. The Company is not involved in any hedging activities.

Additional Funding Requirements

The Company has not yet commenced commercial production. In the past, the Company has relied on sales of equity securities to meet its cash requirements. The development of the Company's properties depends upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Company will be successful in obtaining the required financing.

Competition

Significant and increasing competition exists for the limited number of mineral opportunities available in South America. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

Mineral Prices

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resource are discovered, a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The Company is extremely sensitive to fluctuations in the price of diamonds. The price of various metals has experienced significant price movements over short periods of time, and is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any mineral deposit will be such that the Company's properties can be mined at a profit.

Foreign Countries and Regulatory Requirements

The Company's principal properties are located in Brazil and mineral exploration and mining activities may be affected in varying degrees by political and financial instability, inflation and haphazard changes in government regulations relating to the mining industry. Any changes in regulations or shifts in political or financial conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. Brazil's status as a developing country may make it more difficult for the Company to obtain any required exploration, development and production financing for its properties due to the increased investment risk. However, it is possible that deterioration in economic conditions or other factors could result in a change in government policies. In addition, social unrest in Brazil could have a material adverse effect on the Company's activities.

Repatriation of Earnings

Currently there are no restrictions on the repatriation from Brazil on earnings of foreign entities. Capital investments registered with the central bank in Brazil may similarly be repatriated. There can be no assurance that restrictions on repatriation of earnings and capital investments from Brazil will not be imposed in the future.

Environmental and other Regulatory Requirements

The current or future operations of the Company, including exploration and development activities and commencement of production on its properties, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

The Company's potential mining and processing operations and exploration activities are subject to various laws and regulations governing land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic

substances, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Company obtain permits from various governmental agencies. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or within reasonable timeframes for the planned commencement of activities or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, the Company is operating in compliance with all material and applicable environmental regulations.

Price Fluctuations: Share Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Limited Operating History: Losses

The Company to date has limited experience in mining or processing of diamonds, gold or other metals. The Company has experienced, on a consolidated basis, losses in most years of its operations. All activities have been of an exploration and development nature. There can be no assurance that the Company will generate profits in the future.

DIVIDENDS

The Company does not have a current dividend policy and Investors cannot expect to receive a dividend on the Company's common shares in the foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without par value, of which 168,413,722 are issued and outstanding as at March 30, 2007. Each common share is entitled to one vote. All common shares of the Company, both issued and un-issued, rank equally as to dividends, voting powers and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provision for redemption, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to the modification, amendment or variation of such rights or such provisions are contained in the British Columbia Business Corporations Act.

MARKET FOR SECURITIES

The Company's common shares are listed and posted for trading on The Toronto Stock Exchange ("TSE") and the Alternative Investment Market ("AIM") of the London Stock Exchange under the symbol **BDY**. Monthly high/low and volumes for 2006 on the TSE are shown below:

Trading History on the Toronto Stock Exchange:

2006	Sales Price (Cdn\$)		Volume
	Low	High	
January	0.31	0.42	98442
February	0.34	0.41	41255
March	0.34	0.43	28513
April	0.30	0.35	99800
May	0.23	0.35	58427
June	0.19	0.28	22613
July	0.20	0.26	15145
August	0.19	0.25	27327
September	0.19	0.22	7275
October	0.14	0.20	70752
November	0.13	0.20	40750
December	0.17	0.31	435273

The price of the Company's common shares as reported by the Toronto Stock Exchange at the close of business on December 30, 2006 was Cdn\$0.20 per share and on March 30, 2007 was Cdn\$0.25 per share.

DIRECTORS AND OFFICERS

As of March 30, 2007, the names, municipalities of residence, positions with or offices held with the Company, and principal occupation of the directors and officers of the Company are as follows:

Name and Municipality of Residence	Position	Principal Occupation	No. of Common Shares Held
Kenneth Judge Monte Carlo, Monaco	Chairman & Director	Chief Executive Officer of Hamilton Capital Partners, an investment holding company. Self-employed corporate lawyer.	7,936,973 ²
Stephen Fabian Belo Horizonte, Brazil	President, Chief Executive Officer and	President of the Company since March 15, 1999, Mining	1,663,964 ³

	Director	Executive, Investment Banker	
Francis Johnstone ¹ London, United Kingdom	Director	Commercial Director of Ridge Mining plc	1,363,964 ⁴
David Cowan Vancouver, BC Canada	Director	Partner, Lang Michener LLP, Barristers & Solicitors, since February, 2003 and formerly Partner, Clark Wilson, Barristers & Solicitors from 1991 to January 2003	Nil ⁵
Dr. Roger Morton ¹ Edmonton, Alberta Canada	Director	Professor Emeritus at the University of Alberta, President of Polar Star Diamonds Ltd. and Chairman of Sola Resource Corp.; Director of Tres-Or Resources Ltd.	Nil ⁶
Dr. Glenn Brown ¹ Vancouver, BC Canada	Director	Independent mining analyst and Adjunct Professor at the University of Toronto; Vice President of Research at Haywood Securities from 1999 to 2004.	Nil
Kerry Beamish White Rock, BC Canada	Chief Financial Officer	CFO of the Company since March 1, 2006; CFO of Alto Ventures since October 24, 2005; CFO of Forum Development Corp. since October 25, 2005.	Nil ⁷
Jacqueline Collins Richmond, BC Canada	Secretary	Corporate Secretary and Legal Administrator of HRG Management Ltd. since November 2004.	Nil ⁸

- (1) Denotes member of the Company's Audit Committee.
- (2) These shares are held by Hamilton Capital Partners Limited and are indirectly controlled by Mr. Judge. In addition, Hamilton holds 2,500,000 share purchase warrants entitling it to purchase one common share of the Company at a price of \$0.70 per share for a three year term expiring May 25, 2008. Hamilton also holds options entitling it to purchase up to: (i) 1,200,000 common shares of the Company at a price of \$0.45 per share expiring October 26, 2009; and (ii) 600,000 common shares of the Company at a price of \$0.41 per share expiring April 5, 2011.
- (3) 1,363,964 of these shares are held by Rock Capital Partners Limited ("Rock Capital"), a company owned as to 50% each by Mr. Fabian and Francis Johnstone. In addition, Mr. Fabian holds options entitling him to purchase up to: (i) 350,000 common shares of the Company at a price of \$0.25 per share expiring February 26, 2008; (ii) 1,000,000 common shares of the Company at a price of \$0.45 per share expiring October 26, 2009; and (iii) 600,000 common shares of the Company at a price of \$0.41 per share expiring April 5, 2011.
- (4) These shares are held indirectly through Rock Capital. In addition, Mr. Johnstone holds options entitling him to purchase up to: (i) 100,000 common shares of the Company at a price of \$0.25 per share expiring April 9, 2008; (ii) 200,000 common shares of the Company at a price of \$0.45 per share expiring October 26, 2009; and (iii) 300,000 common shares of the Company at a price of \$0.41 per share expiring April 5, 2011.
- (5) Mr. Cowan holds options entitling him to purchase up to: (i) 200,000 common shares of the Company at a price of \$0.25 per share expiring April 9, 2008; (ii) 200,000 common shares of the Company at a price of \$0.45 per share expiring October 26, 2009; and (iii) 300,000 common shares of the Company at a price of \$0.41 per share expiring April 5, 2011.
- (6) Dr. Morton holds options entitling him to purchase up to: (i) 100,000 common shares of the Company at a price of \$0.25 per share expiring April 9, 2008; (ii) 200,000 common shares of the Company at a price of \$0.45

expiring October 26, 2009; and (iii) 300,000 common shares of the Company at a price of \$0.41 per share expiring April 5, 2011.

- (7) Mr. Beamish holds 150,000 options entitling him to purchase up to 150,000 common shares of the Company at a price of \$0.41 per share expiring April 5, 2011.
- (8) Ms. Collins holds options entitling her to purchase up to: (i) 75,000 common shares of the Company at a price of \$0.45 per share expiring October 26, 2009; and (ii) 50,000 common shares of the Company at a price of \$0.41 per share expiring April 5, 2011.

As at the date hereof, the members of the audit committee are Francis Johnstone, Dr. Roger Morton and Dr. Glenn Brown.

The Company does not have an Executive Committee at present.

The term of office for the Company's officers and members of the Audit Committee expires at the next annual general meeting to be held June 7, 2007. The board of directors after the annual general meeting will appoint the Company's officers, the audit committee, the finance committee and any other committees for the ensuing year.

As at March 30, 2007, the Company's directors and senior officers, as a group, hold a total of 9,600,937 common shares or approximately 5.7% of the total issued and outstanding common shares of the Company.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the British Columbia Business Corporations Act and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. The directors and officers of the Company are not aware of any such conflicts of interests.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In March, 2006, the Company paid a consulting fee of \$80,000 and in December, 2005 the Company accrued consulting fee of \$80,000 to Hamilton Capital Partners Limited ("Hamilton"). Hamilton currently provides corporate finance consulting services to the Company pursuant to a consulting contract between the Company and Hamilton dated June 24, 2005. The board of directors of the Company determined that

Hamilton had provided services beyond those covered under the consulting contract and paid the additional fee in full satisfaction of these excess services. Kenneth Judge, the Chairman of the Company, is also the Chief Executive Officer and a director of Hamilton.

The Company engaged HRG Management Ltd. at a monthly fee of \$18,072 (except for the months of February and March 2006 for which it was \$18,202) to provide the office administration, accounting, corporate secretarial, investor relations, chief financial officer and related services to the Company. HRG Management Ltd. ("HRG") is a "captive" management company jointly owned by the Company and certain other public companies with which the Company shares office premises. Kenneth Judge, the Company's Chairman, is also the President and a director of HRG. Stephen Fabian, the Company's President, is also a director of HRG.

On November 4, 2005, the Company entered into an agreement with Hidefield Gold plc ("Hidefield Gold"), a public company listed on AIM, for the sale of the Company's 50% interest in the Cata Preta Gold Project within the Quadrilátero gold district of Minas Gerais. Upon completion, Hidefield Gold will own a 100% interest in the licence areas. Kenneth Judge, the Company's Chairman, is also the Chairman of Hidefield Gold. Francis Johnstone, a director of the Company is also a director of Hidefield Gold. For further details please see "General Development of the Business – Three Year History".

On March 22, 2005, the Company contracted with Stephen Fabian, the Company's President, for a short term housing loan to assist him with the acquisition of an apartment in Brazil. The principal amount of the loan was \$181,464 (US\$150,000) calculated at a rate of 5% per annum calculated monthly and payable upon repayment of the principal amount on or before December 15, 2005. The loan was repaid in full on March 6, 2006.

On January 25, 2005 Hamilton Capital Partners Limited ("Hamilton"), a company with which Kenneth Judge, the Chairman and a director of the Company, is associated, sold 7,500,000 common shares of the Company with institutional investors at a price of \$0.47 cents per share. For further details please see "General Development of the Business – Three Year History".

In addition, the Company agreed with Hamilton and Rock Capital Partners Limited ("Rock Capital"), a company with which Stephen Fabian and Francis Johnstone, who are both directors of Brazilian, are associated, that Hamilton and Rock Capital would purchase 11,125,000 and 1,000,000 "Hidefield Gold units" respectively from the Company at a price of 4.5 pence per unit. For further details please see "General Development of the Business – Three Year History".

The Company has an agreement with Hidefield Gold plc ("Hidefield Gold"), whereby administration services provided for Ouro Preto Mineração Ltda in Brazil ("OPML") are re-imbursed to the value of US\$10,000 per month from January to September 2006 and US\$7,000 from October to December 2006. During the 2006 year, the Company received a total of \$126,000 (US\$111,000) in management service fees from Hidefield Gold.

Other than as disclosed above, to the knowledge of management of the Company, no director or executive officer of the Company has had any interest in any material transaction during the year ended December 31, 2006, or has any interest in any material transaction in the current year other than as set out herein.

TRANSFER AGENTS AND REGISTRAR

The transfer agent and registrar for the Company is Computershare Investor Services Inc., Vancouver, BC, Canada.

MATERIAL CONTRACTS

Other than as set out below, the Company has no material contracts outside those entered into in the ordinary course of business.

1. Placing Agreement dated December 11, 2006 between the Company and Teather & Greenwood Limited respecting the placement of 24,710,000 common shares at a price of 8p.
2. Letter Agreement dated November 29, 2006 between the Company and Hidefield Gold plc respecting the Cata Preta Joint Venture.
3. Purchase and Sale Agreement dated September 12, 2006 among the Company, Game Creek Company Limited and De Beers Brasil Ltda. Re the Chapada Diamantina Data Set.
4. Placing Agreement dated February 15, 2006 between the Company and Teather & Greenwood Limited respecting the placement of 8,735,294 common shares at a price of Cdn \$0.34 (17p).
5. Letter Agreement dated January 24, 2006 between the Company and Westhouse Securities LP whereby the Company engaged Westhouse to act as nominated advisor.
6. Letter Agreement dated January 19, 2006 between the Company and Teather & Greenwood Limited whereby the Company engaged T&G to act as sole broker.
7. Letter Agreement dated October 21, 2005 between the Company and Hidefield Gold plc providing for the transfer of the Company's 50% interest in the Cata Preta Joint Venture.
8. Purchase and Sale Agreement dated May 25, 2005 made among the Company, Game Creek Company Limited and De Beers Brasil Ltda. Providing for the acquisition of the Maravilha Data Set.
9. Purchase and Sale Agreement made among De Beers Brasil Ltda., Game Creek Company Limited and Brazilian Diamonds Limited re the Canastra Region dated September 1, 2004.
10. Purchase and Sale Agreement made among De Beers Brasil Ltda., Game Creek Company Limited and Brazilian Diamonds Limited re the Santo Antonio Bonito Region dated October 26, 2004;
11. Purchase and Sale Agreement made among De Beers Brasil Ltda., Game Creek Company Limited and Brazilian Diamonds Limited re the Region dated October 26, 2004; and
12. Joint Venture Agreement between the Company and Minas Gerais, Companhia de Desenvolvimento Econômico de Minas Gerais and Mineração Rio Novo dated February 11, 2004 respecting the Santo Antonio do Bonito properties.

For further information please see "General Development of the Business" referred to herein.

INTERESTS OF EXPERTS

Names of Experts

Harrison O. Cookenboo and Jefferson Miranda, Ph.D, CREA are the authors of a National Instrument 43-101F1 Technical Report filed on March 30, 2007 on SEDAR with securities regulators entitled, "Brazilian Diamonds Ltd.'s Exploration Properties, Minas Gerais, Brazil" by Harrison O. Cookenboo, Ph.D., P. Geo. (APEGBC license #23483, P.Geol. (Licensee #L1028 Northwest Territories and Nunavut) and Jefferson

Miranda, Ph.D, CREA (the "Technical Report"). The Technical Report is filed on SEDAR at www.sedar.com and is specifically incorporated by reference into, and form an integral part of, this Renewal Annual Information Form ("AIF").

Interests of Experts

Mr. Cookenboo holds 300,000 options entitling him to purchase up to 300,000 common shares of the Company at a price of \$0.60 per share expiring February 14, 2008.

INFORMATION CONCERNING THE COMPANY'S AUDIT COMMITTEE AND EXTERNAL AUDITOR

The Company's audit committee has various responsibilities as set forth in Multilateral Instrument 52-110 made under securities legislation, among such responsibilities being a requirement that the audit committee establish a written charter that sets out its mandate and responsibilities.

The Audit Committee's Charter

The text of the Company's audit committee charter (the "**Charter**") is set out in Schedule "A" to this Annual Information Form.

Composition of the Audit Committee

The following are the current members of the Committee:

Dr. Roger Morton	Independent ^①	Financially literate ^①
Dr. Glenn Brown	Independent ^①	Financially literate ^①
Francis Johnstone	Independent ^①	Financially literate ^①

① As defined by Multilateral Instrument 52-110 ("MI 52-110").

Following the Company's next annual general meeting scheduled for June 7, 2007, the Company's board of directors propose to appoint Dr. Roger Morton, Francis Johnstone and Dr. Glenn Brown as the members of the Committee following the Meeting.

Relevant Education and Experience

For information on the education and experience of the members of the Audit Committee please see details under the heading "Directors and Officers" referred to herein.

Pre-Approval Policies and Procedures

All services to be performed by the Company's independent auditor must be approved in advance by the Audit Committee. The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee of all audit and non-audit services provided by the external auditor, other than any de minimus non-audit services allowed by applicable law or regulation.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

<i>Financial Year Ended</i>	<i>Audit Fees</i>	<i>Audit Related Fees</i>	<i>Tax Fees</i>	<i>All Other Fees</i>
Dec 31, 2006	\$93,000 ¹	Nil	Nil	Nil
Dec 31, 2005	\$104,000	Nil	Nil	Nil

¹ estimated

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Proxy Circular to be mailed to shareholders and filed on SEDAR on or about May 11, 2007 in respect of its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is available in the Company's comparative audited consolidated financial statements together with the auditor's report thereon for its most recently completed fiscal year.

A copy of the Company's Management Proxy Circular for its most recent annual general meeting and the financial statements (including any interim statements from the past fiscal year) may be viewed on the SEDAR website located at www.sedar.com or may be obtained upon request from the Secretary of the Company. A reasonable fee for copying may be charged if the request is made by a person who is not a registered security holder of the Company.

Schedule A

BRAZILIAN DIAMONDS LIMITED **Audit Committee of the Board of Directors**

Charter

MANDATE

The purpose of the Audit Committee is to assist the Board of Directors' oversight of (a) the integrity of the Company's financial statements, (b) the Company's compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence and (d) the performance of the Company's audit. The Audit Committee will also supervise the preparation of all reports, including reports to shareholders, required under applicable law.

In performing its duties, the Audit Committee will maintain effective working relationships with the Board of directors, management, and the external auditors. To effectively perform his or her role, each Audit Committee member will obtain an understanding of the detailed responsibilities of Audit Committee membership as well as the Company's business, operations and risks.

MEMBERSHIP

The Audit Committee will consist of at least three directors appointed by the Board. The membership of the Audit Committee will be guided by the applicable law and corporate governance recommendations of Multilateral Instrument 52 – 110 and any successors (MI).

Independence

No director who is an employee of the Company or any of its subsidiaries, affiliates or auditors may serve on the Audit Committee until three years after the termination of his or her employment. All members of the Audit Committee must satisfy the definition of independence contained in the MI.

Expertise of Audit Committee Members

Each member of the Audit Committee must be, or will become within a reasonable period of time after appointment, financially literate. At least one member of the Audit Committee will have accounting or related financial management expertise. The Board of Directors will interpret the qualifications of financial literacy and financial management expertise in its business judgement within the guidance provided by the MI and will determine whether a director meets these qualifications.

MEETINGS

The Audit Committee will meet in accordance with a schedule established each year by the Board, and at other times as determined by the Audit Committee. The Audit Committee will meet at least quarterly with the Company's management and with internal auditors (or those personnel responsible for the internal audit) and, at least annually, with the external auditor in separate executive sessions. A quorum of the Audit Committee is the attendance in person or by teleconference of at least two thirds of the members of the Audit Committee; where two thirds does not result in a whole number, the resulting number shall be rounded up to the next whole number.

ROLES AND RESPONSIBILITIES

- Oversee, in consultation with the external auditors, the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company;
- Ensure that the external auditors keep the Audit Committee informed about fraud, illegal acts, deficiencies in internal control and certain other matters;
- Review and approve any related party transactions;
- Review, as and when appropriate, whether management is setting the appropriate tone through its communication to company employees on the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- Consider the extent to which internal (if any) and external auditors should review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown; and
- Gain an understanding of the extent which internal control recommendations made by external auditors have been implemented by management.

Financial Reporting

General

- Review significant accounting and reporting issues, with particular note regarding the process for identifying the principal risks to accuracy of financial reporting and any changes of a material nature to the characterization of entries and accounts;
- Ensure that the Audit Committee reviews and, where appropriate, recommends approval to the Board of all press releases relating to financial information such as financial statements and the Management Discussion and Analysis, projections or material otherwise involving information derived from the financial reports or the analytic reporting thereof, as well as financial information and guidance provided to analysts and rating agencies;
- Review with the external auditors their proposed audit adjustments and any audit problems or difficulties and management's response thereto;
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and critical accounting policies, and understand their impact on the financial statements;
- Ask management and the external auditors about significant risks and exposures and the plans to minimize such risks, and
- Ensure that disclosure in the Management Discussion & Analysis is balanced and fully responsive.

Annual and Interim Financial Statements

- Review the financial statements and determine whether they are complete and consistent with the information known to the Audit Committee members, and assess whether the financial statements reflect appropriate accounting principles;

- Meet with management and the external auditors to review the annual financial statements and the results of the audit;
- Meet with management and, if necessary, the external auditors to review the interim financial statements;
- Review the annual and interim financial statements as the case may be and make recommendations thereon to the Board;
- Pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- Focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses, warranty, professional liability, litigation reserves, and other commitments and contingencies;
- Periodically obtain explanations from management on whether:
 - Actual financial results for a period varied significantly from budgeted or projected results;
 - Changes in financial ratios and relationships in the financial statements are consistent with changes in the Company's operations and financing practices;
 - Generally accepted accounting principles have been consistently applied;
 - There are any actual or proposed changes in accounting or financial reporting practices;
 - There are any significant or unusual events or transactions;
 - The Company's financial and operating controls are operating effectively;
 - The Company has complied with the terms of loan agreements or security indentures;
- Understand how management develops and summarizes quarterly financial information and the extent to which the external auditors review quarterly financial information; and
- Ensure appropriate review of accounting practices that relate to transfer pricing.

External Auditors

- Review the external auditor's proposed audit scope and approach;
- Oversee the work of the external auditors;
- Review with the external auditor the quality, not just the acceptability, of the Company's accounting principles as applied to critical accounting policies and practices, alternative treatments of financial information that have been discussed with management and any other material communications with management;
- Review and confirm the independence of the external auditors, including a review of the cost and nature of all non-audit services provided, all relationships between the Company and themselves and the auditors' assertion of their independence in accordance with professional standards;

- Establish hiring policies for partners and employees or former partners and employees of the present and any former external auditors;
- Retain and terminate the external auditor (subject to any applicable Board or shareholder approvals) and recommend to the Board the compensation for the external auditors;
- Pre-approve all non-audit services provided by the external auditor in excess of 5% of the annual billings by the auditor to the Company. Pre-approval requirements may be met where the Committee establishes detail policies as to each service to be pre-approved and the Committee is informed of such services at its next meeting. The Audit Committee may delegate this authority to one of the committee members, but not to management, provided the non-audit services in question are presented to the Committee at its next meeting;
- Have the external auditor provide the Audit Committee with a summary of any investigation by governmental or professional authorities within the preceding five years, respecting any audits of the Company carried out by the external auditor, and any steps taken to deal with any issues raised by the inquiry or investigation; and
- If conducted, have the external auditor advise the Audit Committee on the results of any quality-control review or peer review of the audit of the Company.

Other Responsibilities

- Ensure that significant findings and recommendations made by management or the external auditors are received and discussed on a timely basis;
- If necessary, review the policies and procedures in effect for considering officers' expenses and perquisites;
- Perform other oversight functions as requested by the full Board, such as appropriateness of staff and systems in the financial department;
- Establish procedures for the receipt, retention and treatment of complaints and the confidential anonymous submission by employees of concerns about accounting, internal accounting controls or audit matters;
- Meet periodically with management to review the Company's major financial risk exposures and to review relevant insurance coverage; and
- Review and update this Charter, subject to the approval of the Board.

Reporting Responsibilities

- Regularly update the Board of Directors about Audit Committee activities and make appropriate recommendations;
- Maintain minutes of all meetings.

Compliance with Laws and Regulations

- Periodically obtain updates from management regarding material compliance with applicable laws and regulations;

- Review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statement;
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- Review the findings of any examinations by regulatory agencies such as the British Columbia Securities Commission.

RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE

The Audit Committee has the authority, and will be provided with all resources that it reasonably requires, to discharge its responsibilities. The Audit Committee may, as appropriate, engage at the expense of the Company outside auditors, independent legal counsel, and other experts or consultants for compensation that the Audit Committee deems appropriate. The Audit Committee may communicate directly with the internal or external auditors.