UNDERWRITING AGREEMENT

March 26, 2007

Stornoway Diamond Corporation
860 – 625 Howe Street
Vancouver, British Columbia
V6C 2T2

Attention: Mr. Matt Manson
President

Dear Sirs:

The undersigned, BMO Nesbitt Burns Inc. ("**BMO**"), Canaccord Capital Corporation, Raymond James Ltd., GMP Securities L.P., Haywood Securities Inc., Westwind Partners Inc., CIBC World Markets Inc. and Orion Securities Inc. (individually, an **"Underwriter"** and together the **"Underwriters"**), understand that Stornoway Diamond Corporation. (the **"Corporation"**) proposes to issue and sell to the Underwriters 12,500,000 Units (the "**Units**"), each Unit comprised of one Unit Share (as hereinafter defined) and one-half of one Warrant (as hereinafter defined), and to appoint the Underwriters as agents of the Corporation to offer for sale 6,670,000 flow-through Common Shares (the **"Flow-Through Shares"**), to be issued under the Subscription Agreements (as hereinafter defined). The Units and the Flow-Through Shares are to have the attributes described in the Final Prospectus (as hereinafter defined).

Subject to the terms and conditions set out below, the Underwriters agree to purchase severally and not jointly in the respective percentages set out in paragraph 15(a), and by its acceptance hereof, the Corporation agrees to issue and sell to the Underwriters the Units at a price of $1.20 per Unit (the "**Unit Offering Price**"). The Corporation hereby appoints the Underwriters as the sole and exclusive agents of the Corporation to offer the Flow-Through Shares for sale at a price of $1.50 per Flow-Through Share (the "**Flow-Through Offering Price**"), provided that if less than 6,670,000 Flow-Through Shares are sold by the Underwriters as agents, the Underwriters agree to purchase severally and not jointly in the respective percentages set out in paragraph 15(a), and by its acceptance hereof, the Corporation agrees to issue and sell to the Underwriters such Flow-Through Shares so that the aggregate proceeds for the sale of the Flow-Through Shares will be $10,005,000.

By acceptance of this agreement, the Corporation grants to the Underwriters an irrevocable right (the "**Over-Allotment Option**") to purchase, severally and not jointly, up to 1,875,000 additional Units (the "**Over-Allotment Units**") from the Corporation on the same basis (including the fee payable to the Underwriters per Over-Allotment Unit) as the purchase of the Units. If BMO, on behalf of the Underwriters, elects to exercise the Over-Allotment Option, BMO shall notify the Corporation in writing not later than noon (Vancouver time) on the 30th day following the Closing Date, which notice shall specify the number of Over-Allotment Units to be purchased by the Underwriters and the date and time at which such Over-Allotment Units are to be purchased (the "**Over-Allotment Closing Time**"). Such date may be the same as the

Closing Date but not earlier than the later of: (i) the Closing Date, and (ii) three business days after the delivery date of such notice, nor later than five business days after the date of such notice. Over-Allotment Units may be purchased solely for the purpose of covering over-allotments made in connection with the Offering of the Units, if any, and for market stabilization purposes. If any Over-Allotment Units are purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Over-Allotment Units (subject to such adjustments to eliminate fractional shares as BMO may determine) that bears the same proportion to the total number of Over-Allotment Units to be purchased as the number of Units being purchased by such Underwriter bears to the total number of Units purchased. In this agreement, references to "Closing Date" and "Closing Time" include the Over-Allotment Closing Time, unless the context otherwise requires.

The Units and the Over-Allotment Units are hereinafter referred to, collectively, as the "**Offered Units**", and the Flow-Through Shares and the Offered Units are hereinafter referred to, collectively, as the "**Offered Securities**".

DEFINED TERMS

"**affiliate**", "**distribution**", "**material fact**", "**material change**", "**misrepresentation**" and "**subsidiary**" have the respective meanings ascribed to such terms in the *Securities Act* (British Columbia);

"Agreement" means this agreement including the Schedules and appendices attached hereto;

"AIF" means the annual information form of the Corporation dated as of July 11, 2006 for the year ended April 30, 2006 and filed under National Instrument 51-102;

"BMO" means BMO Nesbitt Burns Inc.

"Broker Warrants" means the Common Share purchase warrants issuable to the Underwriters in partial payment for the services provided by the Underwriters hereunder, each such Broker Warrant entitling the holder thereof to acquire one Broker Warrant Share at a price of $1.20 at any time before 4:00 p.m. (Vancouver time) on the date that is 12 months from the Closing Date;

"Broker Warrant Shares" means the Common Shares issuable to the Underwriters upon exercise of the Broker Warrants;

"Business Day" means a day which is not Saturday or Sunday or a statutory or civic holiday in the City of Vancouver, British Columbia;

"Canadian Securities Laws" means all applicable securities laws in each of the Qualifying Jurisdictions and the respective regulations rules and forms thereunder together with applicable orders, rulings and published policy statements of the Canadian Securities Administrators and the securities regulatory authorities in the Qualifying Jurisdictions;

"CEE" means Canadian exploration expenses as described in paragraph (f) of the definition thereof in subsection 66.1(6) of the ITA;

"Closing" means the closing of the purchase and sale of the Offered Securities;

"Closing Date" means April 11, 2007 or such other date as the Corporation and the Underwriters may agree upon in writing, provided that in no event shall such date be later than May 9, 2007;

"Closing Time" means 5:30 a.m. (Vancouver time) on the Closing Date or such other time on the Closing Date as the Corporation and the Underwriters may agree upon in writing;

"Common Shares" means the common shares in the capital of the Corporation;

"Corporation's Auditors" means PricewaterhouseCoopers LLP and Ernst & Young LLP;

"Corporation's Counsel" means DuMoulin Black LLP, counsel to the Corporation;

"Corporation's Information Record" means any statement, other than a statement relating solely to the Underwriters, contained in the AIF, any press release, material change report, financial statement or other document of the Corporation which has been publicly filed and/or disseminated pursuant to any Canadian Securities Laws since April 30, 2006 or is publicly filed and/or disseminated pursuant to any Canadian Securities Laws prior to the Closing Time

"Directors" means the directors of the Corporation;

"Documents Incorporated by Reference" means the documents set out in the Preliminary Prospectus under the heading "Documents Incorporated by Reference" and all other documents incorporated or deemed to be incorporated by reference into the Final Prospectus and any Prospectus Amendment by Canadian Securities Laws;

"Final Prospectus" means the final short form prospectus of the Corporation relating to the offering of the Offered Securities together with the Documents Incorporated by Reference;

"Financial Information" means the Corporation's financial statements (including pro forma financial statements) and management's discussion and analysis incorporated by reference in the Prospectus, together with any auditors' reports thereon and the notes thereto;

"Flow-Through Offering Price" means $1.50 per Flow-Through Share;

"Indemnified Persons" means the Underwriters and each of their respective directors, officers, employees and agents;

"ITA" means the *Income Tax Act* (Canada), as amended;

"**Institutional Accredited Investors**" means those institutional "accredited investors" specified in Rule 501(a)(1), (2), (3) and (7) of Regulation D;

"Losses" means losses, claims, costs, damages, liabilities or expenses (including, without limitation, expenses of investigation and defending against any claims or litigation as the same are incurred), other than loss of profits;

"material" means, in relation to the Corporation, material to the Corporation together with its Subsidiaries, considered as a whole, after giving effect to the transactions contemplated by the Final Prospectus or this Agreement to be completed at or prior to the Closing Time;

"Offering" means the offering of the Offered Securities pursuant to the Prospectus;

"Preliminary Prospectus" means both the preliminary short form prospectus of the Corporation relating to the offering of the Offered Securities together with the Documents Incorporated by Reference into the preliminary short form prospectus;

"Prospectus" means, collectively, the Preliminary Prospectus, the Final Prospectus and any Prospectus Amendment, together with the Documents Incorporated by Reference;

"Prospectus Amendment" means any amendment or supplement to the Preliminary Prospectus or to the Final Prospectus;

"Qualified Institutional Buyers" means "qualified institutional buyers" as such term is defined in Rule 144A(a)(1) of the U.S. Securities Act;

"Qualifying Expenditures" refers to expenses of the Corporation which are CEE which may be renounced by the Corporation to purchasers of Flow-Through Shares pursuant to subsection 66(12.6) of the ITA;

"Qualifying Jurisdictions" means each of the provinces of Canada;

"**Regulation D**" means Regulation D adopted by the SEC under the U.S. Securities Act;

"Regulation S" means Regulation S adopted by the SEC under the U.S. Securities Act;

"Rule 144A" means Rule 144A under the U.S. Securities Act;

"SEC" means the United States Securities and Exchange Commission;

"Securities Commission" means the applicable securities commission or securities regulatory authority in each of the Qualifying Jurisdictions;

"**Shareholder**" means any holder of Common Shares;

"Subscription Agreements" means the subscription agreements for the Flow-Through Shares to be entered into by the Corporation and by the Underwriters on behalf of the purchasers of Flow-Through Shares, substantially in the form attached as Schedule B to this Agreement;

"Subsidiaries" means a subsidiary within the meaning of the *Business Corporations Act* (British Columbia);

"Transfer Agent" means Pacific Corporate Trust Company in its capacity as transfer agent and registrar of the Common Shares;

"TSX" means the Toronto Stock Exchange;

"Underwriters' Counsel" means McCarthy Tétrault LLP;

"Underwriters' Fee" means the fee payable by the Corporation to the Underwriters pursuant to Section 6 of this Agreement;

"Unit Offering Price" means $1.20 per Unit;

"Unit Shares" means the Common Shares comprising part of the Offered Units;

"United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"**U.S. Person**" means a U.S. person as that term is defined in Regulation S;

"U.S. Securities Act" means the United States Securities Act of 1933, as amended, and the rules and regulations made thereunder;

"Warrants" means the Common Share purchase warrants comprising part of the Offered Units, each whole Warrant entitling the holder thereof to acquire one Warrant Share at a price of $1.50 at any time before 4:00 p.m. (Vancouver time) on the date that is 24 months from the Closing Date, as more fully described in the Final Prospectus; and

"Warrant Shares" means the Common Shares issuable upon exercise of the Warrants.

TERMS AND CONDITIONS

1. Filing Prospectus

The Corporation shall, as soon as possible and in any event not later than 2:00 p.m. (Vancouver time) on March 26, 2007, have prepared and filed in each of the Qualifying Jurisdictions the Preliminary Prospectus and other related documents relating to the proposed distribution of the Offered Securities and shall thereafter obtain or receive notification of the issuance of a preliminary MRRS decision document (as such term is defined in National Policy 43-201 of the Canadian Securities Administrators) under Canadian Securities Laws, effective March 26, 2007. The Corporation shall, as soon as possible after any comments of the securities regulatory authorities in the Qualifying Jurisdictions have been resolved and in any event not later than 5:00 p.m. (Vancouver time) on April 2, 2007 (or by such later date or dates as may be determined by the Underwriters in their sole discretion and acting reasonably), have prepared, filed and obtained a final MRRS decision document (as such term is defined in National Policy 43-201 of the Canadian Securities Administrators) under Canadian Securities Laws for the Final Prospectus and other related documents relating to the proposed distribution of the Offered Securities and shall have fulfilled and complied with, to the reasonable satisfaction of the Underwriters, the Canadian Securities Laws required to be fulfilled or complied with by the Corporation to enable the Offered Securities to be lawfully distributed to the Underwriters or distributed to the public, as the case may be, in the Qualifying Jurisdictions through the Underwriters or any other investment dealers or brokers registered as such in the Qualifying Jurisdictions. The Corporation shall fulfil and comply with Canadian Securities Laws required to be fulfilled or complied with by the Corporation to permit the sale of the Offered Securities to the public in the Qualifying

Jurisdictions, subject to any required regulatory approval, and the Corporation shall use all commercially reasonable efforts to obtain any such regulatory approval as soon as practicable after the date hereof.

2. Due Diligence

Prior to the filing of the Final Prospectus, and if applicable, prior to the filing of any Prospectus Amendment, the Corporation shall have allowed the Underwriters to participate fully in the preparation of the Prospectus and shall have allowed the Underwriters to conduct all due diligence investigations which they reasonably require to fulfil their obligations as underwriters and in order to enable them to execute the certificates required to be executed by them in the Prospectus. In this regard, without limiting the scope of the due diligence investigations the Underwriters may conduct, the Corporation shall make available its directors, senior management, auditors, "qualified persons" and legal counsel to answer any questions which the Underwriters may have and to participate in one or more due diligence sessions to be held prior to Closing.

3. (a) Restrictions on Sale Outside the Qualifying Jurisdictions

The Underwriters severally agree not to distribute or offer the Offered Securities in such manner as to require registration of any of them or the filing of a prospectus or any similar document under the laws of any jurisdiction outside the Qualifying Jurisdictions and to distribute or offer such securities only in the Qualifying Jurisdictions and in accordance with all applicable laws. However, the Corporation and each Underwriter acknowledge that the U.S. broker-dealer affiliates of the Underwriters may offer or resell the Offered Units to Qualified Institutional Buyers within the United States pursuant to Rule 144A in accordance with Schedule A hereto, provided that no such action on the part of the Underwriters or their U.S. broker-dealer affiliates shall in any way oblige the Corporation to register any Offered Units under the U.S. Securities Act or the securities laws of any state in the United States. Furthermore, the Corporation and each Underwriter acknowledge that the Offered Units may be offered and sold by the Corporation to Institutional Accredited Investors designated by the Underwriters or their U.S. broker-dealer affiliates pursuant to certain exemptions from the registration requirements of the U.S. Securities Act in accordance with Schedule A hereto, provided that no action on the part of the Underwriters or their U.S. broker-dealer affiliates shall in any way oblige the Corporation to register any Offered Units under the U.S. Securities Act or the securities laws of any state in the United States.

Any agreements between the Underwriters and the members of any selling group will contain restrictions which are substantially the same as those contained in this paragraph 3(a).

(b) Offer and Sale of Flow-Through Shares

Each of the Underwriters acknowledges and agrees that it has the authority to execute and deliver the Subscription Agreements on behalf of the purchasers of Flow-Through Shares.

The Corporation and the Underwriters acknowledge and agree that to the extent that the Underwriters purchase any of the Flow-Through Shares, any person to whom the Underwriters

resell such Flow-Through Shares will not be eligible for the tax benefits available to Canadian resident purchasers under federal and provincial tax legislation.

4. (a) Deliveries on Filing

Concurrently with the filing of the Preliminary Prospectus or Final Prospectus, as the case may be, under Canadian Securities Laws, the Corporation shall deliver to the Underwriters:

(i) a copy of the Preliminary Prospectus or Final Prospectus, as applicable, in the English and French languages, including all Documents Incorporated by Reference, signed and certified as required by the Canadian Securities Laws applicable in the Qualifying Jurisdictions;

(ii) a copy of the U.S. placement memorandum prepared as contemplated in Schedule A delivered to the Underwriters as soon as practicable following the filing of the Preliminary Prospectus or the Final Prospectus, as applicable;

(iii) a copy of any other document required to be filed by the Corporation in compliance with Canadian Securities Laws in connection therewith;

(iv) "long-form" comfort letters of the Corporation's Auditors dated as of the date of the Final Prospectus (with the requisite procedures to be completed by the Corporation's Auditors within two Business Days of the date of the Final Prospectus) addressed to the Underwriters, the Corporation and the Directors in form and substance satisfactory to the Underwriters, acting reasonably, with respect to certain financial and accounting information relating to the Corporation and other numerical data in the Final Prospectus, including all Documents Incorporated by Reference, which letters shall be in addition to the auditors' reports incorporated by reference into the Prospectus and the auditors' comfort letters addressed to the securities regulatory authorities in the Qualifying Jurisdictions;

(v) prior to or concurrent with the filing of the Final Prospectus, evidence satisfactory to the Underwriters and the Underwriters' Counsel, acting reasonably, that the Unit Shares, the Flow-Through Shares, the Warrants, the Warrant Shares and the Broker Warrant Shares have been approved for listing on the TSX, subject to satisfaction of certain usual conditions set out therein;

(vi) as soon as possible, but in any event prior to or contemporaneously with the filing of the Preliminary Prospectus or the Final Prospectus, as the case may be, with the Securities Commission in the Province of Québec, an opinion of Québec counsel to the Corporation, addressed to the Underwriters, the Corporation and their respective counsel in form and substance satisfactory to the Underwriters, acting reasonably, to the effect that the French language version of the Preliminary Prospectus or the

Final Prospectus, as the case may be, other than the Financial Information, is in all material respects a complete and proper translation of the English language version; and

(vii) as soon as possible, but in any event prior to or contemporaneously with the filing of the Preliminary Prospectus or the Final Prospectus, as the case may be, with the Securities Commission in the Province of Québec, opinions from each of the Corporation's Auditors, addressed to the Underwriters, the Corporation and their respective counsel in form and substance satisfactory to the Underwriters, acting reasonably, to the effect that the French translation of the Financial Information, is in all material respects a complete and proper translation of the English language version.

(b) Delivery of Prospectus Amendments

If the Corporation is required to prepare a Prospectus Amendment, the Corporation shall also prepare and deliver promptly to the Underwriters a signed copy of such Prospectus Amendment along with all Documents Incorporated by Reference which have not been previously delivered. Concurrently with the delivery of any Prospectus Amendment, the Corporation shall deliver to the Underwriters opinions, comfort letters and other documents substantially similar to those referred to in paragraph 4(a).

(c) Representations as to the Prospectus

Delivery of the executed form of the Prospectus to the Underwriters shall constitute a representation and warranty by the Corporation to the Underwriters that as at the date of delivery:

(i) all information and statements (except information and statements relating solely to the Underwriters) contained in the Prospectus are true and correct and contain no misrepresentation and constitute full, true and plain disclosure of all material facts relating to the Corporation and the Offered Securities;

(ii) no material fact or information has been omitted from such disclosure (except that no representation or warranty is given regarding facts or information relating solely to the Underwriters) which is required to be stated in such disclosure or is necessary to make the statements or information contained in such disclosure not misleading in light of the circumstances under which they were made; and

(iii) such document complies fully with the requirements of Canadian Securities Laws.

Such deliveries shall also constitute the Corporation's consent to the Underwriters' use of the Prospectus for the distribution of the Offered Securities in compliance with the provisions of this Agreement and Canadian Securities Laws.

(d) Commercial Copies

The Corporation shall deliver, without charge to the Underwriters, commercial copies of the Preliminary Prospectus and the Final Prospectus (and in the event of any Prospectus Amendment, such Prospectus Amendment) in such numbers and to such cities as the Underwriters may reasonably request. Such delivery shall be effected as soon as possible and, in any event, on or before a date which is one Business Day after the issuance of the MRRS decision document under Canadian Securities Laws for the Preliminary Prospectus or the Final Prospectus, as the case may be.

(e) Notice of Completion of Distribution

The Underwriters shall after the Closing Date:

(i) use their commercially reasonable efforts to complete the distribution and offering of the Offered Securities as soon as reasonably practicable; and

(ii) give prompt written notice to the Corporation when, in the opinion of the Underwriters, they have completed the distribution and offering of the Offered Securities and of the total proceeds realized in each of the Qualifying Jurisdictions.

5. Material Change During Distribution

(a) Material Changes

During the period from the date hereof to the completion of the distribution of the Offered Securities, the Corporation shall promptly notify the Underwriters in writing of:

(i) the full particulars of any material change (actual, anticipated, contemplated or threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise), capital or control of the Corporation or any of its Subsidiaries;

(ii) any material fact which has arisen or been discovered and would have been required to have been stated in the Prospectus had the fact arisen or been discovered on, or prior to, the date of the Prospectus; and

(iii) any change in any material fact (which for the purposes of this Agreement shall be deemed to include the disclosure of any previously undisclosed material fact) which fact or change is, or may be, of such a nature as to render any statement in the Prospectus misleading or untrue or which would result in a misrepresentation therein or which would result in the Prospectus not complying with Canadian Securities Laws.

The Corporation shall in good faith discuss with the Underwriters any fact or change in circumstances (actual or anticipated) which is of such a nature that there is reasonable doubt whether written notice need be given under this paragraph 5(a).

(b) Change in Canadian Securities Laws

If during the period of distribution of the Offered Securities, there shall be any change in the Canadian Securities Laws which, in the opinion of the Underwriters, requires the filing of a Prospectus Amendment, the Corporation shall, to the satisfaction of the Underwriters, acting reasonably, promptly prepare and file such Prospectus Amendment with the appropriate securities regulatory authority in each of the Qualifying Jurisdictions where such filing is required.

(c) Filings Relating to Material and Other Changes

The Corporation shall promptly, and in any event within any applicable time limitation, comply, to the reasonable satisfaction of the Underwriters, with all applicable filings and other requirements under Canadian Securities Laws as a result of facts or changes referred to in paragraphs 5(a) and 5(b); provided that the Corporation shall not file any Prospectus Amendment or other document without first obtaining the approval of the Underwriters, after consultation with the Underwriters with respect to the form and content thereof, which approval will not be unreasonably withheld. The Corporation shall cooperate in all respects with the Underwriters to allow and assist the Underwriters to participate fully in the preparation of any Prospectus Amendment and shall allow the Underwriters to conduct any and all "due diligence" investigations which in the opinion of the Underwriters are reasonably required in order to enable the Underwriters to responsibly execute any certificates required to be executed by the Underwriters in any Prospectus Amendment and to fulfil their obligations under Canadian Securities Laws.

(d) Change in Date of Closing

If a material change or a change in a material fact occurs prior to the Closing, then, subject to Section 10, the date of the Closing shall be, unless the Corporation and the Underwriters otherwise agree in writing, the sixth Business Day following the later of:

(i) the date on which all applicable filings or other requirements of Canadian Securities Laws with respect to such material change or change in a material fact have been complied with in all Qualifying Provinces and any appropriate receipts obtained for such filings and notice of such filings from the Corporation or the Corporation's Counsel have been received by the Underwriters; and

(ii) the date upon which the commercial copies of any Prospectus Amendment have been delivered in accordance with subparagraph 4(b);

provided, however in no event shall the date of the Closing be later than the May 9, 2007.

6. Services Provided by Underwriters

The Offered Securities will be distributed and offered in the Qualifying Jurisdictions in compliance with the Canadian Securities Laws. In addition, any offer or sale of the Offered Units in the United States or to U.S. Persons will be made in accordance with Schedule A which

forms part of this Agreement. In consideration for their services in acting as financial advisors to the Corporation, in assisting in the preparation of the Prospectus, participating in and managing selling or other groups for the sale of the Offered Securities and in distributing and offering the Offered Securities, both directly and to other registered dealers and brokers, and indirectly through such other registered dealers and brokers, and in performing administrative work in connection with the distribution and offering of the Offered Securities, the Corporation agrees to pay to the Underwriters, out of the proceeds from the sale of the Offered Units, an Underwriters' Fee equal to 6.0% of the gross proceeds raised from the sale of the Offered Securities (or equal to $0.072 per Offered Unit sold and $0.09 per Flow-Through Share sold). The Underwriters' Fee shall be payable to the Underwriters in the manner provided for in paragraph 7(a).

In addition to the Underwriters' Fee, as partial consideration for the performance of its obligations hereunder, the Corporation shall issue to the Underwriters (in such name or names as the Underwriters may direct in writing) at the Closing Time, such member of non-transferable Broker Warrants as is equal to 6% of the number of Offered Units sold.

The Corporation also agrees to pay the Underwriters' expenses incurred in connection with this underwriting as set forth in Section 14.

The Corporation agrees that the Underwriters will be permitted to appoint other registered dealers or brokers as their agents to assist in the offering of the Flow-Through Shares, and that the Underwriters may determine the remuneration payable to such other dealers or brokers and will be responsible for paying the remuneration to such other dealers or brokers.

Each Underwriter, or other registered dealer or broker, will deliver to the Corporation a Subscription Agreement in respect of the Flow-Through Shares purchased by purchasers, executed by the Underwriter, or other registered dealer or broker, as agent for the purchasers.

7. (a) Delivery of Purchase Price, Underwriting Fee and Certificates

The Closing shall be completed at the Closing Time at the offices of the Corporation's Counsel in Vancouver, or at such other place in Vancouver as the Underwriters and the Corporation may agree upon. At the Closing Time, the Corporation shall deliver to BMO for the respective accounts of the Underwriters Unit Shares, the Warrants and the Flow-Through Shares to be issued and sold in accordance with this Agreement through the facilities of CDS Depository and Clearing Services Inc. ("**CDS**") or as BMO, on behalf of the Underwriters, may direct in writing not less than 48 hours prior to the Closing Time (or prior to noon (Vancouver time) on the Friday prior to Closing if the Closing Date occurs on a Monday) against payment by the Underwriters to the Corporation of the aggregate of the Unit Offering Price and the Flow-Through Offering Price net of the Underwriters' Fee and expenses of the Underwriters payable under Section 14, in lawful money of Canada by wire transfer of immediately available funds to such account as the Corporation shall direct not less than 48 hours prior to the Closing Time (or prior to noon (Vancouver time) on the Friday prior to Closing if the Closing Date occurs on a Monday), together with a receipt signed by BMO on behalf of itself and the other Underwriters for the Offered Securities. The Underwriters shall contemporaneously deliver a receipt for the Underwriters' Fee signed by BMO on behalf of itself and the other Underwriters.

(b) Delivery of Certificates to Transfer Agent

The Company shall pay all fees and expenses payable to the Transfer Agent or CDS in connection with the sale of the Offered Securities contemplated by this Section 7 and the fees and expenses payable to the Transfer Agent or CDS in connection with the initial or additional transfers as may be required in the course of the distribution of the Offered Securities.

8. Representations, Warranties and Covenants of the Corporation

The Corporation represents and warrants to, and covenants with, the Underwriters, and acknowledges that the Underwriters are relying upon such representations, warranties and covenants, that:

(a) the Corporation has been duly amalgamated and organized and is validly existing under the laws of the jurisdiction of its incorporation, and has all requisite corporate authority and power to carry on its business, as now conducted and as presently proposed to be conducted by it, and to own its properties and assets;

(b) the Corporation has no Subsidiaries other than K Roc Diamond Drilling Corp., Camnor Resources (U.S.A.) Inc., Ashton Mining of Canada Inc., Contact Diamond Corp. and each of the Subsidiaries of Ashton Mining of Canada Inc. and Contact Diamond Corp., and the Corporation is not affiliated with, nor is it a holding corporation of, any other body corporate, and the Corporation does not own securities in any other bodies corporate or have an ownership interest in any unincorporated entity (excluding joint ventures relating to its properties) which amount to greater than 5% of the outstanding shares of any such body corporate or unincorporated entity;

(c) the Corporation is duly registered and qualified to carry on business and is validly subsisting under the laws of each jurisdiction in which it carries on its business;

(d) the Corporation has full corporate power and authority to issue the Unit Shares and the Flow-Through Shares and, at the Closing Date, the Unit Shares and the Flow-Through Shares will be duly and validly authorized, allotted and reserved for issuance and, upon receipt of the purchase price in consideration for the issue of the Unit Shares and the Flow-Through Shares, the Unit Shares and the Flow-Through Shares will be validly issued and outstanding as fully paid and non-assessable Common Shares;

(e) the Corporation has full corporate authority to issue the Warrants and the Warrant Shares and, at such time as the Warrants are duly exercised pursuant to the terms thereof, the Warrant Shares will be duly and validly authorized, allotted and reserved for issuance and, upon receipt of the purchase price in consideration for the issue of the Warrant Shares, the Warrant Shares will be validly issued and outstanding as fully paid and non-assessable Common Shares;

(f) the Corporation has full corporate power and authority to issue the Broker Warrants and the Broker Warrant Shares and, at such time as the Broker Warrants

Shares are duly exercised pursuant to the terms thereof, the Broker Warrant Shares will be duly and validly authorized, allotted and reserved for issuance and, upon receipt of the purchase price in consideration for the issue of the Broker Warrant Shares, the Broker Warrant Shares will be validly issued and outstanding as fully paid and non-assessable Common Shares;

(g) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of this Agreement and the Subscription Agreements by the Corporation or any of the transactions contemplated hereby or thereby, including the sale or issuance of the Offered Securities, the Warrant Shares, the Broker Warrants and the Broker Warrant Shares, do not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under, any term or provision of the Notice of Articles, articles or resolutions of the Corporation, or any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound, or any judgment, decree, order, statute, rule or regulation applicable to the Corporation, which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation, or the assets of the Corporation;

(h) the Corporation has full corporate right, power and authority to enter into this Agreement, the Subscription Agreements, the Warrants and the Broker Warrants, and to perform its obligations set out herein and therein, and this Agreement, the Subscription Agreements, the Warrants and the Broker Warrants have been, and will be, duly authorized, executed and delivered by the Corporation and at the Closing Time will be legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms subject to the general qualifications that:

(i) enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally;

(ii) equitable remedies, including the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;

(iii) the enforceability of any provision exculpating any party from liability or duty otherwise owed by it may be limited under applicable law;

(iv) the costs of and incidental to proceedings authorized to be taken in court or before a judge are under the discretion of the court or judge before which such proceedings are brought and a court or judge has full power to determine by whom and to what extent the costs of such proceedings shall be paid;

(v) the enforceability of provisions which purport to sever any provision which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of such document would be determined only in the discretion of the court;

(vi) the equitable or statutory powers of the courts in Canada having jurisdiction to stay proceedings before them and the execution of judgments;

(vii) rights to indemnity and contribution hereunder may be limited under applicable law; and

(viii) the enforceability may be limited by applicable laws regarding limitations of actions;

(i) there has not been any material adverse change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation, from the position set forth in the Financial Information or as otherwise disclosed in the Corporation's Information Record and, except as disclosed in the Corporation's Information Record, there has not been any adverse material change in the business, operations, capital or condition (financial or otherwise) or results of the operations of the Corporation since April 30, 2006; and since that date there have been no material facts, transactions, events, or occurrences which separately or in aggregate could materially adversely affect the capital, assets, liabilities (absolute, accrued, contingent or otherwise), business, operations or condition (financial or otherwise) or results of the operations of the Corporation which have not been disclosed in the Corporation's Information Record;

(j) the Financial Information fairly present in all material respects, in accordance with generally accepted accounting principles in Canada, the financial position and condition of the Corporation as at the dates thereof and reflect all assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation as at the dates thereof;

(k) except as disclosed in the Financial Information or the Corporation's Information Record, there are no actions, suits, proceedings or inquiries pending or threatened against or affecting the Corporation at law or in equity or before or by any federal, provincial, state, county, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affect, or may in any way materially adversely affect, the business, operations or condition (financial or otherwise) of the Corporation or the assets of the Corporation, or which affect or may affect the value or distribution of the Offered Securities;

(l) except as disclosed in the Corporation's Information Record, since April 30, 2006, the Corporation has not incurred, assumed or suffered any liability (absolute, accrued, contingent or otherwise) or entered into any transaction which

is or may reasonably be expected to be material to the Corporation (taken as a whole) and is not in the ordinary course of business;

(m) since April 30, 2006 there have been no "related party transactions" (as such term is defined in Ontario Securities Commission Rule 61-501) and no non-arm's length transaction (within the meaning of the *Income Tax Act* (Canada)) involving the Corporation other than as disclosed in the Financial Information or otherwise in the Corporation's Information Record;

(n) the Corporation is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the articles of the Corporation, contractual indemnifications and applicable laws and other than indemnities in favour of agents or underwriters in connection with an issuance of securities or like transactions and other than standard indemnities in favour of purchasers of assets in purchase and sale agreements or standard indemnities in favour of optionors or optionees of properties or in favour of an operator or joint venture partner under a joint venture agreement and indemnities and guarantees in favour of the Corporation's bankers) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person;

(o) except as disclosed in the Corporation's Information Record, the Corporation does not have any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with the Corporation that are currently outstanding;

(p) the information and statements set forth in the Corporation's Information Record as they relate to the Corporation were, in all material respects, true, correct, and complete and did not contain any misrepresentation, as of the date of such information or statements and no material change has occurred in relation to the Corporation which is not disclosed in the Corporation's Information Record, and the Corporation has not filed any confidential material change reports which continue to be confidential;

(q) the authorized and issued capital of the Corporation consists of an unlimited number of Common Shares, of which as at March 26, 2007, 174,787,153 Common Shares are issued and outstanding as fully paid and non-assessable;

(r) other than pursuant to the provisions of this Agreement or otherwise disclosed in the Corporation's Information Record, there are no outstanding securities convertible or exchangeable into any securities of the Corporation or any agreement, warrant, option, right or privilege being or capable of becoming an agreement, warrant, option or right for the purchase of any unissued securities of the Corporation, except that as at March 26, 2007, 11,352,683 Common Shares are reserved for issuance upon the exercise of stock options currently issued pursuant to the Corporation's stock option plan, and 2,692,000 Common Shares

are currently reserved for issuance upon the exercise of share purchase warrants of the Corporation;

(s) except as disclosed to the Underwriters, the Corporation has duly filed all tax returns required to be filed by it, has paid all taxes due and payable by it and has paid all assessments and re-assessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which are claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation and there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;

(t) other than the approval of the TSX and the Securities Commission in each of the Qualifying Jurisdictions, no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale of the Offered Securities or the issuance of the Broker Warrants hereunder;

(u) the definitive forms of certificates representing the Common Shares are in due and proper form under the laws governing the Corporation and are in compliance with the requirements of the TSX;

(v) to the best knowledge of the Corporation, no other party is in default in the observance or performance of any term or obligation to be performed by it under any contract to which the Corporation is a party or by which it is bound which is material to the business of the Corporation, no event has occurred which with notice or lapse of time or both would directly or indirectly constitute such a default, in any such case which default or event would reasonably be expected to have a material adverse effect on the assets or properties, business, results of operations, prospects or condition (financial or otherwise) of the Corporation;

(w) except as has been disclosed to Underwriters' counsel, the minute books of the Corporation contain full, true and correct copies of the constating documents of the Corporation and contain copies of all minutes of all meetings and all consent resolutions of the directors, committees of directors and shareholders of the Corporation and all such meetings were duly called and properly held and all such resolutions were properly adopted except to the extent that any such failure could not reasonably be expected to have a material adverse effect on the Corporation;

(x) other than as provided for in this Agreement, the Corporation has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees,

agent's commission or other similar forms of compensation with respect to the transactions contemplated herein;

(y) except to the extent that any violation or other matter referred to in this subparagraph does not individually or in the aggregate have a material adverse effect on the Corporation as a whole, to the knowledge of the Corporation:

(i) it is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");

(ii) it has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;

(iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation that have not been remedied;

(iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation;

(v) it has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign the occurrence of any event which is required to be so reported by any Environmental Laws; and

(vi) it holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and the Corporation has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

(z) the representations and warranties made by the Corporation in the Subscription Agreements are, or will be, true and correct as of the date at which they are made;

(aa) the issued and outstanding Common Shares of the Corporation are listed and posted for trading on the TSX and the Corporation is in compliance with the bylaws, rules and regulations of the TSX; for a period of two years from and after

the Closing Date, the Corporation will ensure that, at all times, all Common Shares issued and outstanding are listed and posted for trading on the TSX or another "prescribed stock exchange" (within the meaning of the *Income Tax Act* (Canada));

(bb) the Corporation is a reporting issuer or has equivalent status in each of the provinces of Canada, except Prince Edward Island, within the meaning of the Canadian Securities Laws applicable in such provinces;

(cc) Pacific Corporate Trust Company, at its principal office in the City of Vancouver, is the duly appointed registrar and transfer agent of the Corporation with respect to its Common Shares;

(dd) the books of account and other records of the Corporation, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices;

(ee) all filings by the Corporation pursuant to which the Corporation has received or is entitled to receive government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or previously accrued on the accounts thereof to be recovered or disallowed;

(ff) to the knowledge of the Corporation as at the date of this Agreement, no insider of the Corporation has the present intention to sell any securities of the Corporation;

(gg) although it does not warrant title, the Corporation does not have reason to believe that the Corporation does not have good title to or the right to produce and sell its mineral title, mining permits, mineral rights and mining concessions (for the purposes of this clause, the foregoing are referred to as the "**Interests**") and does represent and warrant that the Interests are free and clear of all liens, charges, encumbrances, restrictions or adverse claims created by, through or under the Corporation except as otherwise disclosed in the Corporation's Information Record or those arising in the ordinary course of business, which are not material in the aggregate, and to the knowledge of the Corporation after due inquiry, the Corporation holds its Interests under valid and subsisting claims, leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements;

(hh) to the knowledge of the Corporation, after due inquiry, there has not occurred any material spills, emissions or pollution of any property of the Corporation or for which the Corporation is or may be responsible;

(ii) the Corporation is not aware of any pending or threatened action, suit, proceeding or inquiry which, in aggregate, could have a material adverse effect on the Corporation, its business or its prospects;

(jj) except as disclosed in the Corporation's Information Record or as otherwise disclosed to the Underwriters in writing, the Corporation is not a party to any contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;

(kk) any and all operations of the Corporation, and to the best of the Corporation's knowledge, any and all operations by third parties, on or in respect of the assets and properties of the Corporation, have been conducted in accordance with good mining industry practices and in material compliance with applicable laws, rules, regulations, orders and directions of government and other competent authorities; and

(ll) the Corporation has complied or will comply with all applicable corporate and securities laws in connection with the offer, sale and issuance of the Offered Shares to be purchased hereunder and the sale and issuance of the Broker Warrant Shares.

(mm) the Corporation is a "principal-business corporation" within the meaning prescribed by subsection 66(15) of the ITA;

(nn) upon issuance pursuant to the Offering, the Flow-Through Shares will be "flow-through shares" as defined in subsection 66(15) of the ITA and will not be "prescribed shares" for the purpose of section 6202.1 of the regulation to the ITA;

(oo) the Corporation will incur prior to December 31, 2008 Qualifying Expenditures in such amount that enables the Corporation to renounce to the purchasers of the Flow-Through Shares effective December 31, 2007 in accordance with the Subscription Agreements and the ITA, Qualifying Expenditures in an amount equal to the gross proceeds raised by the Corporation pursuant to the Offering of the Flow-Through Shares;

(pp) the Corporation will renounce, in accordance with the ITA and the Subscription Agreements to the purchasers of the Flow-Through Shares effective December 31, 2007 Qualifying Expenditures in an amount equal to the gross proceeds raised by the Corporation pursuant to the Offering of the Flow-Through Shares;

(qq) all Qualifying Expenditures to be renounced to the purchasers of the Flow-Through Shares pursuant to the applicable Subscription Agreements will be Qualifying Expenditures incurred by the Corporation that, but for the renunciation to such purchasers, the Corporation would be entitled to deduct in computing its income for the purposes of Part I of the ITA;

(rr) the Corporation will maintain its status as a "principal-business corporation" (as defined in subsection 66(15) of the ITA) until at least January 1, 2009;

(ss) the Corporation will timely (i) file all forms required under the ITA necessary to effectively renounce Qualifying Expenditures as per Section 8(pp) above, and (ii)

provide to the purchasers of the Flow-Through Shares all such forms and any other documentation required pursuant to the ITA or the Subscription Agreements so that such purchasers may complete their income tax return claiming the benefit of the CEE renounced to them by the Corporation;

(tt) the Corporation will not be subject to the provisions of subsection 66(12.67) of the ITA in a manner which impairs its ability to renounce Qualifying Expenditures as described in Section 8(pp) above;

(uu) in the event that the Corporation does not renounce to the purchasers of the Flow-Through Shares effective December 31, 2007 Qualifying Expenditures in an amount equal to the gross proceeds raised by the Corporation pursuant to the Offering of the Flow-Through Shares, the Corporation shall, in accordance with the provisions of the Subscription Agreements, indemnify each of the purchasers (and where the purchaser is a partnership, each of the members thereof) of the Flow-Through Shares as to, and pay to each such purchaser (and where the purchaser is a partnership, each of the members thereof), an amount equal to the amount of any tax payable or that may become payable under the ITA (or under any corresponding provincial legislation) by each such purchaser (and where the purchaser is a partnership, each of the members thereof) as a result of such failure by the Corporation to renounce such Qualifying Expenditures as at such effective date;

(vv) the Corporation shall not reduce the amount of Qualifying Expenditures renounced to the purchasers of the Flow-Through Shares pursuant to subsections 66(12.6) and 66(12.66) of the ITA and, in the event there is a reduction in the amount renounced to the purchasers pursuant to subsection 66(12.73) of the ITA, the Corporation will, in accordance with the provisions of the Subscription Agreements, indemnify each purchaser (and where the purchaser is a partnership, each of the members thereof) of Flow-Through Shares as to, and pay to each such purchaser (and where the purchaser is a partnership, each of the members thereof), an amount equal to the amount of any tax payable under the ITA (or under any corresponding provincial legislation) by each such purchaser (and where the purchaser is a partnership, each of the members thereof) as a result of such reduction;

(ww) except for the prior obligations that as at January 31, 2007 Stornoway (together with its subsidiaries, Contact and Ashton) had to expend on CEE by December 31, 2007 in the amount of approximately $4.54 million, which it held in cash on hand and which, based on Stornoway's current cash projections, will have been spent by no later than June 30, 2007, the Corporation does not have any current outstanding obligations to incur or renounce CEE to any person;

(xx) the Corporation has the full corporate right, power and authority to incur and renounce to the purchasers of Flow-Through Shares, Qualifying Expenditures in an amount equal to the gross proceeds raised by the Corporation pursuant to the Offering of the Flow-Through Shares; the incurring of Qualifying Expenditures

and the renunciation of Qualifying Expenditures to the purchasers of Flow Through Shares pursuant to the Subscription Agreements, does not and will not constitute a breach or a default under the constating documents of the Corporation or any law, regulation, order or ruling applicable to the Corporation or any agreement, contract or indenture to which the Corporation is a party or by which it is bound;

(yy) except for the prior agreements existing as at January 31, 2007, requiring Stornoway (together with its subsidiaries, Contact and Ashton) to expend on CEE by December 31, 2007 in the amount of approximately $4.54 million which it held in cash on hand and which, based on Stornoway's current cash projections, will have been spent by no later than June 30, 2007, the Corporation has not entered into any agreement or made any covenants with any party that would restrict the Corporation from entering into the Subscription Agreements and agreeing to incur and renounce Qualifying Expenditures in accordance with the Subscription Agreements, nor that would require the prior renunciation to any other person of Qualifying Expenditures prior to the renunciation of an amount equal to the gross proceeds raised by the Corporation pursuant to the Offering of the Flow Through Shares in favour of the Subscribers of such Flow Through Shares;

(zz) the representations and warranties of the Corporation in the Subscription Agreements are true and correct and will be true and correct on the Closing Date and the Corporation will comply with all of the covenants and agreements made by it in the Subscription Agreements; and

(aaa) in the event that the Corporation is required under the ITA to reduce Qualifying Expenditures previously renounced to the purchasers of Flow Through Shares, the Corporation shall, to the extent possible, made such reduction pro rata by the number of Flow Through Shares issued or to be issued pursuant to the Subscription Agreements, provided that the Corporation shall not reduce Qualifying Expenditures renounced under the Subscription Agreements until it has first reduced to the extent possible, expenditures renounced pursuant to the flow-through share agreements entered into by the Corporation subsequent to the Offering of the Flow Through Shares.

The representations, warranties and covenants of the Corporation set out in the schedules to this Agreement are hereby incorporated herein by reference.

It is further agreed by the Corporation that all representations, warranties and covenants in this Section 8 made by the Corporation to the Underwriters shall also be deemed to be made for the benefit of the purchasers of the Flow-Through Shares pursuant to the Subscription Agreements as if such purchasers were also parties hereto (it being agreed that the Underwriters are acting for and on behalf of such purchasers for this purpose).

9. Conditions to the Purchase of Offered Securities

(a) The Closing

The obligation of the Underwriters to purchase the Offered Securities on the Closing Date shall be subject to the accuracy of the representations and warranties of the Corporation contained herein both as of the date hereof and as of the Closing Date, the performance by the Corporation of its obligations hereunder and the following additional conditions:

(i) the Underwriters shall have received at the Closing Time legal opinions addressed to the Underwriters and the Underwriters' Counsel, in form and substance satisfactory to the Underwriters' Counsel, acting reasonably, dated the Closing Date from the Corporation's Counsel, or local counsel, as appropriate, with respect to the Corporation and its Subsidiaries, the Prospectus, this Agreement, the Offered Securities, the Unit Shares, the Warrants, the Brokers Warrants, the Broker Warrant Shares, the authorized and issued capital of the Corporation, the Transfer Agent, TSX listings, applicable laws and such other matters as the Underwriters may reasonably require, and in providing such opinions counsel may rely upon the opinions of other local counsel where they deem such reliance proper as to the laws other than those of Canada and the Province of British Columbia and as to matters of fact, on certificates or letters of the Corporation's officers, the Transfer Agent, the Corporation's Auditors and public and stock exchange officials;

(ii) the Underwriters shall have received at the Closing Time legal opinions from the Corporation's Québec and Nunavut counsel, in form and substance satisfactory to the Underwriters, acting reasonably, with respect to the Corporation's title to its Renard, Churchill and Aviat properties;

(iii) the Underwriters shall have received at the Closing Time a legal opinion dated the Closing Date from U.S. counsel to the Corporation in form and substance satisfactory to the Underwriters acting reasonably, to the effect that it is not necessary (A) in connection with the offer and sale of the Offered Units by the Corporation to the Underwriters under this agreement and the initial resale by the Underwriters in the United States to Qualified Institutional Buyers; and (B) in connection with the offer and sale of the Offered Units by the Corporation to Institutional Accredited Investors in the United States; to register the Offered Units under the U.S. Securities Act, it being understood in each case that no opinion is expressed as to any subsequent resale of any Offered Units, Common Shares, Warrants or Warrant Shares or with regard to the exercise of any Warrants;

(iv) the Underwriters shall have received at the Closing Time a legal opinion dated the Closing Date from the Underwriters' Counsel with respect to transactions referred to in and contemplated by this Agreement, as the Underwriters may reasonably request; provided that the Underwriters'

Counsel shall be entitled to rely on the opinions of local counsel as to matters governed by the laws of jurisdictions other than the laws of Canada and the Province of British Columbia and as to matters of fact, on certificates of the Corporation's officers, the Transfer Agent, the Corporation's Auditors and public and stock exchange officials, and provided further that the Underwriters' Counsel shall be entitled to rely upon the opinion of the Corporation's Counsel;

(v) the Underwriters shall have received at the Closing Time letters dated the Closing Date from the Corporation's Auditors addressed to the Underwriters, the Corporation and the Directors, in form and substance satisfactory to the Underwriters, acting reasonably, confirming the continued accuracy of the comfort letter to be delivered to the Underwriters pursuant to paragraph 4(a)(iv) with such changes as may be necessary to bring the information in such letter forward to within two Business Days of the Closing Date, which changes shall be acceptable to the Underwriters acting reasonably;

(vi) the Underwriters shall have received at the Closing Time certificates dated the Closing Date, signed by an appropriate officer of the Corporation addressed to the Underwriters and their counsel, with respect to the Notice of Articles and Articles of the Corporation, the authorizing resolutions relating to this Agreement, the Prospectus and the incumbency and specimen signatures of signing officers;

(vii) the Underwriters shall have received at the Closing Time a certificate or certificates dated the Closing Date, and signed on behalf of the Corporation by two senior officers of the Corporation addressed to the Underwriters certifying for and on behalf of the Corporation, after having made due enquiry and after having carefully examined the Prospectus, that:

(A) the Corporation has duly complied with all covenants and satisfied all the terms and conditions in this Agreement on its part to be performed or satisfied at or prior to the Closing Time;

(B) no order, ruling or determination having the effect of suspending the sale or ceasing, suspending or restricting the trading of the Offered Securities or any other securities of the Corporation in any of the Qualifying Jurisdictions has been issued or made by any stock exchange, securities commission or regulatory authority and is continuing in effect and no proceedings, investigations or enquiries for that purpose have been instituted or are pending or are contemplated or threatened under any of the Canadian Securities Laws or by any other regulatory authority;

(C) since the respective dates as of which information is given in the Final Prospectus, as amended by any Prospectus Amendment, to the date of such certificate, there has been no material change (actual or anticipated) in any of the business, affairs, operations, assets and liabilities (contingent or otherwise) of the Corporation together with the Subsidiaries considered as a whole or in the capital of the Corporation, other than as disclosed in the Final Prospectus or any Prospectus Amendment, as the case may be;

(D) all necessary consents, approvals and authorizations, including those which have been obtained or which may be required under the securities laws of each of the Qualifying Jurisdictions, which are required for the consummation by the Corporation of the transactions contemplated by this Agreement have been obtained;

(E) the representations and warranties of the Corporation contained in this Agreement are true and correct as of the Closing Time on the Closing Date, with the same force and effect as if made at and as of the Closing Time after giving effect to the transactions contemplated by this Agreement;

(F) all information and statements contained in the Prospectus are, as at the Closing Time, true and correct in all material respects, contain no misrepresentation and constitute full, true and plain disclosure of all material facts relating to the Corporation and the Offered Securities, and no material fact has been omitted therefrom (except that no certification shall be given regarding facts or information relating solely to or furnished by the Underwriters) which is required to be stated or which is necessary to make any statements or information contained therein not misleading in light of the circumstances in which they were made; and

(G) each of the Material Subsidiaries is incorporated and is existing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to carry on the activities as now carried on by it and contemplated by the Prospectus;

(viii) on or before the filing of the Final Prospectus, the TSX shall have approved the listing on the TSX of the Offered Units, the Unit Shares, the Warrants, the Warrant Shares, the Flow-Through Shares and the Broker Warrants Shares, subject only to such usual conditions and to the filing of usual documents in accordance with the requirements of the TSX, and the Underwriters shall have received at the Closing Time a letter from the TSX confirming such listings;

(ix) the Underwriters shall have received at the Closing Time a certificate from the Transfer Agent dated the Closing Date and signed by an authorized

officer of the Transfer Agent, confirming the issued share capital of the Corporation;

(x) the Underwriters shall have received copies of the Subscription Agreements duly and validly signed and delivered by the Corporation;

(xi) the Underwriters shall have received such other instruments and closing documents as they may reasonably require; and

(xii) in the event the Over-Allotment Option is exercised in accordance with its terms, the Corporation will, at or prior to Over-Allotment Closing Time, deliver to BMO that number of Over-Allotment Units in respect of which the Underwriters are exercising the Over-Allotment Option and the Underwriters will become obligated to purchase from the Corporation such number of Over-Allotment Units; and

(xiii) in the event the Over-Allotment Option is exercised in accordance with its terms, the Underwriters will have received such certificates, opinions, agreements, materials or documents set out in this Section 9(a) in form and substance satisfactory to the Underwriters and their counsel, as the Underwriters or their counsel may reasonably request.

10. Termination Rights

(a) Termination

(i) Each Underwriter may, without liability, terminate its obligations hereunder, by written notice to the Corporation, in the event that after the date hereof and at or prior to the Closing Time:

(A) any order, ruling or determination having the effect of ceasing or suspending trading in any securities of the Corporation, or prohibiting or restricting the distribution of the Offered Securities, the Warrant Shares, the Broker Warrants or the Broker Warrant Shares, is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the TSX or by any other competent authority, and has not been rescinded, revoked or withdrawn;

(B) any inquiry, investigation (whether formal or informal) or other proceeding in relation to the Corporation or any of its directors or senior officers is announced, commenced or threatened by any securities commission or similar regulatory authority, the TSX or by any other competent authority or there is a change in law, regulation or policy or the interpretation thereof, if, in the reasonable opinion of the Underwriters, the announcement, commencement or threatening thereof materially adversely affects

or may materially adversely affect the trading or distribution of the Common Shares;

(C) there shall have occurred any material adverse change (actual, contemplated or threatened) or any adverse change in a material fact or occurrence of an adverse material fact or event, as determined by the Underwriters in their sole discretion, acting reasonably, in respect of the business, operations, capital or condition (financial or otherwise) of the Corporation, or its properties, assets, liabilities or obligations (absolute, accrued, contingent or otherwise);

(D) there should develop, occur or come into effect or existence any event, action, state, condition or financial occurrence, or any catastrophe of national or international consequence, acts of hostility or escalation thereof, or any other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions or any governmental action, law, regulation, inquiry or other occurrence of any nature whatsoever or change in the financial markets, which, in the sole opinion of the Underwriters, acting reasonably, seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Corporation, such that it would not be practical, in the sole opinion of the Underwriters, to market the Offered Securities; or

(E) the Underwriters shall determine that there exists any fact or circumstance relating to the Corporation not generally disclosed to the public or to the Underwriters by the Corporation at the date hereof, which would have, in the opinion of the Underwriters, acting reasonably, a material adverse effect on the market price or value of the Offered Securities.

(b) Exercise of Termination Rights

The rights of termination contained in paragraph 10(a) may be exercised by any or all of the Underwriters; and such rights of termination are in addition to any other rights or remedies of the Underwriters may have in respect of any default, act or failure to act or non-compliance by the Corporation in respect of any of the matters contemplated by this Agreement or otherwise. In the event of any such termination, there shall be no further liability on the part of the Underwriters to the Corporation or on the part of the Corporation to the Underwriters except in respect of any liability which may have arisen or may arise after such termination under Sections 11, 12, 14 or 15. A notice of termination given by an Underwriter under paragraph 10(a) shall not be binding upon the other Underwriters.

11. (a) Indemnity

To the extent permitted by law, the Corporation agrees to protect, hold harmless and indemnify each of the Underwriters and each and every one of the Indemnified Persons from and against all Losses which any such Underwriter may be subject to or suffer or incur, whether under the provisions of any statute or otherwise, and which are caused or incurred by or arise directly or indirectly by reason of or in consequence of (other than arising solely from the Underwriters acquiring, holding or disposing of Flow-Through Shares as principal):

(i) any information or statement (except any information or statement relating solely to the Underwriters) contained in the Prospectus or in any certificate of the Corporation delivered under this Agreement which at the time and in light of the circumstances under which it was made contains or is alleged to contain a misrepresentation;

(ii) any omission or alleged omission to state in the Prospectus or any certificate of the Corporation delivered under this Agreement or pursuant to this Agreement any material fact or information (except facts or information relating solely to the Underwriters), required to be stated in such document or necessary to make any statement in such document not misleading in light of the circumstances under which it was made;

(iii) any order made or enquiry, investigation or proceedings commenced or threatened by any securities commission or other competent authority based upon any untrue statement or omission, or alleged untrue statement or alleged omission or any misrepresentation or alleged misrepresentation (except a statement or omission or alleged statement or omission relating solely to the Underwriters) in the Prospectus or based upon any failure to comply with Canadian Securities Laws (other than any failure or alleged failure to comply by the Underwriters), preventing or restricting the trading in or the sale or distribution of the Offered Securities in any of the Qualifying Jurisdictions;

(iv) any breach of a representation or warranty made in this Agreement by the Corporation or the failure of the Corporation to comply with any of its obligations hereunder; or

(v) the Corporation not complying with any requirement of any Canadian Securities Laws applicable to it in connection with the offering and sale of the Offered Securities as contemplated hereby;

provided that in the event and to the extent that a court of competent jurisdiction in a final judgment from which no appeal can be made or a regulatory authority in a final ruling from which no appeal can be made shall determine that such proceedings or Losses resulted (i) solely from the negligence, fraud or wilful misconduct of the Indemnified Person claiming indemnity, this indemnity shall not apply; or (ii) from the non-compliance by the Underwriters with any

Canadian Securities Laws or any breach or default under or non-compliance by the Underwriters with any term, covenant or condition of this Agreement.

(b) Notification of Claims

If any matter or thing contemplated by this Section 11 (any such matter or thing being referred to as a **"Claim"**) is asserted against any one or more of the Indemnified Persons, such Indemnified Person will notify the Corporation as soon as reasonably practicable in writing of the nature of such Claim and the Corporation shall be entitled (but not required) to assume the defence of any suit brought to enforce such Claim; provided, however, that the defence shall be conducted through legal counsel acceptable to the Indemnified Person, acting reasonably, that no settlement of any such Claim may be made by the Corporation or the Indemnified Person without the prior written consent of the other party and the Corporation shall not be liable for any settlement of any such Claim unless it has consented in writing to such settlement, such consent not to be unreasonably withheld.

(c) Retaining Counsel

In any such Claim, the Indemnified Person shall have the right to retain other counsel to act on his or its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Person unless: (i) the Corporation on behalf of itself and the Indemnified Person shall have mutually agreed to the retention of other counsel, or (ii) the named parties to any such Claim (including any added third or impleaded party) include both the Indemnified Person on the one hand and the Corporation on the other hand and the representation of both parties by the same counsel would be inappropriate due to the actual or potential differing interests between them. Where more than one Indemnified Person is entitled to retain separate counsel in the circumstances described in this paragraph 11(c), all Indemnified Persons shall be represented by one separate legal counsel and the fees and disbursements of only one separate legal counsel for all Indemnified Persons shall be paid by the Corporation, unless (i) the Corporation and the Indemnified Persons have mutually agreed to retention of more than one legal counsel for the Indemnified Persons or (ii) the Indemnified Persons have or any one of them has been advised in writing by legal counsel thereto that representation of all of the Indemnified Persons by the same legal counsel would be inappropriate due to actual or potential differing interests among them. Notwithstanding the foregoing, the Corporation shall not be liable for any settlement of any Claim unless the Corporation has consented in writing to such settlement, such consent not to be unreasonably withheld.

12. (a) Contribution

In order to provide for a just and equitable contribution in circumstances in which the indemnity provided in Section 11 would otherwise be available in accordance with its terms but is, for any reason, held to be unavailable to or unenforceable by the Underwriters or enforceable otherwise than in accordance with its terms, the Corporation and the Underwriters, severally, shall contribute to the aggregate of all claims, expenses, costs and liabilities and all Losses of a nature contemplated in Section 11 in such proportions so that the Underwriters are responsible for the portion represented by the percentage that the aggregate fee payable by the Corporation to the Underwriters pursuant to Section 6 bears to the aggregate offering price of the Offered Securities

and the Corporation is responsible for the balance, whether or not they have been sued together or sued separately. The Underwriters shall not in any event be liable to contribute, in the aggregate, any amount in excess of such aggregate fee or any portion of such fee actually received. However, no party who has engaged in any fraud, fraudulent misrepresentation or gross negligence shall be entitled to claim contribution from any person or company who has not engaged in such fraud, fraudulent misrepresentation or gross negligence.

(b) Right of Contribution in Addition to Other Rights

The rights to contribution provided in this Section 12 shall be in addition to and not in derogation of any other right to contribution which the Underwriters or the Corporation may have by statute or otherwise at law.

(c) Calculation of Contribution

In the event that the Corporation may be held to be entitled to contribution from the Underwriters under the provisions of any statute or at law, the Corporation shall be limited to contribution in an amount not exceeding the lesser of:

(i) the portion of the full amount of the loss or liability giving rise to such contribution for which the Underwriters are responsible, as determined in paragraph 12(a); and

(ii) the amount of the aggregate fee actually received by the Underwriters from the Corporation under this Agreement.

(d) Notice

If any of the Underwriters has reason to believe that a claim for contribution may arise, it shall give the Corporation notice of such claim in writing, as soon as reasonably practicable, but failure to notify the Corporation shall not relieve the Corporation of any obligation which it may have to the Underwriters under this paragraph except to the extent by which the Corporation is prejudiced by such failure.

If the Corporation has reason to believe that a claim for contribution may arise, it shall give the Underwriters notice of such claim in writing, as soon as reasonably practicable, but failure to notify the Underwriters shall not relieve any Underwriter of any obligation which it may have to the Corporation under this paragraph except to the extent by which such Underwriters is prejudiced by such failure.

(e) Right of Contribution in Favour of Others

With respect to Section 11 and this Section 12, the Corporation acknowledges and agrees that the Underwriters are contracting on their own behalf and as agents and trustees for each Indemnified Person.

13. Severability

If any provision of this Agreement shall be adjudged by a competent authority to be invalid or for any reason unenforceable in whole or in part, such invalidity or unenforceability shall not affect the validity, enforceability or operation of any other provision of this Agreement and such void or unenforceable provision shall be severable from this Agreement.

14. Expenses

Whether or not the sale of the Offered Securities shall be completed, all expenses of or incidental to the issue, delivery and sale of the Offered Securities and all expenses of or incidental to all other matters in connection with the transactions set out in this Agreement, shall be borne by the Corporation directly, including, without limitation, (i) expenses payable in connection with the qualification of the Offered Securities for distribution; (ii) all costs incurred in connection with the preparation and printing of the Prospectus, (iii) all costs of the certificates representing the Offered Securities, (iv) all costs incurred to list the Offered Securities on the TSX, (v) all fees and disbursements of the Corporation's Auditors and the Corporation's Counsel and all other local counsel to the Corporation and (vi) all of the Underwriters' reasonable "out of pocket" expenses, including all fees (to a maximum of $50,000 unless otherwise agreed by the Corporation) and disbursements of the Underwriters' Counsel.

15. (a) Obligation of Underwriters to Purchase

The obligation of the Underwriters to purchase the Offered Units and to offer and purchase the Flow-Through Shares, if any, shall be several and not joint and several and shall be limited as regards each Underwriter to the percentage of the Offered Units and the Flow-Through Shares set out opposite the name of such Underwriter below:

BMO Nesbitt Burns Inc.	35%
Canaccord Capital Corporation	35%
Raymond James Ltd.	10%
GMP Securities Ltd.	5%
Haywood Securities Inc.	5%
Westwind Partners Inc.	5%
CIBC World Markets Inc.	2.5%
Orion Securities Inc.	2.5%

Each Underwriter shall have no obligation or right to purchase any of the Flow-Through Shares to be offered by it as allocated above, unless such Underwriter fails to obtain subscriptions for such Flow-Through Shares within the time required hereunder.

Subject to Section 15(b), if any Underwriter fails to purchase its applicable percentage of the Offered Units or to offer and purchase its applicable percentage of Flow-Through Shares at the Closing Time the remaining Underwriters shall have the right, but shall not be obligated, to purchase such Offered Units or to offer and purchase such Flow-Through Shares, and if more than one of the remaining Underwriters exercises such right, each of the Underwriters that does so shall be entitled to purchase that percentage of the unpurchased Offered Units or to offer and

purchase that percentage of the unpurchased Flow-Through Shares that is equal to the percentage determined by dividing the number of the Offered Units or Flow-Through Shares initially offered or purchased, as applicable, by that Underwriter by the total number of Offered Units or Flow-Through Shares offered or purchased. In the event that such right is not exercised, the Underwriters which are not in default shall be relieved of all obligations to the Corporation. Nothing in this paragraph shall relieve from liability to the Corporation the Underwriter which shall be so in default. In the event of a termination by the Corporation of its obligations under this Agreement, there shall be no further liability on the part of the Corporation to the Underwriters except in respect of any liability which may have arisen or may arise under Sections 11, 12 and 14. Nothing in this Agreement shall obligate a U.S. broker-dealer affiliate of any of the Underwriters to purchase Offered Units. Any U.S. broker-dealer that makes offers and sales of the Offered Units to U.S. persons will do so only as an agent for an Underwriter.

(b) Rights to Purchase of the Other Underwriters

If any of the Underwriters shall exercise its right of termination under Section 10, the remaining Underwriters shall have the right, but shall not be obligated, to offer or purchase all of the Flow-Through Shares or Offered Units, as applicable, which would otherwise have been offered or purchased by such Underwriter which has so exercised its right of termination and if more than one of the remaining Underwriters exercises such right, each of the Underwriters that does so shall be entitled to offer or purchase, as applicable, that percentage of the unpurchased Flow-Through Shares or Offered Units that is equal to the percentage determined by dividing the number of the Flow-Through Shares or Offered Units initially purchased by that Underwriter by the total number of Flow-Through Shares or Offered Units purchased.

16. Restrictions on Offerings

The Corporation will not issue, agree to issue, or announce the issuance of any Common Shares of the Corporation or any securities convertible into or exchangeable for or exercisable to acquire Common Shares of the Corporation without the prior written consent of BMO, on behalf of the Underwriters, such consent not to be unreasonably withheld, during a period commencing on the Closing Date and ending 90 days after Closing, other than:

(a) pursuant to presently outstanding rights or agreements, including options, warrants and other convertible securities; or

(b) options granted pursuant to any of the Corporation's stock option plans or stock purchase plans as detailed in a schedule provided by the Corporation to the Underwriters dated as of the date hereof and any Common Shares of the Corporation issued pursuant to the exercise of any options granted pursuant to such option or purchase plans.

17. Survival of Representations and Warranties

The representations, warranties, obligations and agreement of the Corporation contained in this Agreement and in any certificate delivered pursuant to this Agreement or in connection with purchase and sale of the Offered Securities shall survive the purchase of the Offered Securities

for a period of two years from the Closing Date and shall continue in full force and effect during such two-year period unaffected by any subsequent disposition of the Offered Securities by the Underwriters or the termination of the Underwriters' obligations and shall not be limited or prejudiced by any investigation made by or on behalf of the Underwriters in connection with the preparation of the Prospectus or the distribution of the Offered Securities.

18. Time of the Essence

Time shall be of the essence of this Agreement.

19. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable in the Province of British Columbia.

20. Funds

All funds referred to in this Agreement shall be in Canadian dollars unless otherwise stated herein.

21. Notice

Unless herein otherwise expressly provided, any notice, request, direction, consent, waiver, extension, agreement or other communication that is required to or may be given or made hereunder shall be in writing and either personally delivered to a responsible officer of the addressee or sent by telecopy to:

If to the Corporation, addressed and sent to:

Stornoway Diamond Corporation
860 – 625 Howe Street
Vancouver, British Columbia
V6C 2T6

Attention: Mr. Matt Manson
Fax No.: 604-689-5041

If to the Corporation with a copy (for informational purposes only and not constituting formal notice) to:

DuMoulin Black LLP
10th Floor, 595 Howe Street
Vancouver, British Columbia
V6C 2T5

Attention: Bruce Scott
Fax No.: 604-687-8772

If to the Underwriters, addressed and sent to:

BMO Nesbitt Burns Inc.
Suite 1700
885 West Georgia Street
Vancouver, British Columbia
V6C 3E8

Attention: Jamie Rogers
Fax No.: 604-443-1408

If to any Underwriter, with a copy (for informational purposes only and not constituting formal notice) to:

McCarthy Tétrault LLP
Suite 1300
777 Dunsmuir Street
Vancouver, British Columbia
V7Y 1K2

Attention: Michael G. Urbani
Fax No.: 604-605-5289

or to such other address as any of the parties may designate by notice given to the others.

Each notice shall be personally delivered to the addressee or sent by facsimile transmission to the addressee and (i) a notice which is personally delivered shall, if delivered on a Business Day, be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is delivered; and (ii) a notice which is sent by facsimile transmission shall be deemed to be given and received on the Business Day sent if transmitted prior to 2:00 p.m. (Vancouver time) on that day or the next Business Day following the day on which it is sent if transmitted on a day other than a Business Day or after 2:00 p.m. (Vancouver time) on a Business Day.

22. All Terms to be Conditions

The Corporation agrees that the conditions contained in Section 9 of this agreement will be complied with insofar as they relate to acts to be performed or caused to be performed by the Corporation and that it will use its reasonable commercial efforts to cause all of those conditions to be complied with insofar as they relate to acts to be performed or caused to be performed by the Corporation. Each certificate required to be provided in accordance with the terms of this agreement, signed by any officer of the Corporation and delivered to the Underwriters or the Underwriters' counsel, will constitute a representation and warranty by the Corporation to each of the Underwriters as to the matters covered thereby. Any breach or failure to comply with any of the conditions set out in Section 9 will entitle each of the Underwriters to terminate its obligation to purchase the Shares, by written notice to that effect given to the Corporation at or prior to the Time of Closing. It is understood that the Underwriters may waive, in whole or in

part, or extend the time for compliance with, any of those conditions without prejudice to the rights of the Underwriters in respect of any of those conditions or any other or subsequent breach or non-compliance, provided that to be binding on the Underwriters any such waiver or extension must be in writing.

23. Authority of BMO Nesbitt Burns Inc.

BMO is hereby authorized by the other Underwriters to act on its behalf and the Corporation shall be entitled to and shall act on any notice given in accordance with Section 21 or agreement entered into by or on behalf of the Underwriters by BMO which represents and warrants that it has irrevocable authority to bind the Underwriters, except in respect of any consent to a settlement pursuant to paragraph 11(b) which consent shall be given by the Indemnified Person, a notice of termination pursuant to Section 10 which notice may be given (subject to Section 10) by any of the Underwriters, or any waiver pursuant to Section 22, which waiver must be signed by all of the Underwriters. BMO shall consult with the other Underwriters concerning any matter in respect of which it acts as representative of the Underwriters.

24. Counterparts

This Agreement may be executed by any one or more of the parties to this Agreement by facsimile or in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument.

25. Schedules

The Schedules hereto form an integral part of this Agreement.

26. Entire Agreement

This Agreement shall constitute the entire agreement between the parties with respect to the subject matter of this Agreement and shall not be changed, modified or rescinded, except in writing signed by the parties. The provisions of this Agreement supersede all contemporaneous oral agreements and all prior oral and written quotations, communications, agreements and understandings of the parties with respect to the subject matter of this Agreement.

[The remainder of this page is intentionally left blank.]

If the foregoing is in accordance with your understanding and is agreed to by you, please signify your acceptance by executing the enclosed copies of this letter where indicated below and returning the same to BMO upon which this letter as so accepted shall constitute an agreement among us.

BMO NESBITT BURNS INC.

Per: *"Jamie Rogers"*
Jamie Rogers

CANACCORD CAPITAL CORPORATION

Per: *"Ali Pejman"*
Ali Pejman

RAYMOND JAMES LTD.

Per: *"Lon Shaver"*
Lon Shaver

HAYWOOD SECURITIES INC.

Per: *"John Willett"*
John Willett

GMP SECURITIES L.P.

Per: *"Mark Wellings"*
Mark Wellings

WESTWIND PARTNERS INC.

Per: *"Nick Pocrnic"*
Nick Pocrnic

CIBC WORLD MARKETS INC.

Per: *"Rick McCreary"*
Rick McCreary

ORION SECURITIES INC.

Per: *"Kenneth Gillis"*
Kenneth Gillis

The foregoing is accepted and agreed to as of the date first above written.

STORNOWAY DIAMOND CORPORATION

Per: *"Matt Manson"*
Matt Manson
President

SCHEDULE A

United States Offers and Sales

1. Capitalized terms used in this Schedule A and not defined in this Schedule A shall have the meanings ascribed thereto in the agreement to which this Schedule is annexed and the following terms shall have the meanings indicated:

"**Directed Selling Efforts**" means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Units and shall include, without limitation, the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of any of the Offered Units;

"Foreign Issuer" means a "foreign issuer" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means any issuer that is (a) the government of any country, or of any political subdivision of a country, other than the United States; or (b) a national of any country other than the United States, or a corporation or other organization incorporated or organized under the laws of any country other than the United States, except an issuer meeting the following conditions: (1) more than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States; and (2) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;

"General Solicitation" and **"General Advertising"** means "general solicitation" and "general advertising", respectively, as used in Rule 502(c) of Regulation D, including, without limitation, advertisements, articles, notices or other communication published on the Internet or in any newspaper, magazine or similar media or broadcast over television or radio, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising or in any other manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act;

"**Institutional Accredited Investors**" means those institutional "accredited investors" specified in Rule 501(a)(1), (2), (3) and (7) of Regulation D;

"**Qualified Institutional Buyer**" means a "qualified institutional buyer" as that term is defined in Rule 144A;

"Regulation D" means Regulation D adopted by the SEC under the U.S. Securities Act;

"**Regulation S**" means Regulation S adopted by the SEC under the U.S. Securities Act;

"**Rule 144A**" means Rule 144A under the U.S. Securities Act;

"**SEC**" means the United States Securities and Exchange Commission;

"**Selling Firms**" means the Underwriters together with other investment dealers and brokers which participate in the offer and sale of Offered Units under the terms of this agreement, including this Schedule A;

"Substantial U.S. Market Interest" means "substantial U.S. market interest" as that term is defined in Regulation S;

"U.S. Exchange Act" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations made thereunder;

"**U.S. Offering Memorandum**" means the offering memorandum for the offering of the Offered Units in the United States;

"United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"U.S. Person" means a "U.S. Person" as that term is defined in Regulation S; and

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations made thereunder.

2. The Corporation represents, warrants and covenants to the Underwriters that, as of the date hereof and the Closing Time:

   (a) the Corporation is a Foreign Issuer, and there is no Substantial U.S. Market Interest in the Offered Units;

   (b) none of the Corporation, its affiliates (as defined in Rule 405 under the U.S. Securities Act) nor any person acting on its or their behalf (except for the Underwriters, their respective affiliates and any person acting on their behalf, as to whom no representations are made) (i) has engaged or will engage in any Directed Selling Efforts with respect to the Offered Units, (ii) has taken any action which would constitute a violation of Regulation M under the U.S. Exchange Act or that would cause the exemption afforded by Rule 903 of Regulation S or Rule 144A to be unavailable for offers and sales of Offered Units, or (iii) has engaged in or will engage in any form of General Solicitation or General Advertising with respect to offers or sales of the Offered Units in the United States;

   (c) the Corporation is not, and as a result of the sale of the Offered Units contemplated hereby, will not be, an open-end investment company, a unit

investment trust or a face-amount certificate company registered or required to be registered or a closed-end investment company required to be registered, but not registered, under the United States Investment Company Act of 1940, as amended;

(d) the Offered Units satisfy the requirements set forth in Rule 144A(d)(3) under the U.S. Securities Act;

(e) so long as any Offered Units which have been sold in the United States are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and if the Corporation is neither exempt from reporting pursuant to Rule 12g3-2(b) of the U.S. Exchange Act nor subject to and in compliance with Section 13 or 15(d) of the U.S. Exchange Act, the Corporation will furnish to any holder of the Offered Units which have been sold in the United States and any prospective purchaser of the Offered Units designated by such holder, upon request of such holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act (so long as such requirement is necessary in order to permit holders of the Offered Units to effect resales under Rule 144A);

(f) at the date hereof, the Offered Units and securities of the same class of the Offered Units are not, and as of the Closing Time will not be, (i) listed on a national securities exchange in the United States registered under Section 6 of the U.S. Exchange Act, (ii) quoted in an "automated inter-dealer quotation system", as such term is used in the U.S. Exchange Act, or (iii) convertible or exchangeable at an effective conversion premium (calculated as specified in paragraph (a)(6) of Rule 144A) of less than ten percent for securities so listed or quoted;

(g) except with respect to the offer and sale of the Offered Units offered hereby, the Corporation has not, within six months before the commencement of the offer and sale of the Offered Units, and will not within six months after the Closing Date, offer or sell any securities in a manner that would be integrated with the offer and sale of the Offered Units and would cause the exemption from registration set forth in Rule 903 of Regulation S or Rule 144A to become unavailable with respect to the offer and sale of the Offered Units; and

(h) except with respect to offers and sales to persons that are Qualified Institutional Buyers in reliance on Rule 144A or Institutional Accredited Investors in reliance upon certain exemptions from the registration requirements of the U.S. Securities Act, neither the Corporation, nor any of its affiliates, nor any person acting on their behalf has made or will make (i) any offer to sell, or any solicitation of an offer to buy, any Offered Units to a U.S. Person or to a person in the United States, or (ii) any sale of the Offered Units unless, at the time the buy order was or will have been originated, the purchaser is outside the United States.

3. Each of the Underwriters represents and warrants to the Corporation that, as of the date hereof and the Closing Time:

(a) it acknowledges that the Offered Units have not been and will not be registered under the U.S. Securities Act or applicable state securities laws and may not be offered or sold within the United States except pursuant to transactions exempt from or not subject to the registration requirements under the U.S. Securities Act and exemptions from registration under applicable state securities laws. Neither it nor any person acting on its behalf has offered or sold or will offer or sell, any of the Offered Units except (A) outside the United States in offshore transactions (as defined in Regulation S) in accordance with Rule 903 of Regulation S, (B) if applicable, for offers and sales in the United States by its U.S. registered broker-dealer affiliates only to Qualified Institutional Buyers and in accordance with Rule 144A as provided in this section 3 and in section 4 below or (C) if applicable, for facilitating sales by the Corporation to Institutional Accredited Investors designated by the Underwriters or their U.S. registered broker-dealer affiliates. Accordingly, neither it, its affiliates nor any persons acting on its behalf have engaged or will engage in (except as permitted herein) (A) any offer to sell, or any solicitation of an offer to buy, any Offered Units to any person in the United States or to any U.S. Person, (B) any sale of the Offered Units to any purchaser unless, at the time the buy order was or will have been originated, the purchaser is outside the United States and is not a U.S. Person, or (C) any Directed Selling Efforts in the United States with respect to the Offered Units;

(b) neither it, nor any of its United States affiliates nor any person acting on its or their behalf has taken or will take any action which would constitute a violation of Regulation M under the U.S. Exchange Act or that would cause the exemption afforded by Rule 903 of Regulation S or Rule 144A to be unavailable for offers and sales of Offered Units;

(c) it has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Units, except with its U.S. registered broker-dealer affiliates, any U.S. registered broker-dealer affiliate of any Selling Firms or with the prior written consent of the Corporation; and

(d) it shall require each Selling Firm and its U.S. registered broker-dealer affiliates to agree, for the benefit of the Corporation, to be bound by and to comply with, and shall use its best efforts to ensure that each Selling Firm and its U.S. registered broker-dealer affiliates complies with, the provisions of this Schedule A as if such provisions applied to such Selling Firm or affiliate.

(e) prior to any sale of Offered Units to Institutional Accredited Investors in the United States, it shall cause each such purchaser to represent, warrant and agree in writing to the Corporation that such purchaser:

(1) is authorized to consummate the purchase of the Offered Units;

(2) understands that the Offered Units have not been and will not be registered under the U.S. Securities Act or any applicable state securities laws and that the offer and sale of Offered Units to it is being made in reliance on a private placement exemption to Institutional Accredited Investors;

(3) has received a copy, for its information only, of the Prospectus, together with the U.S. Offering Memorandum, relating to the offering in the United States of the Offered Units and it has had access to such additional information, if any, concerning the Corporation as it has considered necessary in connection with its investment decision to acquire the Offered Units;

(4) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Offered Units and is able to bear the economic risks of such investment;

(5) is an Institutional Accredited Investor and is acquiring the Offered Units having an aggregate purchase price of at least C$50,000 for its own account or for one or more accounts as to which it exercises sole investment discretion and each such account is purchasing Offered Units having such an aggregate purchase price, and not with a view to any resale, distribution or other disposition of the Offered Units, Common Shares, Warrants or Warrant Shares in violation of United States securities laws or applicable state securities laws;

(6) acknowledges that it has not purchased the Offered Units as a result of any General Solicitation or General Advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;

(7) understands that the Offered Units, Common Shares, Warrants and Warrant Shares are "restricted securities" as defined in Rule 144 under the U.S. Securities Act and agrees that if it decides to offer, sell or otherwise transfer such securities, such securities may be offered, sold or otherwise transferred only (A) to the Corporation, (B) outside the United States in accordance with Rule 904 of Regulation S under the U.S. Securities Act, (C) inside the United States in accordance with (i) Rule 144A to a person who the seller reasonably believes is a Qualified Institutional Buyer purchasing for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the offer, sale or transfer is being made in reliance on Rule 144A, (ii) to

an Institutional Accredited Investor where (1) the aggregate market value of Securities sold to such Institutional Accredited Investor is at least C$50,000, (2) a purchaser's letter is executed by the purchaser and delivered to the U.S. affiliate of an underwriter and the Corporation and (3) all offers and solicitations are arranged and conducted solely through the Corporation or (iii) the exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder, if available, (D) pursuant to another exemption from the registration requirements of the U.S. Securities Act, or (E) under an effective registration statement under the U.S. Securities Act, in the case of (C)(ii) and (D) subject to the right of the Corporation to require delivery of an opinion of counsel or certificate acceptable to it in form and substance, and in each case in compliance with applicable state securities laws.

(8) it understands and acknowledges that upon the original issuance thereof, and until such time as the same is no longer required under applicable requirements of the U.S. Securities Act or applicable state securities laws, certificates representing the Units, Common Shares, Warrants or Warrant Shares, and all certificates issued in exchange therefor or in substitution thereof, shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY [for Warrants include – AND THE SECURITIES ISSUED UPON EXERCISE OF THE SECURITIES] HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR UNDER ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (C) INSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, OR (E) UNDER AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, IN THE CASE OF (D) SUBJECT TO THE RIGHT OF THE CORPORATION TO REQUIRE DELIVERY OF AN OPINION OF COUNSEL OR CERTIFICATE ACCEPTABLE TO IT IN FORM AND SUBSTANCE, AND IN EACH CASE IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD

DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. A NEW CERTIFICATE BEARING NO LEGEND, DELIVERY OF WHICH WILL CONSTITUTE "GOOD DELIVERY" MAY BE OBTAINED FROM PACIFIC CORPORATE TRUST COMPANY UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO PACIFIC CORPORATE TRUST COMPANY AND THE CORPORATION, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT;

provided, that, if the securities are being sold under clause 7(B) above, the legend may be removed by providing a declaration to Pacific Corporate Trust Company, as registrar and transfer agent, to the effect that the undersigned (A) acknowledges that the sale of _____Securities, represented by certificate numbers _____, to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the *United States Securities Act* of 1933, as amended (the "U.S. Securities Act"), and (B) certifies that (1) it is not an "affiliate" (as defined in Rule 405 under the U.S. Securities Act) of Stornoway Diamond Corporation, (2) the offer of such Securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of a "Designated Offshore Securities Market" as defined in Rule 902 of Regulation under the U.S. Securities Act and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States and (3) neither the seller nor any person acting on its behalf engaged in any directed selling efforts in connection with the offer and sale of such Securities. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act; and provided further, that, if any such Securities are being sold under paragraph 7(C)(ii), 7(C)(iii) or 7(D) above, the legend may be removed by delivery to Pacific Corporate Trust Company and the Corporation of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation, to the effect that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws;

4. Each of the Underwriters agrees with the Corporation that:

   (a) the Offered Units have not been and will not be registered under the U.S. Securities Act and the Offered Units may be offered and sold only (i) outside the United States (A)(1) pursuant to a short-form prospectus under Canadian securities laws or (2) pursuant to the laws of another jurisdiction, and (B) in reliance upon the exemption from registration under the U.S. Securities Act provided by Rule 903 of Regulation S; or (ii) in the United States by the Underwriters and their United States broker-dealer affiliates, as principals, in

compliance with Rule 144A or another exemption from the registration requirements of the U.S. Securities Act, in the manner contemplated in this Schedule A;

(b) all offers and sales of the Offered Units in the United States will be effected only by its U.S. registered broker-dealer affiliates (each, a "U.S. Placement Agent") and in compliance with all applicable United States federal and state laws relating to the registration and conduct of securities brokers and dealers and all applicable state securities laws;

(c) each of its U.S. Placement Agents is an SEC registered broker-dealer;

(d) it will not, either directly or through its U.S. Placement Agents engage in any Directed Selling Efforts with respect to the Offered Units, solicit offers for, or offer to sell, the Offered Units by means of any form of General Solicitation or General Advertising, or in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act;

(e) it will solicit, and will cause its U.S. Placement Agents to solicit, offers for the Offered Units only from, and to offer the Offered Units only to persons which it reasonably believes to be Qualified Institutional Buyers or Institutional Accredited Investors that are purchasing for their own account or for the account of a Qualified Institutional Buyer or Institutional Accredited Investor with respect to which they exercise sole investment discretion, and only in accordance with an exemption from the registration requirements under the U.S. Securities Act. It also agrees that it will solicit, and will cause its U.S. Placement Agents to solicit, offers for the Offered Units only from, and to offer the Offered Units only to, persons that in purchasing such Offered Units will be deemed to have represented and agreed, for the benefit of the Corporation, the Underwriters, the Selling Firms and the U.S. Placement Agents, as provided in the U.S. Offering Memorandum provided to such persons;

(f) it will inform, and will cause its U.S. Placement Agents to inform, all purchasers of the Offered Units in the United States that such securities have not been and will not be registered under the U.S. Securities Act and are being sold to them without registration under the U.S. Securities Act in reliance on an exemption from the registration requirements thereunder;

(g) it will cause its U.S. Placement Agents to deliver a copy of the U.S. Offering Memorandum together with the Prospectus to each offeree in the United States, and no other written material, except a preliminary U.S. Offering Memorandum together with a Preliminary Prospectus, will be used in connection with the offer and sale of the Offered Units in the United States, and immediately prior to transmitting such documentation, it had reasonable grounds to believe and did believe that each offeree in the United States was a Qualified Institutional Buyer or Institutional Accredited Investor;

(h) it will cause each of its U.S. Placement Agents to agree, for the benefit of the Corporation, to the same provisions as are contained in section 3 hereto and in this section 4;

(i) at the Closing, it will, together with its U.S. Placement Agents, provide to the Corporation a certificate, substantially in the form of Appendix I to this Schedule A, relating to the manner of the offer and sale of the Offered Units in the United States; and

(j) at least one Business Day prior to Closing, it will, together with its U.S. Placement Agents, provide the transfer agent with a list of all purchasers of the Offered Units in the United States.

APPENDIX I
TO SCHEDULE A

UNDERWRITERS' CERTIFICATE

In connection with the private placement in the United States of Offered Units of Stornoway Diamond Corporation (the "**Corporation**") pursuant to the underwriting agreement dated March 26, 2007, between the Corporation and the Underwriters named therein (the "**Underwriting Agreement**"), each of the undersigned, does hereby certify as follows:

(a) (x) each U.S. Placement Agent is a duly registered broker or dealer with the United States Securities and Exchange Commission, and is a member of and in good standing with the National Association of Securities Dealers, Inc. on the date hereof, and (y) all offers and sales of the Offered Units in the United States have been and will be effected by the U.S. Placement Agents in accordance with all U.S. broker-dealer requirements;

(b) each offeree of Offered Units in the United States was provided with a copy of the U.S. Offering Memorandum, including the Prospectus, for the offering of the Offered Units in the United States, and other than the preliminary U.S. Offering Memorandum and Preliminary Prospectus, we and our U.S. Placement Agents have not used and will not use any other written material in connection with the offer and sale of the Offered Units;

(c) immediately prior to our transmitting the U.S. Offering Memorandum to the offerees, we had reasonable grounds to believe, and did believe, that each offeree was a Qualified Institutional Buyer or an Institutional Accredited Investor, and on the date hereof we continue to believe that each purchaser of the Offered Units purchasing from us through our U.S. Placement Agents is a Qualified Institutional Buyer or an Institutional Accredited Investor;

(d) no form of General Solicitation, General Advertising or Directed Selling Efforts was used by us or our U.S. Placement Agents including, without limitation, advertisements, articles, notices or other communications published on the Internet or in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Offered Units in the United States or to U.S. Persons;

(e) the offering of the Offered Units in the United States has been conducted by us and our U.S. Placement Agents in accordance with the Underwriting Agreement, including Schedule A thereto;

(f) prior to any sale of Offered Units to an Institutional Accredited Investor in the United States, we caused each such purchaser to sign the U.S. Purchaser's Letter attached to the U.S. Offering Memorandum; and

(g) all offers and sales of the Offered Units in the United States were made to a maximum of fifty Qualified Institutional Buyers or Institutional Accredited investors by all U.S. Placement Agents.

Capitalized terms used in this certificate and not defined in this certificate have the meanings ascribed thereto in the Underwriting Agreement (including the Schedule A thereto).

DATED the _____ day of _____, 2007

BMO NESBITT BURNS INC.

Per: _____
Jamie Rogers

CANACCORD CAPITAL CORPORATION

Per: _____
Ali Pejman

RAYMOND JAMES LTD.

Per: _____
Lon Shaver

HAYWOOD SECURITIES INC.

Per: _____
John Willett

GMP SECURITIES L.P.

Per: _____
Mark Wellings

WESTWIND PARTNERS INC.

Per: _____
Nick Pocrnic

CIBC WORLD MARKETS INC.

Per: _____
Rick McCreary

ORION SECURITIES INC.

Per: _____
Kenneth Gillis

[To be signed by each U.S. broker-dealer affiliate of the Underwriters participating in the offering in the United States]

SCHEDULE B

FLOW-THROUGH SHARE SUBSCRIPTION AGREEMENT
(THE "SUBSCRIPTION AGREEMENT")

THIS AGREEMENT dated for reference _____, 2007.

BETWEEN

THE PERSONS LISTED AS PURCHASERS IN APPENDIX I
TO THIS SUBSCRIPTION AGREEMENT

(the "**Purchasers**");

AND

STORNOWAY DIAMOND CORPORATION, 860 – 625 Howe Street, Vancouver, British Columbia V6C 2T2

(the "**Corporation**").

WHEREAS each of the Purchasers has agreed to purchase, and the Corporation has agreed to sell, the number of flow-through shares (the "**Flow-Through Shares**") set forth across from the Purchaser's name on Appendix I to this Subscription Agreement;

THEREFORE, upon payment for the Flow-Through Shares by the Purchasers, and execution of this Subscription Agreement by _____, as agent for the Purchasers and by the Corporation, the Purchasers and the Corporation hereby irrevocably agree to be bound by the terms and conditions set forth in Appendix II to this Subscription Agreement with respect to the Flow-Through Shares.

EXECUTED by _____, as agent for the Purchasers, this _____ day of _____, 2007.

_____

Per: _____
Authorized Signatory

EXECUTED by the Corporation this _____ day of _____, 2007.

STORNOWAY DIAMOND CORPORATION

Per: _____
Authorized Signatory

APPENDIX I
TO SCHEDULE B

Name of Purchaser	Address and Telephone Number of Purchaser	Social Insurance Number (If Purchaser is an Individual)	Number of Flow-Through Shares Purchased	Aggregate Value of Flow-Through Shares

APPENDIX II
TO SCHEDULE B

TERMS AND CONDITIONS GOVERNING THE FLOW-THROUGH SHARES

WHEREAS:

A. The Corporation's common shares are listed on the TSX and the Corporation is subject to the regulatory jurisdiction of the TSX;

B. The Corporation has certain interests in mineral resource properties situated in Québec, Ontario, Alberta and Nunavut (collectively, the "Property");

C. The Corporation is a "principal-business corporation" as that phrase is defined in subsection 66(15) of the *Income Tax Act* (Canada) (the "ITA");

D. It is the intention of the Corporation, either alone or in conjunction with others, to carry out or participate in an exploration program on the Property for the purpose of determining the existence, location, extent and quality of the mineral resources located thereon (the "Program");

E. The expenses incurred in performing the Program will qualify as "Canadian exploration expense" as described in paragraph (f) of the definition thereof in subsection 66.1(6) of the ITA (other than expenditures which constitute "Canadian exploration and development overhead expense" ("CEDOE") as prescribed for the purposes of paragraph 66(12.6)(b) of the ITA and seismic expenses specified in paragraph 66(12.6)(b.1) of the ITA), which qualifying expenses are hereinafter referred to as "Qualifying Expenses";

F. The Purchasers have purchased, or will purchase, Flow-Through Shares; and

G. The Corporation has agreed to apply the funds received from the sale of the Flow-Through Shares to carry out the Program and to renounce the Qualifying Expenses associated therewith to the Purchaser in accordance with the terms and conditions of this Appendix.

1. Definitions

In this Appendix, the following words have the following meanings unless otherwise indicated:

(a) "CEDOE" has the meaning set forth in recital D above;

(b) "Effective Date" has the meaning set forth in section 7.2 of this Appendix II;

(c) "Expenditure Period" means the period commencing on the Effective Date and ending December 31, 2008;

(d) "ITA" has the meaning set forth in recital C above;

(e) "Program" has the meaning set forth in recital D above;

(f) "Property" has the meaning set forth in recital A above; and

(g) "Qualifying Expenses" has the meaning set forth in recital E above.

2. Issue of Shares

$1.50 per Flow-Through Share sold to the Purchaser will comprise the flow-through funds (the "Flow-Through Funds"). Following receipt by the Corporation of the subscription price for the Flow-Through Shares, the Corporation will issue to the Purchaser the number of Flow-Through Shares purchased by the Purchaser.

3. Deposit Of Flow-Through Funds

Following receipt by the Corporation of the Flow-Through Funds, the Corporation will deposit the Flow-Through Funds in a bank account (the "Exploration Account") established by the Corporation for the purpose of financing Qualifying Expenses as part of the Program.

4. Accrued Interest On Exploration Account

The Purchaser acknowledges that any interest accruing on Flow-Through Funds in the Exploration Account will accrue to the sole benefit of the Corporation and may be applied by the Corporation for general corporate purposes.

5. Additional Purchasers To Participate In The Program

The Purchaser acknowledges that the Corporation may enter into agreements similar to the Subscription Agreement with other persons in respect of Flow-Through Shares. Such agreements may be dated for reference the same date as the Subscription Agreement. Any Flow-Through Funds paid to the Corporation pursuant to the terms of such agreements will also be deposited in the Exploration Account. If the Corporation, however, sells rights to acquire, or issues, "flow-through" common shares pursuant to other private placements or pursuant to other public offerings, any subscription funds received from such private placements or public offerings will be deposited into a bank account separate from the Exploration Account and will not be commingled with the funds deposited in the Exploration Account, it being the intention of the Corporation that separate subscriber's exploration accounts be established for each such private placement or public offering. Subject to section 6, the Corporation will expend each subscriber's exploration accounts in the order of:

(a) the reference date of any private placement "flow-through" subscription agreements entered into for such private placements; and

(b) the date of closing of such public offerings,

such that the subscription funds from the oldest "flow-through" financing will always be spent first and renunciation made in respect of such expenditures before any renunciations are made in

respect of any Qualifying Expenses that are financed from subsequent "flow-through" financings.

6. Application Of Flow-Through Funds

Subject to the Corporation's right to revise the Program as provided in section 17 below, the Corporation will apply a sum of money in an amount equal to the Flow-Through Funds as expenditures on the Program and the Corporation will only apply such funds to incur expenditures which are Qualifying Expenses.

7. Schedule For Incurring Qualifying Expenses

7.1 Unless the Purchaser gives notice to the Corporation or the Corporation gives notice to the Purchaser to the contrary (the "Notice Requirement") during one or more of the periods of time described in paragraph 7.2 and 7.3, for the purposes of this Subscription Agreement, the Purchaser will be considered to be dealing with the Corporation at "arm's length", as that term is used in the ITA.

7.2 If the Notice Requirement has not been fulfilled prior to December 31, 2007, the Corporation will expend the Flow-Through Funds between the date the Subscription Agreement is made (the "Effective Date") and December 31, 2008.

7.3 If the Notice Requirement has been fulfilled prior to December 31, 2007, the Corporation will expend as much of the Flow-Through Funds as is commercially reasonable between the Effective Date and December 31, 2007 and, thereafter, will expend the balance of the Flow-Through Funds on or before December 31, 2008.

8. Corporation To Renounce Qualifying Expenses In Favour Of Purchaser

8.1 Subject to paragraph 8.3, the Corporation will, within the times set out below and in accordance with the provisions of subsections 66(12.6) and 66(12.66) of the ITA, take all necessary steps to renounce in favour of the Purchaser effective December 31, 2007, Qualifying Expenses in an amount equal to the Flow-Through Funds as follows:

(a) If the Notice Requirement has not been fulfilled prior to December 31, 2007, in January, February or March of 2008 the Corporation will renounce Qualifying Expenses in an amount equal to the Flow-Through Funds effective December 31, 2007; and

(b) If the Notice Requirement has been fulfilled prior to December 31, 2007, the Corporation will renounce:

(i) on or before January 31, 2008, effective December 31, 2007, Qualifying Expenses that it has incurred between the Effective Date and December 31, 2007; and

(ii) on or before January 31, 2009, effective December 31, 2008, Qualifying Expenses that it has incurred between January 1, 2008 and December 31, 2008.

8.2 The aggregate Qualifying Expenses renounced to the Purchaser will not be less than nor exceed the consideration paid by the Purchaser for Flow-Through Shares.

8.3 The Corporation acknowledges that it is not now entitled nor does it reasonably expect to receive any assistance, as defined in the ITA, in respect of Qualifying Expenses. In the event that the Corporation has received, is entitled to receive, or may reasonably be expected to receive, assistance at any time that may reasonably be related to the Qualifying Expenses which cannot be renounced pursuant to the terms of this Subscription Agreement, the Corporation will incur additional Qualifying Expenses to the Purchaser pursuant to this Subscription Agreement in an amount equal to any such assistance, which amount will then be renounced to the Purchaser pursuant to the terms of this Subscription Agreement.

8.4 In the event that the Corporation does not incur and renounce to the Purchaser, effective on or before December 31, 2007 if the Notice Requirement has not been fulfilled prior to December 31, 2007, and effective on or before December 31, 2008 in the event that the Notice Requirement has been fulfilled prior to December 31, 2007, Qualifying Expenses in an amount equal to the Flow-Through Funds, or if there is a reduction in the amount renounced by the Corporation to the Purchaser (and where the Purchaser is a partnership, each of the members thereof) pursuant to subsection 66(12.73) of the ITA (or any corresponding provincial legislation), the Corporation will indemnify and hold harmless the Purchaser (and where the Purchaser is a partnership, each of the members thereof) as to, and pay to the Purchaser (and where the Purchaser is a partnership, each of the members thereof), an amount equal to the amount of any tax (within the meaning of paragraph (b) of the phrase "excluded obligation" under subsection 6202.1(5) of the Regulations to the ITA) payable under the ITA (and under any corresponding provincial legislation) by the Purchaser (and where the Purchaser is a partnership, each of the members thereof) as a consequence of such failure or of such reduction.

9. Corporation To File Prescribed Form In Respect Of Renunciations

The Corporation will file with the Canada Revenue Agency ("CRA"), in respect of each renunciation made pursuant to this Appendix, before the last day of the month following the date of making such renunciation, such information returns with the Minister of National Revenue as are prescribed by subsection 66(12.7) of the ITA and will send concurrently a copy of such information returns to the Purchaser.

10. Corporation To File Copy Of Agreement With Canada Revenue Agency

The Corporation will file with the CRA, together with a copy of the Subscription Agreement, the prescribed form referred to in subsection 66(12.68) of the ITA on or before the last day of the month following the earlier of:

(a) the month in which the Subscription Agreement is entered into; and

(b) the month in which the Subscription Agreement or other selling instrument is first delivered to a potential investor.

11. Corporation To File Part XII.6 Return With CRA

The Corporation will file with the CRA, before March of the year following a particular year, any return required to be filed under Part XII.6 of the ITA in respect of the particular year, and will pay any tax or other amount owing in respect of that return on a timely basis.

12. Corporation To File Prescribed Form With CRA

Where an amount that the Corporation has purported to renounce to the Purchaser effective as of a certain date exceeds the amount that it can renounce on that effective date, the Corporation will file with the CRA a statement in prescribed form within the time required pursuant to the ITA, all as required by subsection 66(12.73) of the ITA. A copy of such statement will be sent concurrently to the Purchaser.

13. Warranties

13.1 The Purchaser acknowledges, represents, warrants and covenants to and with the Corporation that, as at the Effective Date:

(a) the Purchaser is now, and will at all relevant times remain, at arm's length (as that term is used in the ITA) with the Corporation and, notwithstanding the fulfilment or non-fulfilment of the Notice Requirement pursuant to section 8, the Purchaser acknowledges that if at any time during the 2008 calendar year, the Purchaser is not at arm's length with the Corporation and the Corporation renounces Qualifying Expenses it incurs or plans to incur pursuant to paragraph 7.2 or 7.3, notwithstanding the provisions of those paragraphs, the renunciation will not be effective December 31, 2007;

(b) if:

(i) either the Purchaser or the Corporation has not executed the Subscription Agreement; or

(ii) the Purchaser has not paid in money the subscription price for the Flow-Through Shares to the Corporation

on or before December 31, 2007, the Purchaser will not be entitled to have any Qualifying Expenses incurred after December 31, 2007 renounced to the Purchaser effective December 31, 2007; and

(c) neither the Purchaser, nor any beneficial purchaser from whom the Purchaser is contracting hereunder, as the case may be, has or will enter into an agreement or arrangement that will cause the Flow-Through Shares to be "prescribed shares" for the purposes of section 6202.1 of regulations of the ITA,

and the Purchaser agrees that the above acknowledgements, representations, warranties and covenants in this subsection will be true and correct both as of the Purchaser's execution of the Subscription Agreement and as of the Effective Date.

13.2 The Corporation represents, warrants and covenants that, as of the Effective Date:

(a) the Corporation is, and at all material times will remain, a "principal-business corporation" within the meaning prescribed by subsection 66(15) of the ITA;

(b) the Flow-Through Shares will qualify as "flow-through shares" as defined in subsection 66(15) of the ITA and will not be prescribed shares as defined in section 6202.1 of the regulations to the ITA;

(c) if the Corporation amalgamates with any one or more companies, any shares issued to or held by the Purchaser as a replacement for Flow-Through Shares as a result of such amalgamation or merger will qualify, by virtue of subsection 87(4.4) of the ITA, as "flow-through" shares as defined in subsection 66(15) of the ITA and in particular will not be prescribed shares as defined in section 6202.1 of the regulations to the ITA;

(d) the Corporation will incur expenses which are Qualifying Expenses in an amount equal to the Flow-Through Funds and renounce such amount to the Purchaser and otherwise comply with its obligations as set forth in this Subscription Agreement;

(e) the Corporation will not be subject to the provisions of subsection 66(12.67) of the ITA in a manner which impairs its ability to renounce Qualifying Expenses to the Purchaser in an amount equal to the Flow-Through Funds,

and the Corporation agrees that the above representations, warranties and covenants in this subsection will be true and correct both as of the Corporation's execution of the Subscription Agreement and as of the Effective Date.

14. Corporation Not To Claim A Deduction In Respect Of The Qualifying Expenses

14.1 The Corporation acknowledges that it has no right to claim any deduction or credit for Qualifying Expenses renounced to the Purchaser as contemplated by this Subscription Agreement and covenants not to claim any such deduction or credit when preparing its tax returns from time to time.

14.2 The Corporation has not and will not enter into transactions or take deductions which would otherwise reduce its cumulative Qualifying Expenses to an extent which would preclude a renunciation of Qualifying Expenses hereunder in an amount equal to the Flow-Through Funds.

15. Corporation To Account To Purchaser

15.1 The Corporation will maintain proper accounting books and records relating to the Exploration Expenditures and will make such books and records available for inspection by the Purchaser upon reasonable request. On the completion of the Program, the Corporation will

account to the Purchaser in respect of the application of the Flow-Through Funds. The Corporation will retain all such books and records as may be required to support the renunciation of Qualifying Expenses as contemplated by this Subscription Agreement.

15.2 The Corporation will deliver to the Purchaser at the Purchaser's address set forth in this Subscription Agreement a statement and all prescribed forms setting forth the aggregate amount of Qualifying Expenses renounced to the Purchaser, within the time limits prescribed by the ITA.

16. No Dissemination Of Confidential Information

The Corporation will be entitled to hold confidential all information relating to any program on which any portion of the Flow-Through Funds is expended pursuant to the Subscription Agreement and it will not be obligated to make such information available to the Purchaser except in the manner and at such time as it makes any such information available to its shareholders or to the public pursuant to the rules and policies of any stock exchange or laws, regulations or policies of any province.

17. Revision Of The Program

While it is the present intention of the Corporation to undertake the Program, it is the nature of mining exploration that data and information acquired during the conduct of a resource development program may alter the initially proposed Program and the Corporation expressly reserves the right to alter the Program on the advice of its technical staff or consultants and further reserves the right to substitute other resource programs on which to expend part of the Flow-Through Funds, provided such programs entail the incurrence of Qualifying Expenses and are otherwise capable of renunciation by the Corporation to the Purchaser pursuant to the Subscription Agreement.

18. Other Flow-Through Shares Sales

The Purchaser acknowledges that there may be other sales of Flow-Through Shares. The Purchaser further acknowledges that there is a risk that insufficient funds may be raised from the sale of Flow-Through Shares to fund the Corporation's objectives.

19. No Renunciation To Third Parties, And Allocation Of Renounced Amounts

The Corporation will not renounce any Qualifying Expenses in respect of the Program in favour of any person other than the Purchaser and other purchasers who purchase Flow-Through Shares. For the purpose of determining the extent to which the Flow-Through Funds received by the Corporation from the Purchaser have been the subject of renunciation under the ITA, the total amount expended on Qualifying Expenses will be allocated among the Purchaser and the other purchasers who purchase Flow-Through Shares, on a basis pro rata to the relative amounts of their respective contributions of Flow-Through Funds, as described herein and as set forth in the information returns required by subsection 66(12.7) of the ITA.

20. Miscellaneous

20.1 The contract arising out of this Subscription Agreement and all documents relating thereto will be governed by and construed in accordance with the laws of the Province of British Columbia.

20.2 Time is of the essence hereof.

20.3 The covenants, representations and warranties contained in this Subscription Agreement will be true and correct as of closing and will survive the closing of the offering of securities under the Prospectus.

20.4 The subscription of the Purchasers are further subject to any rights available to the Purchasers under applicable laws.