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Longueuil, Québec, J4K 5G4

ANNUAL INFORMATION FORM

For the 12-month period ended December 31, 2016

Dated: February 23, 2017

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Preliminary Notes

In this Annual Information Form ("**AIF**"), unless the context otherwise requires, Stornoway Diamond Corporation is referred to as the "**Corporation**" or "**Stornoway**". All information contained herein is given as of December 31, 2016, unless otherwise stated. **A glossary of technical and other terms used in this AIF can be found in Schedule "B"**.

Financial Statements

This AIF should be read in conjunction with the Corporation's consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2016. These documents form part of the Corporation's continuous disclosure record and are available under the Corporation's profile on the SEDAR website at www.sedar.com.

Currency

All sums of money which are referred to in this AIF are expressed in lawful money of Canada, unless otherwise specified.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking information (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) and forward-looking statements within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995 (collectively referred to herein as "**forward-looking information**" or "**forward-looking statements**"). These forward-looking statements are made as of the date of this document and, the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

These forward-looking statements include, among others, statements with respect to Stornoway's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward-looking statements relate to future events or future performance and reflect current expectations or beliefs regarding future events and include, but are not limited to, statements with respect to: (i) the amount of Mineral Reserves, Mineral Resources and exploration targets; (ii) the amount of future production over any period; (iii) net present value and internal rates of return of the mining operation; (iv) assumptions relating to recovered grade, size distribution and quality of diamonds, average ore recovery, internal dilution, mining dilution and other mining parameters set out in the 2016 Technical Report as well as levels of diamond breakage; (v) assumptions relating to gross revenues, operating cash flow and other revenue metrics set out in the 2016 Technical Report; (vi) mine expansion potential and expected mine life; (vii) expected time frames for completion of permitting and regulatory approvals related to ongoing construction activities at the Renard Diamond Mine; (viii) the expected time frames for the completion of the open pit and underground mine at the Renard Diamond Mine; (ix) the expected time frames for the ramp-up and achievement of plant nameplate capacity of the Renard Diamond Mine (x) the expected financial obligations or costs incurred by Stornoway in connection with the ongoing development of the Renard Diamond Mine; (xi) future exploration plans; (xii) future market prices for rough diamonds; (xiii) the economic benefits of using liquefied natural gas rather than diesel for power generation; (xiv) sources of and anticipated financing requirements; (xv) the effectiveness, funding or availability, as the case may require, of the Senior Secured Loan and the remaining Equipment Facility and the use of proceeds therefrom; (xvi) the Corporation's ability to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xvii) the impact of the Financing Transactions on the Corporation's operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; (xviii) the foreign exchange rate between the US dollar and the Canadian dollar; and (xix) the availability of excess funding for the operation of the Renard Diamond Mine. Any statements that express

or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "schedule" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are made based upon certain assumptions by Stornoway or its consultants and other important factors that, if untrue, could cause the actual results, performances or achievements of Stornoway to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business prospects and strategies and the environment in which Stornoway will operate in the future, including the recovered grade, size distribution and quality of diamonds, average ore recovery, internal dilution, and levels of diamond breakage, the price of diamonds, anticipated costs and Stornoway's ability to achieve its goals, anticipated financial performance, regulatory developments, development plans, exploration, development and mining activities and commitments, and the foreign exchange rate between the US and Canadian dollars. Although management considers its assumptions on such matters to be reasonable based on information currently available to it, they may prove to be incorrect. Certain important assumptions by Stornoway or its consultants in making forward-looking statements include, but are not limited to: (i) required capital investment and estimated workforce requirements; (ii) estimates of net present value and internal rates of return; (iii) recovered grade, size distribution and quality of diamonds, average ore recovery, internal dilution, mining dilution and other mining parameters set out in the 2016 Technical Report as well as levels of diamond breakage, (iv) receipt of regulatory approvals on acceptable terms within commonly experienced time frames; (v) anticipated timelines for ramp-up and achievement of nameplate capacity at the Renard Diamond Mine, (vi) anticipated timelines for the development of an open pit and underground mine at the Renard Diamond Mine; (vii) anticipated geological formations; (viii) market prices for rough diamonds and their potential impact on the Renard Diamond Mine; (ix) the satisfaction or waiver of all conditions under the Senior Secured Loan and the remaining Equipment Facility to allow the Corporation to draw on the funding available under those financing elements; (x) Stornoway's interpretation of the geological drill data collected and its potential impact on stated Mineral Resources and mine life; (xi) future exploration plans and objectives; (xii) the Corporation's ability to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; and (xiii) the continued strength of the US dollar against the Canadian dollar.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward- looking statements as a number of important risk factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, including the assumption in many forward-looking statements that other forward-looking statements will be correct, but specifically include, without limitation: (i) risks relating to variations in the grade, size distribution and quality of diamonds, kimberlite lithologies and country rock content within the material identified as Mineral Resources from that predicted; (ii) variations in rates of recovery and levels of diamond breakage; (iii) the uncertainty as to whether further exploration of exploration targets will result in the targets being delineated as Mineral Resources; (iv) developments in world diamond markets; (v) slower increases in diamond valuations than assumed; (vi) risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar; (vii) increases in the costs of proposed capital, operating and sustainable capital expenditures; (viii) increases in financing costs or adverse changes to the terms of available financing, if any; (ix) tax rates or royalties being greater than assumed; (x) uncertainty of results of exploration in areas of potential expansion of resources; (xi) changes in development or mining plans due to changes in other factors or exploration results; (xii) risks relating to the receipt of regulatory approvals or the implementation of the existing Impact and Benefits Agreement with aboriginal communities; (xiii) the effects of competition in the markets in which Stornoway operates; (xiv) operational and

infrastructure risks; (xv) execution risk relating to the development of an operating mine at the Renard Diamond Mine; (xvi) failure to satisfy the conditions to the funding or availability, as the case may require, of the Senior Secured Loan and the Equipment Facility; (xvii) changes in the terms of the Forward Sale of Diamonds, the Senior Secured Loan or the Equipment Facility; (xviii) the funds of the Senior Secured Loan or the Equipment Facility not being available to the Corporation; (xix) the Corporation being unable to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xx) future sales or issuances of Common Shares lowering the Common Share price and diluting the interest of existing shareholders; and (xxi) the additional risk factors described herein and in Stornoway's annual and interim MD&A, its other disclosure documents and Stornoway's anticipation of and success in managing the foregoing risks. Stornoway cautions that the foregoing list of factors that may affect future results is not exhaustive and new, unforeseeable risks may arise from time to time.

MARKET AND INDUSTRY DATA

We have obtained the market and industry data presented in this document from internal company surveys and the estimates of our management. While we believe our internal surveys and estimates of our management are reliable, the Corporation has not verified them, nor have they been verified by any independent sources. While the Corporation is not aware of any misstatements regarding the market and industry data presented in this document, such data involve risks and uncertainties and is subject to change based on various factors, including those factors discussed under "Forward-Looking Statements" and "Risk Factors".

CORPORATE STRUCTURE

Name, Address and Incorporation

On October 28, 2011, the Corporation continued into federal jurisdiction under Section 187 of the CBCA. On May 31, 2012, the Corporation moved its head office to: Suite 400, 1111 St.-Charles Street West, Longueuil, Québec, J4K 5G4. The registered and records office of the Corporation is located at the offices of Norton Rose Fulbright Canada LLP, 1 Place Ville Marie, Suite 2500, Montréal, Québec, H3B 1R1. On June 27, 2014, the Corporation amended its articles of continuance by removing the class of non-voting convertible shares from its authorized share capital and the rights, privileges, restrictions and conditions attaching thereto.

Intercorporate Relationships

The Corporation's material subsidiaries are Ashton Mining of Canada Inc. ("**Ashton**"), Stornoway Diamonds (Canada) Inc. ("**SDCI**") and FCDC Sales and Marketing Inc. / Ventes et marketing FCDC Inc. ("**FCDC**"). The following is a list of all of the Corporation's subsidiaries:

Name	Jurisdiction of incorporation or organization	Percent of voting shares owned by the Corporation
Ashton Mining of Canada Inc. / Les Mines Ashton du Canada inc.	Ontario	100%
Stornoway Diamonds (Canada) Inc. / Les Diamants Stornoway (Canada) inc.	Canada	82.89% held directly by Stornoway, which also holds 100% of SDCI's non-voting preferred shares 17.11% held through Ashton
FCDC Sales and Marketing Inc. / Ventes et marketing FCDC Inc.	Canada	100% held through SDCI
Ashton U.S. Diamonds Inc.	Delaware	100% held through Ashton
Ashton Great Lakes Inc.	Michigan	100% held through Ashton and Ashton U.S. Diamonds Inc.

GENERAL DEVELOPMENT OF THE BUSINESS

Summary Description of the Business

Stornoway is a leading Canadian diamond exploration and development company listed on the TSX. Stornoway's principal focus is its 100% owned Renard Diamond Mine. Stornoway's strategy is to build a growth-oriented company that succeeds in the business of mining and selling rough diamonds. Its long term view of the rough diamond market is positive, with tightening mine supply and growing demand, particularly in developing markets, resulting in real, long term price growth. The Corporation has a management team with experience at each stage of the diamond pipeline, from exploration through development, mine construction, operations and marketing.

Stornoway's material mineral property is the Renard Diamond Mine, part of the larger Foxtrot Property, in north central Québec. Since April 1, 2011, Stornoway has held a 100% interest in the Renard diamond project through its wholly-owned subsidiary, SDCI. Previously, the Renard diamond project was a 50-50 joint venture with SOQUEM, through its wholly-owned subsidiary, Diaquem Inc. Stornoway was the operator of the joint venture. Stornoway acquired its initial 50% interest in the Renard diamond project upon the acquisition of Ashton in January 2007. On April 1, 2011, Stornoway completed the Acquisition, thereby increasing its ownership interest in the Renard diamond project to 100%. Under the terms of the Acquisition, Diaquem became a significant shareholder of the Corporation, and retained a direct royalty interest of 2% on future diamond production. Diaquem is a wholly-owned subsidiary of SOQUEM, itself a wholly-owned subsidiary of IQ, the Québec government's main industrial and financial holding company.

On July 8, 2014, Stornoway entered into Definitive Agreements giving effect to the Financing Commitment Letter and closed its previously announced Financing Transactions, which were intended to provide a comprehensive funding package for the construction of the Renard Diamond Mine. In total, gross proceeds of $946 million (assuming a US$1.00:C$1.10 conversion) was funded, or committed for funding, through a combination of senior and subordinated debt facilities, equity issuances, the Forward Sale of Diamonds, and an Equipment Facility. As a result of these Financing Transactions, Orion Co-Investments I Limited, through certain of its affiliates, became a significant shareholder of the Corporation while IQ, through certain of its subsidiaries, continues to be a significant shareholder of Stornoway.

The construction of the Renard Diamond Mine commenced on July 10, 2014, immediately following the closing of the Financing Transactions, and Stornoway formally declared Commencement of Commercial Production on January 1st, 2017, representing a 5-month improvement over the initial construction schedule of the Renard Diamond Mine. At December 31, 2016, the capital cost for the construction of the Renard Diamond Mine was estimated at $771.2 million, or 99% of budget. $2.8 million of costs had been deferred to 2017, giving a final cost to complete estimate of $774 million, $37 million below the initial capital budget established in July 2014.

The first sale of diamonds from the Renard Diamond Mine occurred in Antwerp, Belgium, in November 2016.

In addition to the Renard Diamond Mine, Stornoway maintains a 90% interest in the Aviat Project in Nunavut and a 20% interest in the Timiskaming Project in Ontario. On February 15, 2017, North Arrow Minerals Inc. ("**North Arrow**") acquired Stornoway's remaining 18% interest in the Qilalugaq project and remaining 15% interest in the Pikoo project in consideration for the issuance of 2,000,000 common shares in the share capital of North Arrow and future NSR Royalties and Gross Overriding Royalties on each of the Qilalugaq and Pikoo projects. North Arrow is also required to make a cash payment of $2.5 million and $1.25 million to the Corporation, concurrently with the first NSR Royalties and Gross Overriding Royalties payable on the Qilalugaq and Pikoo projects, respectively.

Stornoway also conducts exploration programs on several 100% owned generative diamond exploration projects in Canada, including the Adamantin Project located approximately 100 km south of the Renard Diamond Mine and 25 km west of the Route 167 Extension road.

As of December 31, 2016, the Corporation and its subsidiaries had 429 full-time employees.

Environment

The Corporation's operations are subject to various laws and regulations governing the protection of the environment. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental protection requirements for the Corporation's exploration properties have limited impact on the Corporation's capital expenditures since the Corporation is only engaging in limited early-stage, grass-roots exploration activities. The Renard Diamond Mine falls under the environmental protection regimes of the James Bay and Northern Québec Accord ("**JBNQA**") and the Canadian Environmental Assessment Agency ("**CEAA**"). The Mining Lease for the Renard Diamond Mine was issued by the *Québec Ministère de l'Énergie et des Ressources Naturelles* ("**MERN**") (formerly the *Québec Ministère des Ressources Naturelles*) in October 2012. In December 2012, the *Québec Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques* ("**MDDELCC**") (formerly the *Québec Ministère du Développement Durable, de l'Environnement, de la Faune et des Parcs*) issued the Québec Certificate of Authorization for the Renard Diamond Mine, which certificate was amended periodically since then as the engineering and development plans of the Renard Diamond Mine refined; the federal authorization was received in July 2013. On August 29, 2014, the Corporation arranged for a surety bond of up to $15.2 million to provide a financial guarantee to the MERN with respect to the Closure Plan for the Renard Diamond Mine, which was approved in December 2012. The financial guarantee was delivered in three tranches, the last of which was delivered in August 2016. The Corporation also provided cash collateral of $3.0 million to the underwriter of the financial guarantee.

See also "Mineral Projects – Renard Diamond Mine – Government and Permitting".

Competitive Environment and Raw Supplies

The mining industry is intensely competitive in all its phases, and some of the Corporation's competitors have greater financial and technical resources available to them, and as a result, are able to devote greater resources to their activities. Competition in the diamond mining industry is primarily for mineral rich properties which can be developed and produced economically and businesses compete for the technical expertise to find, develop, and produce such properties, the skilled labour to operate the properties and the capital for the purpose of financing development of such properties. The Renard Diamond Mine is located in north-central Québec, several hundred kilometres from the nearest municipality. In September 2013, all four construction segments of the Route 167 extension and the Renard Mine Road were connected, permitting all-season road access to the project site. The Renard Diamond Mine is the first diamond project in Canada to benefit from all-season road access, and it also benefits from a permanent airstrip, which contributes to mitigating risks associated with the remote location of the Renard Diamond Mine.

The diamond market is dominated by a small number of major suppliers, with a high percentage of sales concentrated among few companies. There is no quoted market for diamonds, sale prices are typically kept confidential and the small number of major suppliers can affect the prices for which rough diamonds may be sold.

Three Year History

January 1, 2017 to Date

For the period between January 1, 2017 and the date hereof, the Corporation's continued primary focus was the ramp-up of the Renard Diamond Mine as well as the sale of its diamond production.

- **Final Project Cost to Complete**: On February 23, 2017, the Corporation announced that total project costs at December 31, 2016 were $771.2 million, or 99% of budget. $2.8 million of costs had been deferred to 2017, giving a final cost to complete estimate of $774 million, $37 million below the initial capital budget established in July 2014.

- **2016 Production Results and 2017 Guidance**: On February 6, 2017, the Corporation announced its 2016 production results for the Renard Diamond Mine and 2017 guidance which included:

    - 2,074,827 tonnes of open pit ore mined and 399,162 tonnes processed as of December 31, 2016, reflecting increases of +136% and +77% respectively over plan;

    - 448,887 carats recovered as of December 31, 2016, at an attributable grade of 112 carats per hundred tonnes ("cpht"), representing increases of +106% and +15% respectively over the 2016 plan of 218,400 carats at 97 cpht;

    - 38,913 carats sold, as of December 31, 2016, for gross proceeds of US$7.6 million, representing un-budgeted pre-production revenue;

    - Commercial Production formally declared on January 1st, 2017;

    - 2017 production guidance of 1.7 million carats produced and 1.8 million carats sold, at an average diamond price between US$100 and US$132 per carat;

    - 2017 operating cost guidance of C$59.68 per tonne processed (C$66.49 per carat sold); and,

    - 2017 sustaining and deferred capital cost guidance of $C78.7 million.

Compared to previous estimates, the 2017 pricing guidance incorporates reduced pricing for smaller and certain lower quality rough diamond categories seen during the course of 2016 and confirmed in the first two Renard sales and a higher than expected proportion of small diamonds recovered during the ramp-up period attributable, in part, to plant-induced diamond breakage. The Corporation is currently undertaking a breakage mitigation plan and expects its mitigation plan to be ongoing during the first half of 2017.

The Corporation also announced its year-end Mineral Reserves based on mining depletion as follows:

PROVEN MINERAL RESERVES[1,2] ***Stockpile***[4]	**Carats (millions)**	**Tonnes (millions)**	**Grade (cpht)**[3]
Renard 2, All Units	0.55	1.31	42
Renard 2	0.29	0.29	98
CRB-2A	0.03	0.11	33
CRB	0.23	0.91	25
Renard 3	0.23	0.28	81
Renard 65	0.09	0.25	35
Reload	0.003	0.004	76
Renard 2 UG	0.004	0.007	52
Total Stockpile Proven Mineral Reserves	***0.87***	***1.85***	***47***

PROBABLE MINERAL RESERVES[1,2] ***Open Pit***	**Carats (millions)**	**Tonnes (millions)**	**Grade (cpht)**[3]
Renard 2, All Units	1.06	1.93	55
Renard 2	0.82	0.90	91

CRB-2A	0.10	0.33	32
CRB	0.14	0.69	20
Renard 3	0.56	0.58	97
Renard 65	1.28	4.30	30
Total OP Probable Mineral Reserves	***2.90***	***6.80***	***43***

PROBABLE MINERAL RESERVES[1,2] ***Underground***	**Carats (millions)**	**Tonnes (millions)**	**Grade (cpht)**[3]
Renard 2	15.65	19.67	80
Renard 3	0.86	1.22	70
Renard 4	1.67	3.46	48
Total UG Probable Mineral Reserves	***18.18***	***24.35***	***75***
Total Proven and Probable Mineral Reserves[5]	**21.95** *(-0.31)*	**33.00** *(-0.42)*	**67** *(--)*

- ***Notes***
- *[1] Reserve categories follow the CIM Standards for Mineral Resources and Mineral Reserves.*
- *[2] Totals may not add due to rounding.*
- *[3] Carats per hundred tonnes. Estimated at a +1 DTC sieve size cut-off.*
- *[4]Represents mine and stockpiled ore as of December 31, 2016*
- *[5]Changes from March 2016 Mineral Reserve estimate shown in italics*

Exclusive of the Mineral Reserves, the Renard Diamond Mine includes additional Indicated Mineral Resources of 2.9 million carats (6.3 million tonnes at 46 cpht), Inferred Mineral Resources of 13.3 million carats (24.5 million tonnes at 54 cpht), and 33.0 to 71.1 million carats of non-resource exploration upside (76.2 to 113.2 million tonnes at grades ranging from 25 to 168 cpht). All kimberlites remain open at depth[1]. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Readers are cautioned that the potential quantity and grade of any exploration target is conceptual in nature, there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

- **Executive Change:** On January 25, 2017, the Corporation announced that Robert Chausse, Stornoway's Chief Financial Officer, would be leaving the Corporation to pursue other career opportunities, effective March 1, 2017.

Financial Year Ended December 31, 2016

For the period between January 1, 2016 and December 31, 2016, the Corporation's continued primary focus was the completion of the construction, commissioning, start-up and ramp-up of the Renard Diamond Mine as well as the completion of its first sale of diamonds.

- **Commercial Production**: On December 22, 2016 the Corporation announced that Commercial Production had been achieved on December 3, 2016 at the Renard Diamond Mine. Commercial Production is defined as an average processing rate of 60% of plant name-plate capacity over a 30 day period and is formally declared, in accordance with the Financing Transactions, the first day of the month following the month in which it is achieved, being January 1, 2017. The Corporation further announced that it expected to continue the ramp-up of the process plant to full production over the next two quarters.

  First Diamond Sale: On November 23, 2016, the Corporation announced the completion of its first sale of Renard diamonds which was held between November 14th and November 23rd. In total, 38,913 carats were sold at an average price of US$195 per carat, for proceeds of US$7.6 million ($10.2 million), representing un-budgeted pre-production revenue. Because of the withdrawal from

1. Indicated Mineral Resources have been adjusted by an additional 2.9 million tonnes of ore and 2 million carats previously excluded from the Indicated Mineral Resources cited in the February 6, 2017 Press Release of the Corporation.

sale of certain smaller and lower quality items, this result could not be taken as representative of the longer term run-of-mine pricing of the Renard Diamond Mine.

- **Diamond Processing Update**: On October 6, 2016, the Corporation provided a diamond processing update and indicated that:

    - during July and early August the diamond recovery at the Renard Diamond Mine was irregular as plant equipment and material balancing issues were identified and addressed;

    - the plant's crushing and recovery circuits were performing well but modifications were required to the manner in which processed kimberlite is dewatered prior to disposal and these ongoing modifications represented the principal limiting factor on the rate of ramp-up of the plant;

    - there is greater than expected volume of higher grade 2b and 2c geological units, which offers potentially higher overall carat production in the open-pit phase of the mine;

    - recovered diamond grades have shown good correlation with the project's expected Mineral Resource grade;

    - initial diamond recoveries suggest variability in quality and size distribution between the individual geological units in Renard 2 that are expected to become more apparent with additional processing;

    - the early diamond production to be sold in the first sale of diamonds in November 2016 would have a higher proportion of small diamonds in its size distribution than expected, leading to a potentially lower than expected initial diamond price; and,

    - the quality and size distribution of diamond production from the project is expected to remain variable in the near-term as the plant ramp-up continues and multiple ore units are processed in batch fashion.

- **Adamantin Project Update**: On September 1, 2016, the Corporation announced that drilling during March and April 2016 resulted in the discovery of 11 distinct kimberlite bodies but that recovery results received from these 11 bodies did not show that diamonds had been recovered.

- **Commencement of Ore Processing**: On July 15, 2016, the Corporation announced that processing of ore had commenced at the Renard Diamond Mine which marked the beginning of a processing ramp-up designed to achieve 100% of plant nameplate capacity (2.16Mtonnes/annum at 78% plant utilization) within 9 months.

- **Warrant Exercise**: On July 11, 2016, the Corporation announced that, prior to their expiration on July 8, 2016, 91,912,732 common share purchase warrants of the Corporation were exercised at a price of $0.90 per share for total proceeds to the Corporation of C$82.72 million, which represented 97.47% of the warrants issued on July 8, 2014.

- **Plant Commissioning**: On June 22, 2016, the Corporation announced the formal commencement of plant commissioning at the Renard Diamond Mine.

- **Board of Directors**: On May 17, 2016, the Corporation announced the voting results of its meeting of shareholders held on that date. All candidates proposed for election as directors were duly elected by shareholders.

- **Adamantin Project**: On May 5, 2016, the Corporation announced the discovery of kimberlite at its 100% owned Adamantine Project.

- ***D3 drawdown**:* On March 31, 2016, the Corporation announced the successful funding of the third and last deposit under the Purchase and Sale Agreement for the Forward Sale of Diamonds in the amount of US$90 million (D3), upon satisfaction of all applicable conditions precedent which included, but were not limited to: (a) evidence in the form of a report from the Independent Engineer or otherwise satisfactory to the Purchasers that, at the time of a drawdown request, the Renard Diamond Mine construction budget to Completion was reasonably within the scope of the funds available from the Financing Transactions including, for greater certainty, Stornoway's, SDCI's, Ashton's and FCDC's cash on hand and any committed equipment financing and including for the purposes of this determination the funds available under D3, Tranche A of the Senior Secured Loan and an amount equal to 100% of the aggregate funds available under Tranche B of the Senior Secured Loan and the COF.

- ***Updated Mine Plan and Reserve Update:*** On March 30, 2016, the Corporation announced that it had completed an update to the Mine Plan and Mineral Reserve estimate of the Renard Diamond Mine which update reflects the following estimates (i) a 25% increase in the Probable Mineral Reserves from 17.9 to 22.3 million carats (representing 33.4 million tonnes at an average grade of 67 carats per hundred tonnes, or "cpht"), (ii) an increase in the Probable Mineral Reserve based mine life from 11 years to 14 years, (iii) an average diamond production in years 1 to 10 of 1.8 million carats per year compared to 1.6 million carats per year previously, with 1.9 million carats produced and 1.4 million carats sold to the end of 2017, increases of 24% and 57% respectively compared to the previous plan, (iv) a scheduled increase in processing rate from 2.16 million tonnes per annum (6,000 tonnes per day) to 2.5 million tonnes per annum (7,000 tonnes per day) starting in 2018, (v) initial capital cost estimate of $775 million within a life of mine capital cost estimate of $1,045 million; (vi) a life of mine average operating costs of $56.20/tonne, or $84.37/carat, (v) net revenue of $4,555 million and a real terms cash operating margin of $2,677 million or 59%, or $120 per carat, after allowance for royalties, taxes and the Streaming Agreement, and (vi) an unlevered, Stream affected, after tax NPV (7%) of $974 million as of January 1, 2016 calculated in real terms, on Probable Mineral Reserves only, excluding any resource upside, utilizing "mark-to-market" diamond price estimates and before consideration for potential large diamond recovery. See "Mineral Projects – Renard Diamond Mine –Mineral Resources and Mineral Reserves" – "Capital and Operating Costs" and "Economic Analysis and Sensitivities".

- ***Executive Changes***: On March 30, 2016, the Corporation announced that Robert Chausse was joining the Corporation as Chief Financial Officer, effective April 1, 2016, and that Orin Baranowsky, previously director of Investor Relations, had been appointed Vice President, Investor Relations and Corporate Development.

- ***Revised Construction Schedule***: On March 23, 2016, the Corporation announced that based on the revised construction schedule announced on February 3, 2016, at the end of February 2016 construction progress stood at 74.1% compared to the new plan of 72.4%.

- ***Excess Financing Capacity:*** On March 23, 2016, the Corporation announced that on the basis of the new construction schedule and capital cost forecast, excess financing capacity available to complete the Renard Diamond Mine, comprising cash, undrawn debt facilities, receivables and expected mine tax credits and undrawn cost overrun facilities, was now forecast to be $117 million, assuming the attainment of commercial production by December 31, 2016, a project cost of $775 million (which includes assumed levels of escalation and contingencies), the satisfaction of all covenants and conditions precedent for future funding, and a CAD$: US$ exchange rate of $1.35 for unfunded US dollar denominated financing commitments. The forecast excluded US$26 million of revenue previously forecasted to fall within the pre-production period and which, given the acceleration of the expected date of commercial production, would now fall outside of the capital expenditure period. This estimate further excluded the proceeds from the exercise of the some of the Corporation's outstanding warrants, including those exercised prior to their expiration on July 8, 2016, and share purchase options.

- ***Revised Construction Schedule and Estimate:*** On February 3, 2016, the Corporation announced a revised construction schedule for the Renard Diamond Mine contemplating a first ore delivery to the Renard diamond process plant scheduled for the end of September 2016 and Commencement of Commercial Production expected to be achieved by December 31, 2016, representing a 5-month improvement over the previous schedule, with reduced estimated cost to complete forecast from $811.0 million to $775.4 million.

Financial Year Ended December 31, 2015

For the period between May 1, 2015 and December 31, 2015, the Corporation's continued primary focus was the advancement of the construction of the Renard Diamond Mine.

- ***Construction Activities***: On March 23, 2016, the Corporation announced the following updated information in respect of the Renard Diamond Mine, as at December 31, 2015: the overall construction progress stood at 63.3% compared to a planned 59.6%, with detailed engineering substantially complete at 99.0% compared to a plan of 99.9%. As at December 31, 2015, some of the other highlights included, but are not limited to:

    - On June 17, 2015, the Corporation announced that it had commenced the pour of concrete for the process plant and maintenance facility foundations, the commencement of the pre-strip on the Renard 2 and Renard 3 open pits, and the completion of the mine administration facility and camp facilities. All of these milestones were achieved on, or ahead of, planned schedule.

    - On September 14, 2015, the Corporation announced that at the end of the first quarter of the transition financial year ended December 31, 2015, principal construction on the process plant, power plant, maintenance facility and primary crusher had been initiated and were well advanced. Completion of the maintenance facility and enclosure of the process plant were expected to be completed by the end of September and October 2015, respectively, well within the planned schedule. The Corporation also announced that all seven planned 2.055 MW LNG generators had been delivered to the site and that completion of the power plant was now scheduled for March 2016, allowing the transition of on-site power supply from temporary diesel gen-sets to occur several months earlier than expected.

    - On December 9, 2015, the Corporation announced that at the end of the second quarter of the transition financial year ended December 31, 2015, the construction of the Renard Diamond Mine's major facilities was well advanced, with the maintenance facility fully completed and commissioned and the process and power plant buildings fully enclosed prior to the onset of winter weather.

- ***Mining:*** On March 23, 2016, the Corporation announced that as at December 31, 2015, mining in the Renard 2, Renard 3 and Renard 65 open pits stood at 5,975,813 tonnes, compared to a plan of 5,725,429 tonnes (104%). A total of 151,591 tonnes of ore had been delivered to the stockpile compared to a plan of 100,000 tonnes (151%) and development of the ramp for the underground mine stood at 887 meters compared to a plan 1,234 meters (72%). Overall progress in the ramp stood at 1,071 meters, or 73% of plan, at the end of February.

- ***Change of Fiscal Year-End:*** On December 9, 2015, the Corporation announced that to better synchronise financial, operational and regulatory reporting, the Corporation changed its financial year-end from April 30th to December 31st, resulting in an eight-month transition fiscal year ending December 31, 2015.

- ***Board of Directors***: On October 19, 2015, the Corporation announced the voting results of its meeting of shareholders held on that date. All candidates proposed for election as directors were duly elected by shareholders, including Mme. Marie-Anne Tawil as a new candidate nominated by Diaquem in Mme. Monique Mercier's place, who did not stand for re-election at the meeting.

- ***43-101 Technical Report***: On October 14, 2015 the Corporation announced, that it had filed an updated Technical Report under National Instrument ("NI") 43-101 – *Standards for Disclosure for Mineral Projects*, following the publication of the updated Renard 2015 Mineral Resource Estimate on Sepetmber 24, 2015[2].

- ***D2 drawdown****:* On October 1, 2015, the Corporation announced the successful funding of the second deposit under the Purchase and Sale Agreement for the Forward Sale of Diamonds in the amount of US$80 million (D2), upon satisfaction of all applicable conditions precedent which included, but were not limited to: (a) evidence in the form of a report from the Independent Engineer or otherwise satisfactory to the Purchasers that, at the time of a drawdown request, the Renard Diamond Mine construction budget to Completion was reasonably within the scope of the funds available from the Financing Transactions including, for greater certainty, Stornoway's, SDCI's, Ashton's and FCDC's cash on hand and any committed equipment financing and including for the purposes of this determination the funds available under D2 and the third deposit under the Purchase and Sale Agreement for the Forward Sale of Diamonds, Tranche A of the Senior Secured Loan and an amount equal to 50% of the aggregate funds available under Tranche B of the Senior Secured Loan and the COF.

- ***Renard Mineral Resource Estimate***: On September 24, 2015, the Corporation announced that it had completed an update to the Renard Diamond Mine Mineral Resource estimate which update reflects (i) a 16% increase in the Indicated Mineral Resources of Renard 2 to 21.6 million carats achieved through the conversion of Inferred Mineral Resources to 700 meters depth, (ii) an 11% increase in the total Indicated Mineral Resources of the Renard Diamond Mine (inclusive of the Mineral Reserve) to 30.2 million carats, (iii) new Inferred Mineral Resources at Renard 2 defined to 850 meters depth, (iv) the inclusion of over 4 million tonnes of lower grade Renard 2 Country Rock Breccia ("CRB") material in the Indicated Mineral Resource category for the first time, and (v) substantial new exploration potential at Renard 2 and Renard 3 were identified to 1,250 meters depth, where both kimberlites are interpreted to retain sizeable widths and remain open. The Corporation also announced that an updated mine plan was under development to incorporate increased Indicated Mineral Resources. See "Mineral Projects – Renard Diamond Mine – 2015 Mineral Resources and Mineral Reserves – 2015 Mineral Resource Estimate".

Financial Year Ended April 30, 2015

For the period between May 1, 2014 and April 30, 2015, the Corporation's primary focus was to complete the Financing Transactions for the Renard Diamond Mine and begin its construction.

- ***D1 drawdown****:* On March 31, 2015, the Corporation announced the successful funding of the first deposit under the Purchase and Sale Agreement for the Forward Sale of Diamonds in the amount of US$80 million (D1), upon satisfaction of all applicable conditions precedent which included, but were not limited to: (a) evidence in the form of a report from the Independent Engineer or otherwise satisfactory to the Purchasers that, at the time of a drawdown request, the Renard Diamond Mine construction budget to Completion was reasonably within the scope of the funds available from the Financing Transactions including, for greater certainty, Stornoway's, SDCI's, Ashton's and FCDC's cash on hand and any committed equipment financing and including for the purposes of this determination the aggregate amount of D1, D2 and D3, the funds available under

2. The 2015 Mineral Resource Update was amended and restated on January 11, 2016 to explicitly restate sections 16 to 22 of the 2013 Optimization Study as opposed to incorporating these sections by reference in the 2015 Mineral Resource Update.

the Senior Secured Loan, Tranche A and an amount equal to 25% of the aggregate funds available under the Senior Secured Loan, Tranche B and the COF.

- ***Organizational Changes***: On December 11, 2014, Annie Torkia Lagacé was appointed as Corporate Secretary of the Corporation. On March 11, 2015, the Corporation announced the departure of Zara Boldt, the Corporation's then Vice-President, Finance and Chief Financial Officer. In her place, Jean-Charles Dumont, previously the Corporation's Corporate Controller, was appointed Vice President, Finance for Stornoway and its subsidiary companies.

- ***Optimization in plant design***: On October 20, 2014, the Corporation announced the results of an optimization in plant design at the Renard Diamond Mine which is expected to allow the immediate addition of a large diamond recovery capacity to the Renard Diamond Mine plant. See "Mineral Projects – Renard Diamond Mine – Mineral Processing and Diamond Recovery".

- ***Shareholder Approval of Financing Transactions***: On June 26, 2014, the Corporation announced that its shareholders approved resolutions authorizing the Financing Transactions, previously announced on April 9, 2014, at its special meeting of shareholders held on that day.

- ***Completed Financing Transactions***: On July 8, 2014, the Corporation announced that it had entered into Definitive Agreements giving effect to the Financing Commitment Letter and closed its previously announced Financing Transactions, which are intended to provide a comprehensive funding package for the construction of the Renard Diamond Mine. In total, gross proceeds of $946 million (assuming a US$1.00:C$1.10 conversion rate) has been funded, or committed for funding, through the following combination of senior and subordinated debt facilities, equity issuances, the Forward Sale of Diamonds, and an Equipment Facility:

Financing Transaction	**Investor(s)**	**Amount**
Equity Investment	Orion	US$110,000,000[(1)]
	RQ	$100,000,000
	CDPQ	$22,000,000
	Public	$132,020,000
Convertible Debentures		US$81,257,000
Convertible Debenture Purchasers	Orion	US$20,500,000
	Other purchasers	US$60,757,000
Forward Sale of Diamonds	Orion	US$200,000,000
	CDPQ	US$50,000,000
Senior Secured Loan, Tranche A	RQ	$100,000,000[(2)]
Senior Secured Loan, Tranche B	RQ	$20,000,000
COF	CDPQ	$28,000,000

(1) See also "– Secondary Market Transactions" below.

(2) Plus an amount equal to the full outstanding principal amount of all loans and other obligations under the Bridge Facility including all accrued and unpaid interest (including capitalized interest).

Please refer to "Schedule B – Glossary of Terms" for a list of defined terms used in the disclosure which follows.

- *Funding Sequencing*

Concurrent with the closing of the Financing Transactions, approximately $464 million (assuming a US$1.00:C$1.10 conversion rate) in aggregate gross proceeds from the Equity Investment and

the Convertible Debentures was released to the Corporation (subject to the payment of certain transaction costs) to allow the immediate commencement of project construction. After adjustments for estimated financing fees (including discounts on the convertible debentures and equity commissions) and expenses payable on closing, net proceeds received on July 8, 2014 totaled approximately $428 million (assuming an exchange rate of US$1.00:C$1.07 as of July 8, 2014). Each of the tranches of the Deposit under the Purchase and Sale Agreement for the Forward Sale of Diamonds was subsequently fully funded in accordance with its terms, with the third and final tranche of the Deposit (D3) having been fully funded on March 30, 2016. The Corporation and Caisse de Dépôt et Placement du Québec agreed to terminate the COF as of December 31, 2016.

The proceeds of the Senior Secured Loan and the remaining Equipment Facility (if and when needed) will be made available to Stornoway in due course in accordance with their terms, in each case subject to the applicable conditions precedent being satisfied, in the following order:

(i) following the utilization by SDCI of 100% of the proceeds of the Convertible Debentures and the Equity Investment made available to SDCI, and 100% of D1 and D2, and at least 75% of D3, SDCI shall be entitled to draw upon the Senior Secured Loan, Tranche A (as more fully described in the Senior Secured Loan Agreement); and

(ii) following the drawdown of the full amount of the Senior Secured Loan, Tranche A and provided such amounts have been fully committed for utilization and at least 90% of the funds available under such facility shall have been utilized, Stornoway or SDCI, as the case may be, may draw down on Tranche B of the Senior Secured Loan, subject to the terms and conditions relating to such tranche.

The Equipment Facility was made available on July 25, 2014 and is, in addition to the foregoing, to be utilized as required to meet equipment financing needs. As at December 31, 2016, US $46.7 million had been drawn on the Equipment Facility by SDCI.

- *Equity Investment*

  - Public Offering

Stornoway filed a final short form prospectus on May 12, 2014 (the "**Short Form Prospectus**") to qualify the distribution of 188,600,000 Subscription Receipts at a price of $0.70 per Subscription Receipt, for total gross proceeds of $132 million (the "**Public Offering**"). On May 23, 2014 proceeds from the Public Offering closed into escrow, and 50% of the underwriters' 5% fee was paid. Each Subscription Receipt entitled the holder thereof to receive, upon the satisfaction or waiver of the applicable escrow release conditions (which occurred on July 8, 2014) and without payment of additional consideration or further action, one Common Share and one-half of one common share purchase warrant of the Corporation (each whole common share purchase warrant, a "**Warrant**"). Upon the satisfaction of the applicable escrow release conditions, the escrowed funds under the Public Offering, together with the earned interest thereon, less the remaining 50% of the underwriters' 5% fee, were released to the Corporation. Each Warrant entitled the holder to purchase one common share of the Corporation (each, a "**Warrant Share**") at a price of $0.90 (the "**Warrant Exercise Price**"). The Warrants expired on July 8, 2016, following the exercise prior to their expiration of 91,912,732 Warrants for total proceeds to the Corporation of C$82.72 million, which represented 97.47% of the Warrants issued on July 8, 2014. Immediately following their expiration, the Warrants were delisted from the TSX.

  - Subscription Receipt Private Placements

Pursuant to equity commitments under the terms of the Financing Commitment Letter, the Corporation has, concurrently with the Public Offering closing, completed private placements of an aggregate of 345,539,916 Subscription Receipts to Orion Equity Co-Invest, RQ and CDPQ (the "**Private Placement Subscription Receipts**") at a price of $0.70 per Subscription Receipt

(collectively, the "**Subscription Receipt Private Placements**"). Each Private Placement Subscription Receipt entitled the holder thereof to receive, upon the satisfaction or waiver of the applicable escrow release conditions (which occurred on July 8, 2014) and without payment of additional consideration or further action, one Common Share. A placement fee of 6.0% of the aggregate amount subscribed for under the Subscription Receipt Private Placements was paid by Stornoway through the issuance an aggregate of 20,732,394 Common Shares on a *pro rata* basis to Orion Equity Co-Invest, RQ and CDPQ.

- *Purchase and Sale Agreement for the Forward Sale of Diamonds*

On July 8, 2014, FCDC, a wholly owned subsidiary of SDCI, and Orion and/or one or more of its designated affiliates and/or respective limited partners or investors, *inter alia*, entered into the Purchase and Sale Agreement, pursuant to which FCDC shall sell a 20% undivided interest (the "**Forward Sale of Diamonds**" or "**Stream**") to the Purchasers, and the Purchasers shall purchase from FCDC (in a proportion of 12% to Orion and/or one or more of its designated affiliates and/or respective limited partners or investors, 4% to CDPQ and 4% to Blackstone Tactical Opportunities, when taking into account assignments effected by Orion from time to time) in each of the run of mine diamonds produced (i) over the life of the Renard Diamond Mine from the Properties and (ii) from the Excluded Properties until the Threshold Number is reached from production from all ore bodies forming part of the Renard Diamond Mine, including the Properties (the "**Subject Diamonds Interest**").

The Purchase and Sale Agreement will apply to (i) the Properties for the life of the Renard Diamond Mine and (ii) all other properties forming part of the Renard Diamond Mine (in the case of (ii)) until the Threshold Number is reached.

The terms of the Purchase and Sale Agreement also provide that SDCI shall not be permitted to enter into any tolling agreements with respect to the processing of ore of any third parties at its processing facility without the prior written consent of the Purchasers.

The Purchase and Sale Agreement provides that the Purchasers shall make up-front payments to FCDC, representing prepayment of a portion of the purchase price payable for the Subject Diamonds Interest, in an aggregate amount of US$250 million (the "**Deposit**"), disbursed in three installments with 30 days' notice as follows:

- The first deposit ("**D1**"): US$80 million which was paid by the Purchasers to FCDC on March 31, 2015;
- The second deposit ("**D2**"): US$80 million which was paid by the Purchasers to FCDC on September 30, 2015; and
- The third deposit ("**D3**"): US$90 million which was paid by the Purchasers on March 30, 2016.

FCDC was required to pay the Purchasers a standby fee (the "**Standby Fee**") of 1% *per annum*, payable quarterly in arrears, with availability terminating on March 31, 2017. The standby fee became no longer payable by the Corporation following the payment by the Purchasers of the third deposit on March 30, 2016.

The Purchase and Sale Agreement provides that the Deposit shall be utilized for development, construction, and working capital requirements of the Renard Diamond Mine, including financing fees, financing expenses and interest and operating costs during construction.

The Purchase and Sale Agreement also provides that the Purchase Price shall (1) until the Deposit has been fully offset, be equal to the Gross Proceeds (as defined below), payable by payment of the Per Carat Cash Price (as defined below) and the balance by offset against the Deposit in the manner described below, and (2) once the Deposit has been fully offset, be equal to the Per Carat Cash

Price. The Purchase and Sale Agreement provides that until the Deposit has been fully offset, the Deposit shall be applied in satisfaction of such portion of the Purchase Price, if any, that exceeds the Per Carat Cash Price, such portion of the Purchase Price being satisfied by offset against the Deposit, and the Deposit shall thereupon be reduced by the amount of such excess.

"**Gross Proceeds**" under the Purchase and Sale Agreement means the sale price of Subject Diamonds Interest on the market achieved by FCDC, whether directly or through a commissionaire, in its capacity as agent for the Purchasers.

"**Per Carat Cash Price**" under the Purchase and Sale Agreement means US$50 per carat for the Subject Diamonds Interest, subject to an increase of 1% *per annum* beginning three years after the Commencement of Commercial Production.

In addition to the payment of the Per Carat Cash Price, the Purchasers are required to pay marketing expenses incurred by Stornoway on behalf of the Purchasers, in respect of the Subject Diamonds Interest, not to be greater than 3.0% of the Gross Proceeds of each sale of Subject Diamonds Interest and shall be paid rateably over the course of each year in the manner set forth in the Purchase and Sale Agreement in respect of the delivery and settlement of Subject Diamonds Interest.

The Purchase and Sale Agreement includes representations and warranties, affirmative and negative covenants and events of default customary for transactions of this nature, including certain financial covenants, which are in relation to Stornoway, its material subsidiaries and SDCI, respectively. The Purchase and Sale Agreement also addresses the consequences of events of default thereunder and provides for indemnification and termination provisions.

On April 30th, 2015, the Corporation announced that Blackstone Tactical Opportunities, an affiliate of Blackstone, acquired a meaningful equity position in Stornoway and a minority ownership interest in the Subject Diamonds Interest by way of a secondary market transaction with Orion. Following this transaction, the Subject Diamonds Interest is held in a proportion of 12% by Orion and/or one or more of its designated affiliates and/or respective limited partners or investors, 4% by CDPQ and 4% by Blackstone Tactical Opportunities.

- *Debt Financing Facilities*

  - Senior Secured Loan

On July 8, 2014, SDCI and Diaquem, a wholly-owned subsidiary of RQ, delivered and executed the Senior Secured Loan Agreement that provides for an initial $100 million of the Senior Secured Loan, plus an amount equal to the full outstanding principal amount of all loans and other obligations under the Bridge Facility including all accrued and unpaid interest (including capitalized interest) (the "**Senior Secured Loan, Tranche A**"). SDCI has the option to increase the loan by a further $20 million (the "**Senior Secured Loan, Tranche B**"). The $20 million available under the Senior Secured Loan, Tranche B forms part of a $48 million cost over-run facility, $28,000,000 of which is no longer available as a result of the Corporation and CDPQ terminating the COF as of December 31, 2016 (see also "Unsecured Cost Overrun Facility with COF Warrants" below), which SDCI can use only for construction and development costs at the Renard Diamond Mine, subject to certain conditions precedent. The proceeds of the Senior Secured Loan shall be used to finance, in part, the engineering, design, construction, plant, equipment, start-up, interest, financing fees and expenses, other Renard Diamond Mine development costs (including operating costs and project costs, which include the monthly fee and reimbursement of expenses under the Services Agreement) and working capital requirements of the Renard Diamond Mine.

The Senior Secured Loan will, at SDCI's option, bear interest at (i) a floating rate equal to the most common prime rate announced by Schedule I Canadian banks, plus (a) prior to Completion, 4.75% *per annum*, and (b) after Completion, 4.25% *per annum*, or (ii) subject to availability, at a fixed

rate based on the then available Government of Québec bonds for any applicable periods plus (a) prior to Completion, 5.75% *per annum*, and (b) after Completion, 5.25% *per annum*. Interest will be paid in arrears at the end of each quarter. Under the Senior Secured Loan Agreement, SDCI will have the option, upon prior notice, to convert advances bearing interest at the floating rate to a fixed rate as detailed above.

Upfront fees equal to 2.75% of the principal amount of the Senior Secured Loan, Tranche A and the Senior Secured Loan, Tranche B, are payable by SDCI, 25% of which were paid on July 8, 2014 and the remaining 75% of which shall be payable upon the initial funding date of the Senior Secured Loan, Tranche A (based on the full amount of Senior Secured Loan). In addition, there will be a standby fee of 1.75% *per annum*, payable quarterly in arrears, on the daily undrawn principal amount of the Senior Secured Loan during the availability period of the Senior Secured Loan.

The Senior Secured Loan, Tranche A must be repaid in full by the first payment date falling at least ten years following July 8, 2014 and the Senior Secured Loan, Tranche B must be repaid in full by the date falling at least seven years following July 8, 2014, unless in either case it becomes due and payable, whether upon acceleration, repayment or otherwise, prior to such date.

The Senior Secured Loan may be voluntarily prepaid at any time on 15 days' prior notice (and amounts prepaid on the Senior Secured Loan may not be re-borrowed), subject to a minimum prepayment amount of $5 million and the payment of a prepayment penalty. The Senior Secured Loan Agreement also provides for circumstances resulting in mandatory prepayments, including following the occurrence of a Change of Control.

The Senior Secured Loan Agreement includes representations and warranties, reporting obligations, affirmative and negative covenants and events of default that are customary for loans of this nature, including certain financial covenants.

- Convertible Debentures

On July 8, 2014, the Corporation issued, on a private placement basis, US$81,257,000 aggregate principal amount of Convertible Debentures due July 8, 2021 (the "**Maturity Date**") to an affiliate of Orion and certain other purchasers (collectively, the "**Convertible Debenture Purchasers**"). There will be no principal repayments until the Maturity Date. The principal and any accrued and unpaid interest will be due and immediately payable in full on the Maturity Date. The Convertible Debentures were issued to the Convertible Debenture Purchasers at a discount of 4.00% to the principal amount thereof.

Interest accrues at a rate of 6.25% *per annum* from July 8, 2014, payable semi- annually on the last day of June and December of each year. The Convertible Debentures rank (i) subordinate in right of payment to the payments of all secured obligations including Forward Sale of Diamonds Net Proceeds to the Purchasers under the Purchase and Sale Agreement and payments required under the Senior Secured Loan, and (ii) *pari passu* with all outstanding unsecured indebtedness for borrowed money of Stornoway.

Unless an event of default under the Convertible Debentures has occurred and is continuing, Stornoway may elect, from time to time, subject to applicable regulatory approval (including, without limitation, TSX approval), to satisfy its obligation to pay interest on the Convertible Debentures, on the date on which it is payable under the Indenture: (i) in cash; (ii) by delivering a sufficient number of Common Shares to the trustee under the Indenture, for sale, to satisfy the interest obligations in accordance with the Indenture in which event holders of the Convertible Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares; or (iii) any combination of (i) and (ii) above. The share payment option described under (ii) above will only be exercisable on seven non-consecutive interest payment dates during the life of the Convertible Debentures.

The Convertible Debentures are convertible at the holder's option into Common Shares at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date fixed for redemption thereof, at the Conversion Price, being US$0.8863, subject to adjustment in certain limited circumstances provided for in the Indenture. The holder converting its Convertible Debentures will receive accrued and unpaid interest thereon up to but excluding the date of conversion. The Convertible Debentures began trading on the TSX on November 10, 2014.

Under the terms of the Indenture, within 30 days following the consummation of a Change of Control, Stornoway will be required to make an offer in writing to holders of the Convertible Debentures to, at the holder's election, either: (i) purchase the Convertible Debentures at 100% of the principal amount thereof plus accrued and unpaid interest or (ii) convert the Convertible Debentures at an adjusted conversion price.

The Convertible Debentures will not be redeemable before July 8, 2017. On or after July 8, 2017 to and including the Maturity Date, Stornoway may, at its option, subject to providing not more than 60 and not less than 30 days' prior notice, redeem the Convertible Debentures, in whole or, from time to time, in part, at par plus accrued and unpaid interest, provided that the weighted average closing price of the Common Shares on the TSX during the 20 consecutive trading days ending on the trading day preceding the date on which the notice of redemption is given is not less than 135% of the Conversion Price.

- Unsecured Cost Overrun Facility with COF Warrants

On July 8, 2014, CDPQ and the Corporation executed and delivered the COF Agreement. The Corporation and the CDPQ agreed to terminate the COF as of December 31, 2016.

In accordance with the COF Agreement, in consideration for providing the COF, Stornoway issued to CDPQ on July 8, 2014 warrants exercisable to acquire 14,000,000 Common Shares (the "**COF Warrants**"), at $0.945 per Common Share (the "**COF Warrant Exercise Price**") (subject to adjustment in certain limited circumstances described in the COF Warrants). The COF Warrants are exercisable in whole or in part at any time on or prior to July 8, 2019. Furthermore, until the Commencement of Commercial Production Date, the Corporation has agreed to adjust the COF Warrant Exercise Price in the event that a Price Protection Event occurs. Upon the occurrence of a Price Protection Event, the COF Warrant Exercise Price will be adjusted (reduced) by an amount equal to the difference between the Subsequent Offering Price and the Equity Investment Price, subject to an agreed lowest price to which the COF Warrant Exercise Price may be adjusted upon the occurrence of a Price Protection Event of $0.78.

- Equipment Facility

On July 25, 2014, SDCI (as lessee), Ashton and the Corporation (as guarantors) delivered and executed a master lease agreement with Caterpillar Financial Services Limited (as lessor) for the acquisition and financing of certain mine equipment items manufactured by Caterpillar and others, including the project's mobile mining fleet (the "**Equipment Facility**").

The Equipment Facility is available to SDCI in the maximum aggregate amount of US$75,000,000 of acquired equipment value (less the applicable upfront payments due by the lessee), being the sum of the following two tranches: (i) a tranche "A" facility in the maximum amount of US$50,000,000 (the "**Equipment Facility, Tranche A**"); and (ii) a tranche "B" facility, in the maximum amount of US$25,000,000 (the "**Equipment Facility, Tranche B"**).

On March 24, 2015 the master lease agreement was amended to cover, amongst other things, specific terms for the acquisition and financing of up to US$5,000,000 of used Caterpillar equipment as part of the Equipment Facility, Tranche A.

Rent payments for leases under the Equipment Facility are made on a quarterly basis and are subject to an additional rent charge equal to 4% plus the 3 month LIBOR in effect at the start of each quarterly period, beginning on the lease start date. SDCI is required to pay an arrangement fee. SDCI is also required to pay standby fees of 0.25% per annum, payable quarterly in arrears.

The master lease agreement includes representations and warranties, reporting obligations, affirmative and negative covenants and events of default that are customary for loans of this nature.

As at December 31, 2016, US$46.7 million had been drawn on the Equipment Facility by SDCI.

- *Security in respect of the Senior Secured Loan and the Purchase and Sale Agreement and Intercreditor Principles*

The obligations of FCDC under the Purchase and Sale Agreement are fully and unconditionally guaranteed, on a joint and several basis, by Stornoway, SDCI, Ashton and any other material subsidiary of Stornoway from time to time (the "**Sponsor and Shareholder Guarantee**"). Such guarantors will indemnify the Purchasers from losses and damages resulting from the failure by FCDC to comply with its obligations under the Purchase and Sale Agreement. The Sponsor and Shareholder Guarantee, and the performance and payment guarantee to be executed in favour of the Forward Sale of Diamond Buyers upon termination of the Sponsor and Shareholder Guarantee, as applicable, would include any obligation to pay the Early Repayment Amount and the Settlement Amount under the Purchase and Sale Agreement up to the later of: (i) Completion having occurred, (ii) 50% of the Deposit having been offset and (iii) 50% of the Senior Secured Loan having been paid down.

The obligations of SDCI under the Senior Secured Loan are fully and unconditionally guaranteed, on a joint and several basis, by Stornoway, Ashton and any other material subsidiary of Stornoway from time to time.

The Purchasers and the Senior Secured Lender have agreed to take separate security on a *pari passu* basis granted in favour of two trustees, the whole as more fully set forth in the Intercreditor Principles.

All Senior Obligations rank equally and share on a senior basis in a common security package (subject to the terms of the Intercreditor Principles) charging (to the extent permitted under relevant laws) all assets of SDCI and FCDC (other than certain excluded property), including the mining titles, property, plant and equipment, receivables, bank accounts, insurance policies and rights under material project agreements; *provided* that, as and from the Forward Sale of Diamonds Upfront Deposit Offset Date, the Purchasers will cease to hold any lien or hypothec over Collateral (other than the Forward Sale of Diamonds Collateral and the 80% undivided interest in the mining lease not forming part of the Forward Sale of Diamonds Collateral). The Senior Secured Lender has a first-ranking lien and hypothec on all Collateral, other than the Forward Sale of Diamonds Collateral, provided that (as of and from the Forward Sale of Diamonds Upfront Deposit Offset Date) the payment entitlement of the Purchasers from proceeds of the Collateral (other than the Forward Sale of Diamonds Collateral) will rank *pari passu* with unsecured creditors, the whole as more fully set forth in the Intercreditor Principles.

- *Conversion of non-voting convertible shares in the capital of the Corporation*

In connection with the Financing Transactions, effective June 20, 2014, all 22,543,918 non-voting convertible shares in the capital of the Corporation previously held by Diaquem were converted into the same number of Common Shares in accordance with the rights, privileges, restrictions and conditions attaching thereto, and the articles of continuance of the Corporation were amended to cancel and repeal the non-voting convertible shares and the rights, privileges, restrictions and conditions attaching thereto.

- ***Board of Directors***: On July 16, 2014, the Corporation announced the appointment of Mr. Douglas Silver, as a nominee of Orion, to the Board of Directors. On September 22, 2014, the Corporation announced that two members of the Board of Directors, Mr. Yves Harvey and Mr. Michel Blouin, would not be standing for re-election at the annual meeting of shareholders of the same date and that in Mr. Blouin's place, Diaquem had nominated Mr. Gaston Morin as a candidate for election to the Board of Directors.

- ***Listing of Convertible Debentures***: On November 10, 2014, the Corporation announced that its US$81,257,000 Convertible Debentures due July 8, 2021, began trading on that day on the TSX.

- ***Construction Activities:*** SDCI began construction activities of the Renard Diamond Mine on July 10th, 2014, immediately following completion of the Financing Transactions. As at April 30, 2015, the construction activities remained in line with the then planned schedule and budget.

- ***Drill Program***: On November 17, 2014, the Corporation announced that it had completed the field portion of the 2014 resource expansion drill program at the Renard Diamond Mine. Deep directional drilling suggests that Renard 2 has at least 1,012 meters of vertical depth, implying substantial new resource potential below the current Mineral Reserve. Overall dimensions of the Renard 2 body at depths below 600 meters are comparable to dimensions in the current Mineral Reserve, with a preliminary geological model suggesting a tonnage range of 9 to 12 mTonnes between 600m and 1,000m depth. Subsequent to completion of the Renard drill program, the scope of the Mineral Resource update has been broadened to include additional work on (i) certain other kimberlites which contain Inferred Mineral Resources outside of the current Mineral Reserve, such as Renard 3, Renard 4, Renard 9, Lynx and Hibou, and (ii) bodies outside of the current Mineral Resource, such as Renard 1, Renard 7, Renard 8 and Renard 10.

- ***Secondary Market Transaction****:* on April 30, 2015, the Corporation announced that Blackstone Tactical Opportunities, an affiliate of Blackstone (NYSE-BX), acquired a meaningful equity position in Stornoway and a minority ownership interest in the Subject Diamonds Interest by way of a secondary market transaction with Orion. Following this transaction, the Subject Diamonds Interest is held in a proportion of 12% by Orion and/or one or more of its designated affiliates and/or respective limited partners or investors, 4% by CDPQ and 4% by Blackstone Tactical Opportunities.

Risk Factors

The Corporation's securities should be considered a speculative investment and involves significant risks and prospective investors should carefully consider, in light of their own financial circumstances, the risk factors and all of the other information disclosed in the Corporation's Canadian regulatory filings (available on SEDAR at www.sedar.com) prior to making an investment in the Corporation. If any of the events described in the risk factors below actually occur, our business, financial condition, prospects, results of operations or cash flow could be materially and adversely affected. The risks described herein and in other documents forming part of the Corporation's disclosure record are not the only risks facing the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems immaterial, may also materially and adversely affect its business.

Operational Risks

Lack of Operating History; New Mining Operations

The Corporation has not yet realized any profits from its operations at the Renard Diamond Mine. The Corporation expects to continue to incur losses unless and until such time as the Renard Diamond Mine generates sufficient revenues to fund its continuing operations. There can be no assurance that the Corporation will achieve profitability or that the Renard Diamond Mine or any of the properties the Corporation may hereafter acquire or obtain an interest in will generate earnings, operate profitably or

provide a return on investment in the future. In addition none of the Corporation's mineral properties have an operating history upon which to base estimates of future operating costs. There can be no assurance that significant additional losses will not occur in the near future or that the Corporation will be profitable in the future.

Whether profitable operations will result from the Renard Diamond Mine will depend on various factors including the successful start-up and ramp-up of a new mining operation, costs, actual mineralization, consistency and reliability of ore grades, diamond quality and size distribution, commodity prices and efficient design of the mine, processing facility and equipment, all of which may affect future cash flow and profitability, and there can be no assurance that current or future estimates of these factors will reflect actual results and performance. The operations of the Renard Diamond Mine mine will rely on new infrastructure for hauling ore and materials to the surface. The depth of the operations could pose significant challenges to the Corporation and its subsidiaries, such as geomechanical risks and ventilation, which may result in difficulties and delays in achieving production objectives.

It is common in new mining operations to experience unexpected problems, delays and costs during mine development, mine start-up and ramp-up of the processing facility.The costs, timing and complexity of the ramp-up of the Renard Diamond Mine may be higher than anticipated as a result of various adjustments that may be found to be required to optimise the efficiency of the operations and which may result in modifications to, or addition of, infrastructure and equipment or changes to mine plan. Such factors can add to the cost of mine development, production and operation and/or impair production and mining activities, thereby affecting the Corporation's profitability.

Start-Up and Ramp-up of a New Mine

It is common to experience unexpected costs, problems and delays during development, start-up and ramp-up of a new mine. During this time, the economic feasibility of production may change. The ramp-up of the Renard Diamond Mine by the Corporation and its subsidiaries is subject to a number of risks and challenges including unforeseen geological formations and characteritics of the ore body impacting ore processing, the implementation of new mining and recovery processes and process plant design with optimal rates of recovery and limited risk of diamond breakage, the underlying characteristics, quality and unpredictability of the exact nature of mineralogy of a deposit and the consequent accurate understanding of ore or concentrate production, including consistency of grades, size distribution and quality of diamonds, and the successful completion and operation of haulage ramp and conveyors to move ore, the processing facility and other operational elements. Any unexpected problems and delays in the completion and successful functioning of the operational elements of a new mine result in additional costs being incurred by the Corporation and its subsidiaries beyond those already incurred and budgeted. There can be no assurance that current or future ramp-up plans of the Renard Diamond Mine implemented by the Corporation or its subsidiaries will be successful.

Uncertainty of Mineral Resources

The Mineral Resources for the Renard Diamond Mine are prepared in accordance with NI 43-101. In this context, Mineral Resources are estimates and no assurance can be given that the anticipated tonnages, grades, size distribution and quality of diamonds will be achieved or that the indicated level of recovery will be realized. Mineral Reserves at the Renard Diamond Mine have been determined to be economic ore in the context of the 2016 Technical Report, in accordance with NI 43-101. Variations in grades, size distribution and quality of diamonds as well as market fluctuations and diamond prices may render the Mineral Reserves or Mineral Resources uneconomic. Moreover, short-term operating factors relating to the diamond deposits, such as the need for orderly development of the deposits or the processing of new or different grades of diamonds, may cause any mining operation to be unprofitable in any particular accounting period. See "Risk Factors – Lack of Operating History; New Mining Operations".

There is no certainty that expenditures made in the exploration of the Corporation's mineral properties will result in identification of commercially recoverable quantities of ore or that ore reserves will be mined or processed profitably. Such assurance will require completion of final comprehensive feasibility studies and,

possibly, further associated exploration and other work that concludes a potential mine at each of these projects is likely to be economic. In addition, substantial expenditures and time are required to establish Mineral Reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major diamond deposit, no assurance can be given that diamonds will be discovered in sufficient quantities to justify commercial operations or that necessary approvals and permits, and funds required for development, can be obtained on a timely basis.

There is no certainty that FCDC will be able to meet its Subject Diamonds Interest delivery obligations

There is no certainty that FCDC will be able to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement for the Forward Sale of Diamonds. In the event FCDC was unable to meet its Subject Diamonds Interest delivery obligations, FCDC could be required to return non-offset portions of the Deposit to the Purchasers with an applicable rate of interest from the payment date of the Deposit, which in turn would materially and adversely affect the financial and operating results of the Corporation and its subsidiaries, the market price of the Corporation's securities and, ultimately, could result in the loss of the Corporation's entire interest in the Renard Diamond Mine.

Mineral Exploration and Development Activities Inherently Risky

The business of exploration for minerals and mining involves a high degree of risk that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Few properties that are explored are ultimately developed into mineral deposits with significant value. Unusual or unexpected ground or water conditions, geological formation pressures, fires, rock bursts, power outages, labour disruptions, flooding, earthquakes, explosions, explorations, cave-ins, landslides, mechanical equipment and facility performance problems, and the inability to obtain suitable adequate machinery, equipment or labour and other unfavourable operating conditions are other risks involved in the operation of mines and the conduct of exploration and development programs. There are also physical risks to the exploration personnel working in the rugged terrain of remote parts of Canada, often in difficult climate conditions. The Corporation's exploration properties and any future mining operations will be subject to all the hazards and risks normally incidental to exploration, development and production of diamonds and other metals, any of which could result in work stoppages and damage to or destruction of exploration facilities, mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. Although the Corporation and its subsidiaries maintain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation or its subsidiaries could incur significant costs that could have a materially adverse effect upon their financial condition. The remoteness and restrictions on access of certain of the properties in which the Corporation and its subsidiaries have an interest could have an adverse effect on profitability in that infrastructure costs would be higher.

In addition, exploration activities may have caused environmental damage at certain of the Corporation's properties. It may be difficult or impossible to assess the extent to which such damage was caused by the Corporation and its subsidiaries or by the activities of others, in which case, any indemnities and exemptions from liability may be ineffective.

Diamond Exploration and Development

Diamond exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover diamond deposits but also from finding diamond deposits that, though present, are insufficient in terms of tonnage, grade or diamond value to return a profit from production.

With the exception of the Renard Diamond Mine, the remaining claims, permits and leases in which the Corporation and its subsidiaries hold an interest are in the exploration stage only and are without a known body of commercial ore. The business of diamond exploration in remote parts of Canada can be a lengthy, time consuming, expensive process and involves a high degree of risk. Upon discovery of a diamond

bearing kimberlite, the primary hostrock for diamonds, several stages of assessment are required before its economic viability can be determined. Assessment includes a determination of deposit size (tonnage), grade (carats/stone), diamond value (US$/carat) and the associated costs of extracting and selling the diamonds.

Development of the subject diamond properties would follow only if favorable results are obtained at each stage of assessment. Although the Corporation has reported recoveries of diamonds from material extracted from kimberlite occurrences on the Corporation's properties, the amount of material extracted is small and continuity of the diamond content of the kimberlitic body is not assured and cannot be assumed. The development of a diamond mine in remote parts of Canada has typically taken between seven and ten years from its initial discovery. Few diamond deposits discovered are ultimately developed into producing mines. There is no assurance that the Corporation's diamond exploration activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Corporation's operations, and those of its subsidiaries, will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Regulations, Permits and Licenses

The Corporation's operations are subject to various laws and regulations governing the protection of the environment. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from processed kimberlite containment (tailings) areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a direction of stricter standards, and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Corporation intends to fully comply with all environmental regulations.

The current operations of the Corporation and its subsidiaries as well as anticipated future operations, including further exploration, development activities and commencement of production at the Corporation's mineral properties, including without limitation the Renard Diamond Mine, require permits from various domestic authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes (including income and mining taxes), labour standards, occupational health, storage and disposal of hazardous substances and other wastes and materials, waste water discharges and water quality, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities, generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

Although the Corporation believes it is in substantial compliance with all material laws and regulations and holds all required permits which currently apply to its activities, there can be no assurance that various permits which the Corporation and its subsidiaries may require to obtain or renew in the normal course of business for its current and anticipated future operations and exploration activities, will be obtainable on reasonable terms or on a timely basis.

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

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, including in respect of taxes, could have a material

adverse impact on the Corporation and its subsidiaries and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining projects.

There are risks associated with pursuing a blasthole shrinkage method with backfill to extract ore from the Renard Diamond Mine

In addition to open pit, the Corporation will be using a blasthole shrinkage method with backfill to extract the Renard Diamond Mine ore body. The pursuit of this method to extract the ore body carries with it a certain degree of risk since it is characterized by the extraction of a massive volume of drilled and blasted kimberlite which could translate into the formation of a surface depression whose morphology depends on the characteristics of the mining, the rock mass properties and the topography of the ground surface.

Blasthole shrinkage mining can generally be applied on large and massive ore bodies with good geomechanical properties, unlike the caving methods. To minimize the risks associated with unplanned failure of the ore body during the mining process, a panel retreat sequence approach has been applied in the strategy, consequently having a positive effect on worker safety. A major challenge at the mine design stage is to predict the amount of external dilution coming from the exposed walls at the periphery of the ore body and from the waste backfill involved in the mining process.

The pursuit of this mining strategy involves the creation of underground tunnels down to a production level where the overlying rock, broken using drilling and blasting methods from drill levels located above, flows downward into drawpoints to be gathered and taken away for processing.

Certain of the core geotechnical risks associated with blasthole shrinkage with backfill are as follows:

- uncontrolled, dynamic, rock mechanic events or caving events resulting in rock burst, in airblasts, damage to draw points and/or other infrastructure; loss of control of cave propagation; and premature cave propagation to surface;

- undesirable wall failure in the periphery of the blasted ore and excessive waste backfill migration could result in a higher external dilution factor and a lower recovery factor affecting the project economics;

- wall and back failure in panels could also lead to a loss of productivity due to managing oversize blocks and hangups in the drawpoints;

- undesirable cave propagation outside or above the orebody such as a crown pillar resulting in potential flooding of the Renard Diamond Mine with mud and/or water; impact to workforce safety; and surface damage; and

- a high level of concentrated surface subsidence on breakthrough resulting in surface damage safety hazards on the surface; and disruption of aquifers in the vicinity of the Renard Diamond Mine.

The realization of any of these risks, assuming the blasthole shrinkage method with backfill is used, could have a material adverse impact on the progress of any extraction activities at the Renard Diamond Mine. There can be no assurance that the Corporation would be successful in overcoming any of the above risks and/or the results associated with such risks as part of the extraction of the Renard Diamond Mine.

Rock Mechanics and Hydrogeology

There are always unknown rock mechanics and hydrogeological conditions that cannot be predicted ahead of mining. These unknown conditions, such as faulting, zones of weak rock, or zones of unanticipated water inflow, may only be discovered during mining and may require significant changes to the mining plan resulting in additional costs and delays. While additional lab testing to reduce uncertainty in some of the

rock properties is planned by the Corporation, it is never possible to carry out enough drilling ahead of time to identify all of these potential risks.

Supplies, Infrastructure, Weather and Inflation

The Corporation's property interests are located in remote, undeveloped areas, power must be generated on site, and the availability of infrastructure such as road and surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Due to the remoteness of its exploration projects, the Corporation and its subsidiaries are forced to rely heavily on air transport for the supply of goods and services. Air transport to and from remote regions in Canada is very susceptible to disruptions due to adverse weather conditions, resulting in unavoidable delays in planned programs and/or cost overruns.

When mining investment and activity in Canada is high, companies typically experience a shortage of experienced technical staff, and heavy demand for drillers, geophysical surveying crews and other goods (including process plant and mining equipment long lead items) and services needed by the mining community. Prices for goods and services will fluctuate in relation to the level of investment in the mining sector; it is reasonable to expect that increased demand could impact the Corporation's future economic projections and competitiveness. An increased demand results in a meaningful increase in costs for these goods and services. Improvements in the economic conditions for the mining industry as a whole will typically result in increases to both the costs of planned exploration, development activities and operations, which must also be factored into economic models used in projections for future development and potential operations. Increased demand for and cost of goods or services could result in delays if goods or services cannot be obtained in a timely manner due to inadequate availability, and may cause scheduling difficulties due to the need to coordinate the availability of goods or services, any of which could materially increase project exploration, development and/or construction costs. These factors could have a material impact on the Corporation's share price.

Risk related to the limited supply offer of Liquefied Natural Gas ("LNG")

The Corporation has a long-term contract for the supply of LNG required for power at the Renard Diamond Mine. There are currently limited suppliers of LNG that can supply the Renard Diamond Mine at comparable costs to the current supplier. In the event the Corporation's LNG supplier was to be unable to fulfil its contractual obligation to deliver LNG to the Renard Diamond Mine and an alternative contract on substantially the same terms may not be entered into with an alternative LNG supplier, the costs related to the Renard Diamond Mine power requirements would increase. While the failure to deliver LNG under the current LNG contract is subject to indemnification obligations by the Corporation's counterparty, the LNG supplier does not have the obligation to indemnify the Corporation in the context of all delivery failures, including in the event of a force majeure event affecting the supplier, and where an indemnity obligation exist, the amount of such indemnity may not fully offset the cost increases the Corporation could suffer, which cost increases could adversely affect the Corporation's business, financial condition and results of operations.

The Corporation and its subsidiaries are dependent upon its Renard Diamond Mine

The Corporation expects any future mining operations at the Renard Diamond Mine to account for all of the Corporation's and its subsidiaries' diamond production and to continue to account for all of its diamond production in the future unless additional properties are acquired or brought into production. Any adverse condition affecting the Renard Diamond Mine could be expected to have a material adverse effect on the Corporation's financial performance, as well as that of its subsidiaries, and results of operations until such time as the condition is remedied. In addition, the Corporation's ongoing development of the Renard Diamond Mine involves the exploration and extraction of ore from new areas and may present new or different challenges for the Corporation. Unless the Corporation and its subsidiaries can successfully bring into production another mine project or otherwise acquire profitable mineral properties before the end of the Renard Diamond Mine's mine life, the Corporation's results of operations will be adversely affected.

There can be no assurance that the Corporation and its subsidiaries will be able to expand the Mineral Reserves or the Mineral Resources of the Renard Diamond Mine, or extend the reserve-based mine life of the Renard Diamond Mine to 14 years. Further, there can be no assurance that Corporation's current exploration and development programs will result in any new economically viable mining operations or yield new Mineral Reserves to replace and expand current Mineral Reserves.

Information Systems Security Threats

The Corporation relies on secure and adequate operations of information technology systems in the conduct of its operations. Access to and the security of the information technology systems are critical to the Corporation's operations. These systems are subject to disruption, damage or failure from a variety of sources, including, but not limited to, cable cuts; damage to physical plants; natural disasters; terrorism; fire; power loss; hacking, cyber-attacks and other information security breaches; non-compliance by third party service providers; computer viruses; vandalism and theft. The Corporation's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software. The systems that are in place may not be enough to guard against loss of data due to the rapidly evolving cyber threats. The Corporation may be required to increasingly invest in better systems, software, and use of consultants to periodically review and adequately adapt and respond to dynamic cyber risks or to investigate and remediate any security vulnerabilities. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. Failures in our information technology systems could translate into operational delays, compromising, loss or disclosure of confidential, proprietary, personal or sensitive information and third party data, or destruction or corruption of data. Accordingly, any failure of information systems or a component of information systems could adversely impact the Corporation's reputation, business, financial condition and results of operations, as well as compliance with its contractual obligations, compliance with applicable laws, and potential litigation and regulatory enforcement proceedings. Information technology systems failures could also materially adversely affect the effectiveness of the Corporation's internal controls over financial reporting.

Title Risk

Although the Corporation has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Corporation's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Surveys have not been carried out on all of the Corporation's mineral properties. Therefore, depending on the laws of the jurisdiction in which such properties are situated, their existence and area could be in doubt.

Production and Operating Costs

Many unforeseen factors can impact the Corporation's future production and total cash costs of production, including cost of inputs used in mining and processing operations; cost of fuel, energy, supplies, labour and equipment; regulatory factors; taxes; foreign exchange rates; adverse climatic conditions and natural phenomena and industrial accidents, all of which can impact the accuracy of production and total cash costs projections. As such, there can be no assurance that production and production cost estimates will be achieved. Failure to achieve production or total cash cost estimates could have an adverse impact on the Corporation's business, financial condition and results of operations.

Labour Relations

While the Corporation has good relations with its employees, there can be no assurance that it will be able to maintain positive relationships with its employees. In addition, relations between the Corporation and its employees may be impacted by regulatory or governmental changes introduced by the relevant authorities in whose jurisdictions the Corporation carries on business. Adverse changes in such legislations or in the relationship between the Corporation and its employees could have a material adverse impact on the Corporation's business, results of operations and financial condition.

Financing Risks

Once a significant portion of the Debt Financing Facilities are drawn, we will have a substantial amount of indebtedness which may adversely affect our cash flow and our ability to operate our business

Once a significant portion of the Debt Financing Facilities are drawn, we will have a significant amount of debt. The Corporation's degree of leverage, particularly once a significant portion of the Debt Financing Facilities are drawn, could have adverse consequences for the Corporation and its subsidiaries, including: limiting the Corporation's ability to obtain additional financing for working capital, capital expenditures, exploration and development, debt service requirements, acquisitions and general corporate or other purposes; restricting the Corporation's flexibility and discretion to operate its business; having to dedicate a portion of the cash flows of the Corporation and its subsidiaries from future mining operations, if any, to the payment of interest on its indebtedness and not having such cash flows available for other purposes; exposing the Corporation and its subsidiaries to increased interest expense on borrowings at variable rates; limiting the Corporation's ability to adjust to changing market conditions; placing the Corporation at a competitive disadvantage compared to its competitors that have less debt or greater financial resources; making the Corporation vulnerable in a downturn in general economic conditions; and making the Corporation unable to make expenditures that are important to its growth and strategies.

The ability of the Corporation to meet its debt service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the financial performance of the Corporation, debt service obligations, the realization of financing activities, the identification of commercially recoverable quantities of ore or the profitable mining or processing of ore reserves and working capital and future capital expenditure requirements. There can be no assurance that the Corporation will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs.

Also, the ability of the Corporation to borrow funds in the future to make payments on outstanding debt will depend on the satisfaction of covenants, including certain financial covenants, in existing credit agreements and other agreements. In addition, the restrictive covenants contained in instruments governing our debt and to be contained in the Debt Financing Facilities, limit or will limit, as applicable, our operating flexibility and could prevent us from taking advantage of business opportunities.

Our failure to comply with these covenants may result in an event of default. If such event of default is not cured or waived, we may suffer adverse effects on our operations, business or financial condition, including termination of the Debt Financing Facilities and acceleration of our debt. If such indebtedness were to be accelerated, there can be no assurance that the assets of the Corporation or SDCI, as applicable, would be sufficient to repay such indebtedness in full. See "Risk Factors – The Corporation, Ashton and SDCI provided guarantees and security under the Purchase and Sale Agreement and the Senior Secured Loan".

The Purchase and Sale Agreement and the Senior Secured Loan contain restrictive covenants that limit our ability to operate our business and incur additional indebtedness

The restrictive covenants within the Purchase and Sale Agreement and the Senior Secured Loan could have adverse consequences for the Corporation and its subsidiaries, including: limiting the Corporation's ability to obtain additional financing for working capital, capital expenditures, exploration and development, debt service requirements, acquisitions and general corporate or other purposes; restricting the Corporation's flexibility and discretion to operate its business; limiting the Corporation's ability to adjust to changing market conditions; making the Corporation vulnerable in a downturn in general economic conditions; and making the Corporation unable to make expenditures that are important to its growth and strategies. The restrictive covenants in these financing agreements limit our operating flexibility and could prevent us from taking advantage of business opportunities.

Our failure to comply with these covenants may result in an event of default. If such event of default is not cured or waived, we may suffer adverse effects on our operations, business or financial condition, including FCDC being required to return non-offset portions of the Deposit to the Purchasers (with an applicable rate of interest from the payment date of the Deposit). In such a case, there can be no assurance that the assets

of FCDC or SDCI (as guarantor) would be sufficient to repay any non-offset portions of the Deposit in full to the Purchasers.

The non-availability or funding of the Senior Secured Loan could have adverse consequences on the Corporation's business, financial condition or results of operations

The availability or funding of the Senior Secured Loan is subject to the satisfaction of conditions precedent. There is no certainty, nor can the Corporation provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The Corporation anticipates the availability or funding of the Senior Secured Loan to occur in accordance with the funding sequence described herein once the conditions precedent have been met or waived. If the availability or funding of the Senior Secured Loan does not take place as contemplated, the Corporation and its subsidiaries could suffer adverse consequences, including the loss of investor confidence, and the Corporation could not have sufficient financing to meet its anticipated development and operating expenditures. Such a lack of financing could result in the delay or indefinite postponement of further exploration and development of the Renard Diamond Mine, which in turn would materially and adversely affect the financial and operating results of the Corporation and its subsidiaries and the market price of the Corporation's securities and, ultimately, result in the loss of its properties.

The Corporation, Ashton and SDCI provided guarantees and security under the Purchase and Sale Agreement and the Senior Secured Loan

The Senior Obligations are guaranteed and secured by certain guarantees and security granted by SDCI, the Corporation and Ashton.

Stornoway has a 100% interest in the Renard Diamond Mine through its wholly-owned subsidiary, SDCI. The respective terms of the Forward Sale of Diamonds, entered into by FCDC, a wholly-owned subsidiary of SDCI, and of the Senior Secured Loan, include various covenants, including certain financial covenants, that must be satisfied by SDCI. There can be no assurance that such covenants will be satisfied, or that FCDC will be able to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement. Any default under the Purchase and Sale Agreement or the Senior Secured Loan, including any covenants thereunder, could result in the loss of the Corporation's entire interest in the Renard Diamond Mine.

Variations in Interest Rates

The Senior Secured Loan will bear interest, at SDCI's option, at either (i) a floating rate equal to the most common prime rate announced by Schedule I Canadian banks, plus (a) prior to Completion, 4.75% *per annum*, and (b) after Completion, 4.25% per annum, or (ii) subject to availability, at a fixed rate based on the then available Government of Québec bonds for any applicable periods plus (a) prior to Completion, 5.75% *per annum*, and (b) after Completion, 5.25% per annum. Variations in interest rates could result in significant changes in the amount required to be applied to debt service and would affect the financial results of operations of the Corporation and its subsidiaries. If SDCI does not earn sufficient income from the Renard Diamond Mine to meet its debt service obligations under the Senior Secured Loan, the Trustee(s), for and on behalf of the Purchasers and the Senior Secured Lender and the counter-parties to permitted hedging agreements, could foreclose on the Corporation's indirect ownership interest in the Renard Diamond Mine. Such risks could potentially be mitigated to the extent SDCI enters into permitted hedging agreements.

Foreign exchange risk

Foreign exchange fluctuation may affect the Corporation's financial performance. Diamonds are sold in international markets at prices denominated in U.S. dollars. However the Corporation's activities and offices are located in Canada resulting in a majority of the Corporation's costs and expenses being incurred in Canadian dollars. Accordingly, decreases in the value of the U.S. dollar versus the Canadian dollar could

materially affect the Corporation's financial position and results of operations. Such risks could potentially be mitigated to the extent SDCI or the Corporation, as applicable, enters into permitted hedging agreements.

Business Environment and Industry Risks

Market for Diamonds

The mining industry, in general, is intensely competitive and there is no assurance that, even if the Renard Diamond Mine is developed and produces commercial quantities of diamonds, a profitable market will exist for the sale of the diamonds produced. The prices of rough diamonds have fluctuated widely in recent years, and are affected by numerous factors beyond the Corporation's control such as international economic and political trends, global or regional consumption and demand patterns, increased production and the influence of other diamond producers, especially due to the small concentration of producers and sellers within the market. Low or negative growth in the worldwide economy, renewed or additional credit market disruptions, natural disasters or the occurrence of terrorist attacks or similar activities creating disruptions in economic growth could result in decreased demand for luxury goods such as diamonds, thereby negatively affecting the price of diamonds. There is no assurance that the price of diamonds recovered from any diamond deposit will be such that they can be mined at a profit.

Synthetic Diamonds

Synthetic diamonds are diamonds that are produced by artificial processes in laboratories, as opposed to natural diamonds, which are created by geological processes and found in nature. An increase in the acceptance of synthetic gem-quality diamonds could negatively affect the market prices for natural stones. Although significant questions remain as to the ability to produce synthetic diamonds economically within a full range of sizes and natural diamond colours, and as to consumer acceptance of synthetic diamonds, synthetic diamonds are becoming a larger factor in the market. Should synthetic diamonds be offered in significant quantities or consumers begin to readily embrace synthetic diamonds, on a large scale, demand and prices for natural diamonds may be negatively affected.

Marketability of Diamonds

The marketability of diamonds acquired or discovered by the Corporation and its subsidiaries may be affected by numerous factors which are beyond the control of the Corporation and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of processing facilities, processing equipment, and such other factors as government regulations, including regulations relating to royalties, importing and exporting of minerals, requirements for "value added" processing of rough diamonds in Canada and environmental protection, the combination of which factors may result in the Corporation and its subsidiaries not receiving an adequate return of investment capital if it goes into production.

Intensity of Competitive Conditions and Increased or New Competition

The mining industry is intensely competitive in all its phases, and some of the Corporation's competitors have greater financial and technical resources available to them, and as a result, may be able to devote greater resources to their activities. Competition may intensify as new competitors enter into the markets in which the Corporation operates. Competition in the diamond mining industry is primarily for mineral rich properties which can be developed and produced economically and businesses compete for the technical expertise to find, develop, and produce such properties, the skilled labour to operate the properties and the capital for the purpose of financing development of such properties. Such competition may result in the Corporation being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Corporation's inability to compete with other mining companies for these mineral deposits or capital could have a material adverse effect on the Corporation's results of operations and business.

Market Risks

Price Volatility of Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following:

- actual or anticipated fluctuations in the Corporation's quarterly results of operations;
- changes in estimates of our future results of operations by us or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Corporation;
- change of the Corporation's executive officers and other key personnel;
- release or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Corporation or its competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Corporation's industry or target markets.

This volatility of the market price for the Common Shares may also affect the ability of holders of Convertible Debentures to sell the Convertible Debentures at an advantageous price.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Corporation's operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Corporation's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Common Shares by those institutions, which could adversely affect the trading price of the Common Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Corporation's operations could be adversely impacted and the trading price of the Common Shares may be adversely affected. These broad market fluctuations may adversely affect the market prices of the Common Shares and the Convertible Debentures.

Orion, RQ, Diaquem and CDPQ will have significant influence with respect to matters put before the shareholders, which may have a negative impact on the trading price of the Common Shares

Based on public information available to it, the Corporation believes that (i) RQ and its affiliates (including Diaquem) owns 209,746,573 Common Shares, which in the aggregate represents approximately 25.32% of the issued and outstanding Common Shares, (ii) Orion owns 130,083,596 Common Shares, which in the aggregate represents approximately 15.70% of the issued and outstanding Common Shares, and (iii) CDPQ owns 44,724,660 Common Shares, which in the aggregate represents approximately 5.40% of the issued and outstanding Common Shares.

Assuming the COF Warrants are exercised by CDPQ in accordance with their terms and the Convertible Debentures are converted in accordance with their terms (absent a Change of Control event), it is anticipated that (i) RQ and its affiliates (including Diaquem) would own 213,496,573 Common Shares, which in the aggregate would represent approximately 22.45% of the issued and outstanding Common Shares, (ii) Orion would own 153,213,461 Common Shares, which in the aggregate would represent approximately 16.11% of the issued and outstanding Common Shares, and (iii) CDPQ would own 58,724,660 Common Shares, which in the aggregate would represent approximately 6.10% of the issued and outstanding Common Shares.

In addition, pursuant to the Amended and Restated Investor Agreement entered into in connection with the Financing Transactions Closing, Orion is entitled to designate one (1) candidate for election or appointment to the Board of Directors as long as Orion maintains a fully diluted share ownership stake in Stornoway at or above 5%. Diaquem also has certain governance rights which were granted to it in connection with the Acquisition, as described under the heading "Election of Directors" in the Management Information Circular, which rights were restated in the Amended and Restated Investor Agreement.

Accordingly, these shareholders will have significant influence with respect to all matters submitted to the Corporation's shareholders for approval, including without limitation the election and removal of directors, amendments to the articles of continuance and by-laws of the Corporation and the approval of certain business combinations. Other holders of Common Shares will have a limited role in the Corporation's affairs. This concentration of holdings may cause the market price of the Common Shares to decline, delay or prevent any acquisition or delay or discourage take-over attempts that shareholders may consider to be favourable, or make it more difficult or impossible for a third party to acquire control of the Corporation or effect a change in the Board of Directors and management. Any delay or prevention of a change of control transaction could deter potential acquirors or prevent the completion of a transaction in which the Corporation's shareholders could receive a substantial premium over the then current market price for their Common Shares.

In addition, Orion, RQ, Diaquem and/or CDPQ's interests may not in all cases be aligned with interests of the other shareholders of the Corporation. Orion, RQ, Diaquem and/or CDPQ may have an interest in pursuing acquisitions, divestitures and other transactions that, in the judgment of their management, could enhance their equity investment, even though such transactions might involve risks to the other shareholders of the Corporation and may ultimately affect the market price of the Common Shares.

Future Sales or Issuances of Securities and Dilution to Shareholders

The Corporation may issue additional Common Shares pursuant to the exercise of outstanding options and warrants, the conversion of the Convertible Debentures as well as in order to give effect to the Corporation's business plan, all of which may dilute the ownership interest of existing holders of Common Shares. The Corporation cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Corporation's securities. Sales or issuances of substantial numbers of Common Shares or warrants, or the perception that such sales could occur, may adversely affect prevailing market prices of the Common Shares or warrants and/or other securities convertible into Common Shares.

With any additional sale or issuance of Common Shares or warrants and/or other securities convertible into Common Shares, investors will suffer dilution to their voting power and the Corporation may experience dilution in its earnings per share.

Future Sales of Common Shares by Existing Shareholders

Subject to compliance with applicable securities laws, the Corporation's officers, directors, significant shareholders (including Orion, RQ, Diaquem and CDPQ) and their affiliates may sell some or all of their Common Shares in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by the Corporation's officers, directors,

significant shareholders and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Shares.

Structural Subordination of the Common Shares

In the event of a bankruptcy, liquidation or reorganization of the Corporation, holders of certain of its indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the Corporation before any assets are made available for distribution to the shareholders. The Common Shares will be effectively subordinated to most of the other indebtedness and liabilities of the Corporation.

Other Risks

Public Company Obligations

As a publicly listed company, the Corporation is subject to evolving rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSX, and the International Accounting Standards Board, which govern corporate governance and public disclosure regulations. These rules and regulations continue to evolve in scope and complexity creating many new requirements, which increase compliance costs and the risk of non-compliance. The Corporation's efforts to comply with these rules and obligations could result in increased general and administration expenses and a diversion of management time and attention from revenue-generating activities.

Dependence on Management and Key Personnel

The Corporation is very dependent upon the personal efforts and commitment of its existing management, the loss of any one of whom could have a material adverse effect on the Corporation's business, results of operations and financial condition. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Corporation could result, and other persons would be required to manage and operate the Corporation.

The success of the Corporation depends, to a significant extent, on its ability to develop skills, to retain managers and qualified mining personnel, and to recruit and integrate additional managers and qualified mining personnel. Human resource risk includes the risk of delays in the recruitment of or inability to retain and motivate experienced managers and skilled mining personnel that are essential to success. There is no assurance that the Corporation will be successful in recruiting, integrating and retaining such managers and mining personnel as needed to accompany its planned operations. The failure to retain or attract a sufficient number of skilled and experienced managers and mining personnel could have a material adverse effect on the Corporation's business, results of operations and financial condition.

Tax Risk

The Corporation and its subsidiaries are subject to routine tax audits by various tax authorities. Future tax audits may result in additional tax and interest payments, including in respect of potential indemnification obligations to third parties for taxes which may be payable by them, which could negatively affect our financial condition and operating results. Changes in tax rules and regulations or the interpretation of tax laws by the courts or the tax authorities may also have a substantial negative impact on the Corporation's and its subsidiaries' business.

Insurance Risk

The mining industry is subject to significant risks that could result in damage to or destruction of property and facilities, personal injury or death, environmental damage and pollution, delays in production, expropriation of assets and loss of title to mining claims. No assurance can be given that insurance to cover the risks to which the Corporation's activities are subject will be available at all or at commercially reasonable premiums. The Corporation and its subsidiaries currently maintain insurance within ranges of

coverage that it believes to be consistent with industry practice for companies of a similar stage of development. The Corporation and its subsidiaries carry liability insurance with respect to its exploration operations, but is not currently covered by any form of environmental liability insurance, since insurance against environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to the Corporation and its subsidiaries. If the Corporation and its subsidiaries are unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

Anti-Corruption Laws

The Corporation's operations are governed by, and involve interactions with, many levels of governments. The Corporation is required to comply with anti-corruption and anti-bribery laws, including the Criminal Code and the Corruption of Foreign Public Officials Act (CFPOA). In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to corporations convicted of violating anti-corruption and anti-bribery laws. Furthermore, a corporation may be found liable for violations by not only its employees, but also by its contractors and third party agents. Although the Corporation has adopted steps to mitigate such risks, including the implementation of training programs and policies to ensure compliance with such laws, such measures may not always be effective in ensuring that the Corporation, its employees, contractors or third party agents will comply strictly with such laws. If the Corporation finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Corporation resulting in a material adverse effect on the Corporation's reputation, business, financial condition and results of operations.

Forward-Looking Statements may Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading "Cautionary Statement Regarding Forward-Looking Statements".

Internal Control Over Financial Reporting

The Corporation is required to maintain internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its financial statements for external purposes. If the Corporation fails to maintain effective internal controls over financial reporting and disclosure controls and procedures, its business and results of operations could be harmed and it may be unable to report properly or timely the results of its operations. Ineffective internal control over financial reporting may also increase the risk of, or result in, fraud or misuse of corporate assets or lead to a default under one or more of the agreements forming part of the Financing Transactions. The effectiveness of the Corporation's control and procedures could also be limited by simple errors or faulty judgments. Any such result could cause investors to lose confidence in the Corporation's reported financial information, which could have a material adverse effect on the trading price or market value of the Corporation's securities and its ability to raise capital.

No Current Plans to Pay Cash Dividends

The Corporation has no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and will depend on, among other things, the Corporation's financial results, cash requirements, contractual restrictions and other factors that the Board of Directors may deem relevant. In addition, the Corporation's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness that the Corporation or its subsidiaries incur. As a result, investors may not receive any return on an

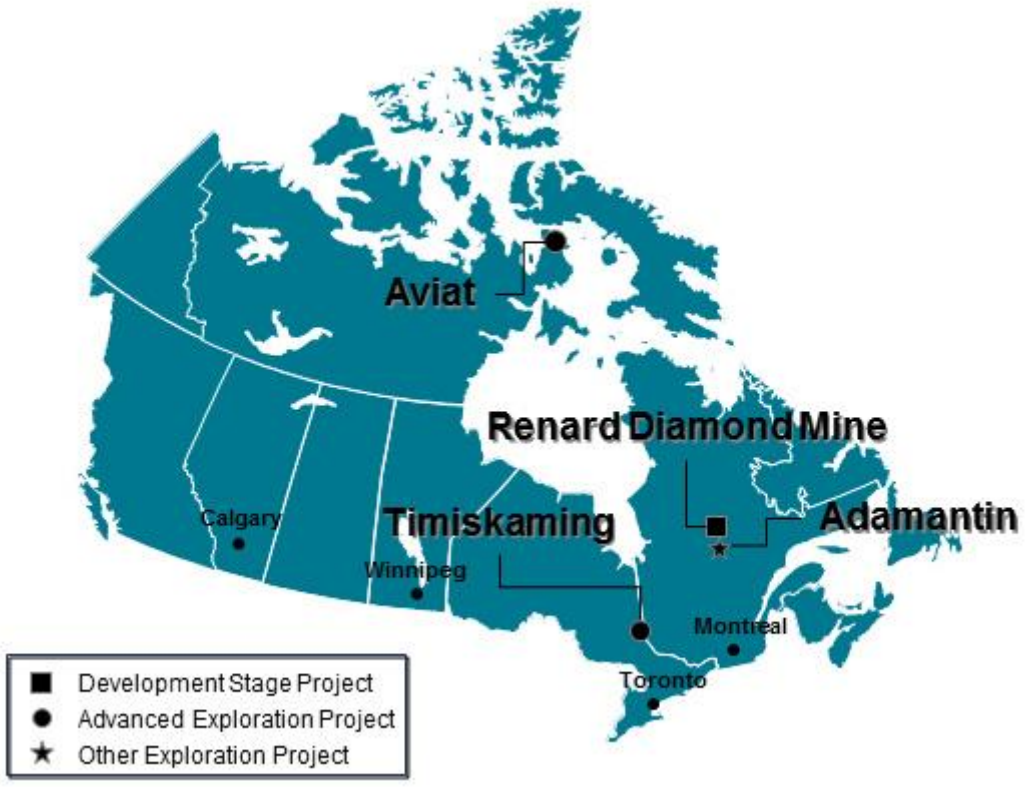
investment in the Corporation's securities unless they sell the securities for a price greater than that which they paid for them.

Conflicts of Interest

The Corporation's directors and officers may serve as directors or officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Corporation or its subsidiaries may participate, the directors and officers of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Corporation will follow the provisions of the CBCA dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Corporation's directors, disclose his interest and refrain from voting on the matter unless otherwise permitted by the CBCA. In accordance with the laws applicable to the Corporation, the directors and officers of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation.

MINERAL PROJECTS

The Corporation's material mineral property is the Renard Diamond Mine, part of the larger Foxtrot Property, located in the Otish Mountains, Québec, Canada. In addition, the Corporation maintains interests in two advanced exploration stage properties, those being the Aviat Property in Nunavut, and the Timiskaming Property in Ontario, as well as a number of non-material, grass-roots exploration properties in other parts of Canada, including the Adamantin project in Quebec.



Renard Diamond Mine

History and Technical Information

The Renard Diamond Mine, part of the Foxtrot Property, is 100% owned and operated by SDCI.

Technical information described below relating to the Foxtrot Property is derived from a technical report with an effective date of December 31, 2015 and entitled "Updated Renard Diamond Project Mine Plan and Mineral Reserve Estimate, Québec, Canada, NI 43-101 Technical Report" (the "**2016 Technical Report**"). The qualified persons named as authors of the 2016 Technical Report are: Mr. Patrick Godin Ing. (Québec), the Corporation's Chief Operating Officer, Mr. Robin Hopkins, P.Geol. (NT/NU), the Corporation's Vice President, Exploration, and Mr Paul Bedell, P.Eng. of Golder Associates Ltd, each of whom is a qualified person. The 2016 Technical Report, which constitutes the current technical report for the Renard Diamond Mine, was filed on SEDAR on March 30, 2016 and is available at www.sedar.com. References to the "project" or "property" in the text following refer to the Renard Diamond Mine as defined in the 2016 Technical Report.

Summary and Project Status

The Renard Diamond Mine is 100% owned and operated by SDCI. The project is subject to a 2% direct royalty interest on diamonds, held by Diaquem. In addition, as part of the Financing Transactions Closing on July 8, 2014, the Streaming Agreement for the Forward Sale of Diamonds has been entered into by FCDC, a wholly owned subsidiary of SDCI, with the Streamers.

The Project site is located in the James Bay region, central Québec, Canada, approximately 70 km north of the Otish Mountains and some 360 km north-northeast from the mining town of Chibougamau. The site is located at longitude 72°11' West and latitude 52°49' North; and benefits from an all year-round land and air access. Operations can be conducted year-round.

The execution plan proposes concepts and practices that are consistent with those in the Canadian diamond mining industry. The project design contemplates open pit mining of the Renard 2, Renard 3 and Renard 65 kimberlite pipes, followed by underground mining of the Renard 2, Renard 3 and Renard 4 kimberlite pipes by blasthole shrinkage ("BHS"). Ore will be processed initially at the process plant nameplate capacity of 2.16 Million tonnes per annum, and subsequently expanded to 2.5 Million tonnes per annum, with three stages of crushing and a concentration process in two different stages, namely a Large Diamond Recovery ("LDR") process and a Dense Medium Separation ("DMS"). Each of the LDR and DMS will produce a concentrate that will be treated in a secure diamond recovery facility using diamond differentiation techniques based on magnetic, X-ray, laser Raman and ultra-violet technologies, with hand-sorting as the final de-falsing step to produce a nominally 98% diamond by weight product at final sorting. The non-diamond product generated by each of the LDR and DMS will be further sized, and the coarser size fraction (+6mm) will be recirculated through the HPGR to release locked diamonds. Process plant design and equipment selections were based on bulk sample plant operational data, test work, experience from other operations and proven technology to minimize diamond breakage.

Supporting infrastructure includes an effluent treatment plant, potable water treatment plant, a power plant (comprised of seven natural gas generators of 2,050 KW each and three diesel-powered generators of 1,800 KW each), LNG and diesel tank farms, LNG regasification plant, 370 bed accommodation complex, a six-bay maintenance facility, mine offices, an explosive storage and handling area, a 1,494 meter gravel airstrip and telecommunication systems.

Processed kimberlite will be disposed of through a dry stack facility currently under construction and the management of surface runoff water is facilitated through a system of peripheral drainage ditches designed to direct runoff water to an excavated catch basin for treatment, if required, before release to the environment. Suspended solids are determined to be the main concern for water treatment. Storage capacity of the catch basin accommodates spring runoff and a 100 year return storm event. Mine operations

incorporate a program of progressive reclamation that minimizes costs and allows timely monitoring of performance. Waste rock generated by mining will be re-introduced to the underground as backfill.

Cost estimates were established from first principles where appropriate, or from benchmarking against comparable projects, or derived from actual costs incurred during the first year of the Project's mining operations. Appropriate contingencies and mitigation allowances have been applied, and risk management and peer reviews were held during the construction and development process.

The 2016 Technical Report describes a Mineral Reserve estimate of 22.3 million carats (33.4 million tonnes at an average grade of 67 cpht), based on mining, processing and infrastructure already in place or on designs as detailed, and incorporating current geological and diamond revenue data. Inferred Resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as Mineral Reserves and are not included in the 2016 Technical Report.

Stornoway completed a financial analysis for the Renard Diamond Mine, reflected in the 2016 Technical Report. For the purposes of the 2016 Technical Report financial model, net-present valuations are presented on net cash flow after operating costs, marketing costs, net of all royalties, costs incurred under the Mecheshoo Agreement, with the effective revenue impairment associated with the Streaming Agreement for the Forward Sale of Diamonds, and on an unlevered basis. After-Tax NPV (7%) is estimated at $974 million, and $1,349 million on a pre-tax basis, in real dollar terms. Given the advanced nature of project construction, estimates of internal rate of return and payback period are not considered meaningful. After-tax NPV reflect the deduction of federal and Québec income taxes and applicable mining duties.

All elements of the project development plan, including the remaining required infrastructure, mine design, process plant design, waste disposal infrastructure and cost estimation, represent the current estimate for life of mine operations. The resulting information therefore met all of the applicable requirements for conversion of Indicated Mineral Resources to a Probable Mineral Reserve estimate. The Probable Mineral Reserve estimate was determined in accordance with CIM Definition Standards classification. Considering the risks inherent in all kimberlite deposits, such as sampling for geological continuity, diamond grade and diamond revenue determination, the Indicated portion of the Mineral Resources is considered suitable for the estimate of Probable Reserve. The authors of the report recommend to perform additional work in order to reduce the uncertainties in the geomechanical and design analysis and to continually review these analysis to ensure they remain valid over time. They also recommend to test processed kimberlite material post production to confirm geochemical classification. There is no certainty that the 2016 Technical Report will be realized.

Property Description and Location

The Renard Diamond Mine is part of the Foxtrot Property situated in the Monts Otish (Otish Mountains) region of the province of Québec, Canada, 820 km north of the city of Montreal and 360 km north-northeast of the mining town of Chibougamau. The principal access point for employees, contractors and visitors to the Project is via the Renard airport, specifically built for the use of the Renard Diamond Mine and located along the Renard Diamond Mine access road 10 km away from the Renard Diamond Mine gate, with goods and services delivered to site by road on the all-weather Renard Mine Road/Route 167 Extension, the construction of which was completed by the Corporation in 2014. The closest settlement is Témiscamie, on the shore of Lac Albanel. The regional centre of Chibougamau acts as staging posts for the trans-shipment of materials and personnel. Power is currently provided to the construction site via diesel generators, however a power plant (comprised of seven natural gas generators of 2050 KW each and three diesel-powered generators of 1800 KW each) was constructed on the Renard Diamond Mine site to provide for future power requirements of the mine. Daily deliveries of LNG by tanker truck from Montreal are made possible by the all-season Renard Mine Road/Route 167 Extension to the Project. On site LNG storage capacity is rated at 10 days of supply at full project production.

The Foxtrot Property comprises 650 claims (33,629.95ha) in four blocks (one large contiguous landholding of 630 claims plus three smaller blocks), mining lease BM 1021 (143.71 ha) (the "**Mine Lease**") and a surface lease number 1303 10 000 (199.85 ha) (collectively the "**Foxtrot Property**").

The claims are registered in the name of SDCI as a 100% interest and at the effective date of the 2016 Technical Report, all claims were reported to be in good standing.

The claim holder has the exclusive right to search for all mineral substances in the public domain, with the exception of petroleum, natural gas, brine and loose surface materials. Claims are valid for a two-year period and can be renewed every two (2) years. Renewal fees are fixed by regulation. In order to maintain tenure, exploration work equivalent in amounts also determined by regulation are required depending on the number of terms of renewal a claim has undergone. Table 1.1 details the work requirements per renewal period north of the 52 parallel as set by regulation at the time of the 2016 Technical Report. When the work carried out is insufficient, or if work was not carried out, the titleholder may pay an amount equivalent to the required amount in lieu of work. Alternatively, work expenditures that are in excess of the amount required for the term on a claim can be transferred to other contiguous claims that are within 4.5 km of its radius or can be credited towards future renewals.

Table 1.1: Work Requirement per Renewal Period

Term	Surface area of claim		
	Less than 25 ha	25 to 45 ha	More than 45 ha
1	$48	$120	$135
2	$160	$400	$450
3	$320	$800	$900
4	$480	$1,200	$1,350
5	$640	$1,600	$1,800
6	$750	$1,800	$1,800
7 or more	$1,000	$2,500	$2,500

Mining Lease BM 1021 was granted to SDCI on October 16, 2012, is valid for a period of 20 years (with three 10-year renewal periods and for 5-year renewal periods thereafter), and, at the time of the 2016 Technical Report, was subject to annual payments set at $46.50/ha. This mining lease encompasses the mine site and surface operations (excluding the processed kimberlite containment area).

The surface lease number 1303 10 000 encompassing the processed kimberlite containment area was also granted on October 16, 2012, and at the time of the 2016 Technical Report had yearly renewal fees at $94/ha. A number of additional surface leases were granted to SDCI to cover various requirements of the Renard Diamond Mine.

SDCI holds a 100% interest in the Property, subject to a 2% direct gross revenue royalty on future life of mine diamond production in favour of DIAQUEM.

On July 8, 2014, FCDC, a wholly-owned subsidiary of SDCI, entered into the Streaming Agreement with certain Streamers for the Forward Sale of Diamonds. Under the terms of the Forward Sale of Diamonds, FCDC sold to the Streamers a 20% undivided interest (the Subject Diamonds Interest) in each of the run of mine diamonds produced from the Renard Diamond Mine, until the Streamers have been delivered the Subject Diamonds Interest in 30 million carats of diamonds, and following such time, from all run of mine diamonds derived from Renard 2, Renard 3, Renard 4, Renard 65 and Renard 9. The Forward Sale of Diamonds provides for an up-front payment to FCDC, representing prepayment of a portion of the purchase price payable for the Subject Diamonds Interest, in an aggregate amount of US$250 million, disbursed in three installments. The last portion of the Deposit in the amount of US$90 million was paid on March 30, 2016. The Deposit must be utilized for development, construction, and working capital requirements of the Renard Diamond Mine. The terms of the Forward Sale of Diamonds also provide that until the Deposit has been fully offset, the purchase price of the Subject Diamonds Interest will be equal to the gross proceeds from the sale of the Subject Diamonds Interest, payable by payment of a US$50 per carat cash price and the balance by offset against the Deposit. The US$50 per carat cash price is subject to an increase of 1% per annum beginning three years after the Commencement of Commercial Production. Once the Deposit has been fully offset, the purchase price will be equal to US$50, indexed annually as mentioned above. See "General Development of the Business- Three Year History- Financial Year Ended April 30, 2015" and

"Risk - Financing Risks - The funding of the Debt Financing Facilities (other than the Convertible Debentures) is conditional and the Deposit under the Purchase and Sale Agreement for the Forward Sale of Diamonds may have to be returned in certain circumstances".

Environment

The Renard Diamond Mine is located in a region with a subarctic climate. Temperatures range from summer maximums of +35°C to winter minimums of -45°C. Abundant precipitation falls in the form of rain and snow. Total annual precipitation averages around 80–100 cm. Operations can be conducted year-round.

The James Bay region is divided into four distinct bioclimatic domains, in the following succession from south to north: the balsam fir-white birch domain; the spruce-moss domain; the spruce-lichen domain; and the forest tundra domain. The Renard Diamond Mine study area is located in the spruce-lichen domain. In this domain, black spruce punctuates the carpet of lichen, while jack pine and balsam fir reach the northern limit of their distribution range.

Within the Renard Diamond Mine study area, wetlands represent only 3% of the plant communities. They consist of small ombrotrophic bogs, swamps and patterned fens that cover at the most a few hectares each. The presence of 14 fish species has been confirmed within the project study area. Among these, five species are of interest for sport fishing: northern pike, lake white fish, brook trout, lake trout and burbot. White sucker, pearl dace and brook trout are the most abundant species in the area.

Topographic relief within the Foxtrot Property consists of steep-sided hills with rounded tops separated by muskeg-covered valleys. Elevations range between 450 masl and 550 masl. Lakes, ponds and small rivers are common.

The Renard Diamond Mine study area is located on Trapline M-11, which covers the entire Foxtrot Property. Subsistence hunting is practiced by Crees in this area and targets mainly moose and waterfowl.

Government and Social License

The Foxtrot Property is located within the region of Northern Québec governed by the JBNQA, a land claims agreement executed by the government of Québec, the government of Canada, the Grand Council of the Cree of Québec ("**GCC**") and the Northern Québec Inuit Association, among others. This agreement defines the social and environmental protection regimes for the regions of James Bay and Nunavik. The JBNQA provides for three categories of land, Categories I to III, each with specifically defined rights. Category III lands are public lands where Cree communities have certain rights, particularly in regard to trapping, hunting, fishing and the development of outfitter operations. Members of the CNM undertake hunting, fishing and trapping activities within the Foxtrot Property, with the Renard Kimberlite Pipes occurring in an area known to them as "yuus-kanchiisu-saakahiikan" (mild rock Ptarmigan Lake). More specifically, the Renard Kimberlite Pipes lie within the CNM trapline area designated as M-11.

In February 2002, Québec and the Cree Nation signed a fifty year political and economic agreement known as *La Paix des Braves*. The GCC is the political body that represents approximately 14,500 Crees of Eastern James Bay and Southern Hudson Bay in Northern Québec. The GCC has twenty members: a Grand Chief and Deputy-Grand Chief elected at large, the chiefs elected by each of the nine Cree communities of the territory, and one other representative from each community. The CNM is the largest Cree community with 3,500 residents.

On July 24, 2012, the Crees of Eeyou Istchee and the Gouvernement du Québec signed the *Agreement on Governance in the Eeyou Istchee James Bay Territory*. This agreement provides for the creation of a joint Regional Government composed of Crees and Jamésiens (the "**James Bay Regional Government**") replacing the Municipalité de Baie-James. The James Bay Regional Government is responsible for the management of Category III lands and exercises the same jurisdictions, functions, and authority on Category III lands in the Eeyou Istchee James Bay Territory as those formerly attributed to the Municipalité de Baie-James. The James Bay Regional Government is directed by a Council composed

of 11 Cree representatives (the Grand Chief of the Cree Nation Government along with ten other designates from elected members of the Council of the Cree Nation Government), 11 Jamésien representatives (designated from among elected members of the councils of the enclave municipalities and the non-Crees residing within the James Bay Regional Government's territory), and one non-voting representative of the Québec government. Authorizations and permits required for the development of all industrial projects are provided by the James Bay Regional Government.

Since the early stages of the Renard Diamond Mine, Stornoway has developed and maintained significant communications and relations with stakeholders including: the CNM, the Grand Council of the Crees (Eeyou Istchee), tallymen of Trapline M11 and the towns of Chibougamau, Chapais and the Municipality of James Bay. Public meetings, field visits, meetings with chiefs or mayors, environmental exchange group meetings, and business meetings with contractors and suppliers are amongst the many activities held by Stornoway on a regular basis. Stornoway has opened offices in Mistissini and Chibougamau to facilitate communications with these parties.

In March 2012, Stornoway completed negotiations with the CNM, the Grand Council of the Crees (Eeyou Istchee) and the Cree Regional Authority on the Mecheshoo Agreeement. The Mecheshoo Agreement is a binding agreement that will govern the long-term working relationship between Stornoway and the Cree parties during all phases of the Renard Diamond Mine. It provides for training, employment and business opportunities for the Crees during project construction, operation and closure, and sets out the principles of social, cultural and environmental respect under which the project will be managed. The Mecheshoo Agreement includes a mechanism by which the Cree parties will benefit financially from the success of the project on a long term basis, consistent with the mining industry's best practices for engagement with First Nations communities.

In July 2012, Stornoway executed a Declaration of Partnership (the "Declaration") with the communities of Chibougamau and Chapais in the James Bay Region of Québec. The Declaration is a statement of cooperation between the partners for the responsible development of the Renard Diamond Mine based on the principles of environmental protection, social responsibility and economic viability. The Declaration includes provisions to set up a Renard Liaison Committee that will address issues of mutual interest such as communication, employment, and the economic diversification of local communities. In particular, the committee will oversee initiatives to attract and retain new residents to the towns of Chibougamau and Chapais.

Permitting

The Renard Diamond Mine was subject to the provincial and federal environmental and social assessment and review process under the *JBNQA*, the EQA and the CEAA. On December 28, 2011, the Corporation filed an Environmental and Social Impact Assessment ("ESIA") meeting the requirements of the provincial and federal ESIA guidelines and following that submission, public hearings on the project were held by the federal Canadian government and Québec government in June and August 2012, respectively.

On December 4, 2012, Stornoway received the global Certificate of Authorization for the Renard Diamond Mine from the MDDELCC, which certificate was periodically amended since then as the engineering and development plans of the Renard Diamond Mine refined. The Certificate of Authorization represents the principal regulatory approval that was required to commence mine construction. On July 12, 2013, Stornoway received a positive Environmental Assessment Decision for the Renard Diamond Mine from the CEAA.

Under the Mining Act, the holder of mining rights has the responsibility to rehabilitate and restore the lands on which exploration and/or development activities have been carried out. This work must be completed in accordance with a restoration plan pre-approved by the MERN. In December 2012 the Corporation received approval from the MERN of the rehabilitation plan for the Renard Diamond Mine (the "**Closure Plan**").Under the Mining Act, a financial guarantee must be submitted to the MERN to guarantee 100% of the rehabilitation costs of a mining project, in accordance with a payment schedule prescribed by applicable regulation. On August 29th 2014, the Corporation arranged for a surety bond of up to $15.2 million to

provide a financial guarantee to the MERN with respect to the Closure Plan. The obligation to pay the first tranche of $7.6 million was met in August 2014; the second installment of $3.8 million was met in August 2015 and the third and last installment in August 2016.

Since the beginning of the construction phase of the Renard Diamond Mine in July 2014, various additional operating permits have been sought for site specific activities under the authority of the overall global authorizations.

Project Geology

The Project area is located on the south-eastern portion of the Superior Structural Province, bordered by Proterozoic rocks of the Labrador Trough in the east and the Grenville Province in the south. This portion of the Superior Craton is sometimes referred to as the "Ungava Craton". Proterozoic rocks of the Labrador Fold Belt in the east, the Cape Smith Fold Belt in the north and the Grenville Province in the south surround the Project area. Northern portions of the Project area consist of north-northwest trending, plutonic and gneissic terranes. Based on metamorphic grade, mineralogy, lithology and aeromagnetic observations, the terranes appear to vary in width from 70 km to 150 km.

The Foxtrot Property is situated between the La Grande greenstone (volcanic) belt to the north and the Eastmain greenstone (volcanic) belt to the south. Granite-gneiss and retrograde granulite gneiss are the predominant lithologies, with lesser amounts of granite and granodiorite. Contained within the gneiss are relict metasedimentary and metavolcanic rock assemblages along with associated mafic and ultramafic intrusive rocks. The Otish Mountain and Mistassini groups of Proterozoic, clastic, metasedimentary rocks overlie the Archean lithologies, marginal to the Grenville Province. Mafic and ultramafic intrusive rocks of variable affinities are more common in the southeast than in the southwest.

Granite–gneiss and retrograde granulite gneisses of sedimentary origin are the predominant lithologies in the Property area; however, lesser granite and granodiorite may also be present. The gneisses may contain relict metasedimentary and metavolcanic rock assemblages, as well as associated mafic and ultramafic intrusive rocks. Minor linear belts of supracrustal metavolcanic rocks occur throughout the area, generally trending east-west or west-northwest. Northwest-trending, Proterozoic Mistassini Swarm diabase and gabbro dykes up to 30 m wide cross-cut all lithologies. Isolated outliers of Proterozoic clastic metasedimentary rocks are present in the area.

Metamorphic grade within the Foxtrot area is primarily amphibolite facies with local granulite facies being reported near Lac Minto. Higher-grade lithologies in the north are interpreted as supracrustal relicts dating to 3.1 Ga. Granite and granite gneiss are dated at 2.7 Ga and local felsic and intermediate intrusive rocks are dated at 2.5 Ga.

There are five known episodes of kimberlitic volcanism in Québec; from south to north, the kimberlite fields are Témiscamingue, Desmaraisville, Otish, Wemindji and Torngat. The Renard Cluster is considered to be part of the 550 to 641 Ma Otish kimberlitic volcanic event.

Quaternary glacial cover in the area was controlled by the New Québec Ice Divide. From the divide, ice flowed north and northeast toward Ungava Bay and west to southwest toward Hudson Bay. Glacial lineaments are well developed and widespread. Glacial overburden within the Foxtrot Property can be up to 34 m thick, but is on average 10 m thick in the area of the Renard Cluster. Glacial deposits consist of till, eskers, moraine and post-glacial sediments, and their orientation reflects ice transport from the north-northeast.

Exploration

All exploration has been carried out by Stornoway and its predecessor companies.

Since the inception of the Foxtrot Project, approximately 12,000 heavy mineral samples have been collected over a 400,000 km^2 area of which some 8,140 lie within the current land holdings. Since 2000,

approximately 274 ground magnetic surveys (2,486 line kilometers), 204 ground electromagnetic surveys (328 line kilometers) and 37,450 line kilometers of airborne geophysical surveys have been completed on the Foxtrot Property.

Structural mapping was undertaken in 2004 and 2006 to identify structural controls that could help locate more kimberlitic intrusions or dykes. The program results proved to be inconclusive. Geological mapping in October 2010 was to identify large-scale feature of interest interpreted from geophysical data and aerial photographs. Overburden in targeted areas was cleared to expose the bedrock for mapping. The program was successful in highlighting two large faults and two smaller ones within the proposed mine site.

Sampling trenches excavated on Renard 4, Renard 65, Lynx, Hibou, and the North Anomaly were mapped in detail prior to sampling. Mapping was undertaken with grid control and reference points were surveyed by a registered surveyor.

During the underground bulk sampling program at Renard 2 and Renard 3, geological mapping was completed on all workings. The face was mapped after each round during the development of the ramp and drifts and, after the underground excavation was completed, the ramp and drift walls were mapped in the kimberlites.

Mineralization

There are two types of diamond deposits: primary and secondary. Primary deposits are those in which the diamonds remain inside the original host rock (usually kimberlite) that conveyed them to the surface. Secondary deposits are formed when the diamonds are eroded from the host rock and concentrated by the action of water into alluvial deposits (in rivers) or marine deposits (in beaches). The Renard kimberlites are primary deposits emplaced into granitic and gneissic host rocks. Extensive sampling programs conducted between 2001 and 2014 have demonstrated that the kimberlites contain diamonds of potential economic interest.

To date, nine kimberlite pipes have been identified over a 2 km^2 area in the Renard Cluster (Renard 1 to Renard 10; with Renard 5 and Renard 6 forming one body, referred to as Renard 65). The kimberlite pipes are typically spaced between 50 m and 500 m from each other. Geophysical data and drill information from delineation and bulk sampling programs indicate that, in general, most of the Renard kimberlites are irregular and elliptical in plan view. Surface areas of the kimberlite portion of the pipes range from 0.1 ha to 2.0 ha. The 2015 Mineral Resource Estimate describes Indicated/Inferred resources for the Renard 2, Renard 3, Renard 4, Renard 9 and Renard 65 pipes. The Renard 1, Renard 7 and Renard 10 pipes may have economic potential and are classified as TFFE. Two laterally extensive kimberlite dyke systems, known as the Lynx and Hibou dykes, have been identified to the west and northwest of the pipe cluster, respectively. Portions of both dykes are included in the mineral resource estimation. Additional dyke-like kimberlites have been discovered elsewhere on the property. These are not included in the mineral resource estimation but may warrant additional work at a later date.

The Renard kimberlite pipes comprise diatreme-zone to root-zone kimberlites, with overall similar internal geologies. These pipes can be classified as “typical” South-African-style kimberlites, and contain a variety of phases that are distinguishable from one another by differing macroscopic and microscopic properties as well as diamond grades. In most pipes, with the exception of Renard 3 and Renard 10, the dominant phase is a massive volcaniclastic kimberlite that can be classified as tuffacitic kimberlite breccia. In general, these tuffasitic kimberlite breccias are extensively altered and have a massive texture. They consist of varying amounts of olivine, juvenile clasts and country rock xenoliths that are poorly sorted, typically loosely packed and less commonly clast supported, all set within a highly altered interclast matrix. In many pipes an additional pipe-filling phase is present that is typically a more coherent or transitional kimberlite characterized by lower country rock xenolith content and higher olivine content set within a crystalline to semi-crystalline groundmass. In all bodies, hypabyssal kimberlite is present as both dykes and irregularly shaped intrusions that are found within each pipe infilling phase, between contacts of phases and along pipe margins. These are typically considered later stage intrusions. The hypabyssal kimberlite intrusions can vary in thickness from a few centimetres to several metres and, in the case of the Lynx and Hibou dyke

system, for example, can be laterally extensive.

The Renard pipe-like bodies are all associated with extensive cracked country rock (CCR) created during the emplacement event and, with the exception of Renard 3 and Renard 8, have a significant marginal country rock breccia (CRB). The CCR consists of both broken and solid country rock with small amounts of HK dykes and veins throughout, and minor zones containing kimberlite-derived constituents. The CRB typically lies between the main kimberlite units and the CCR, and is characterized by dominantly broken and pulverized clast-supported country rock, with an overall dilution of 95% or greater. CRB contains up to 5% of kimberlitic components, present as olivine, rare altered magmaclasts and very rare garnet xenocrysts in the breccia matrix. The CRB contains a significant amount of additional diamond-bearing kimberlitic material, in the form of late-stage, cross-cutting HK dykes, and helps to define the pipe shape.

Previous U-Pb dating of groundmass perovskite in HK dykes within Renard 1 suggested an emplacement age of 631.6 +/- 3.5 Ma (Birkett et al., 2004). Recent data obtained for the main rock-types in Renard 2 and Renard 3 using the same method suggest an emplacement age of 640.5 +/- 2.8 Ma.

Drilling

All drilling has been carried out under the control of Stornoway and predecessor company Ashton. A total of 900 drill holes (132,719m) has been drilled on the Property since 2001, comprising 36 RC holes (6,151m) and 631 exploration core holes (120,994m), 35 geomechanical holes (3,471 m), 133 geotechnical holes (1,219m) and 64 hydrogeological holes (884m). Total surface drilling on a year-to-year basis for exploration work is summarized in Table 1.1. Total drilling for geomechanical, geotechnical and hydrological purposes is summarized in Table 1.2. During 2007, and as part of the underground bulk sample work, 22 holes were drilled from underground on Renard 2 (1,508 m) and 21 holes from underground on Renard 3 (874 m). These 43 holes are included in the totals above, and in Table 1.2.
Vertical and angled holes were drilled through the kimberlite bodies, from which three dimensional geological models were constructed for resource estimation. Drilling intersections are therefore not related to true thickness of mineralization.

Between 2001 and 2002, drilling was completed for early-stage, exploration-focused programs for all the bodies except for Renard 9 and Renard 10, which were discovered in 2003 and 2005, respectively. From 2003, drilling was used primarily to support advanced-stage project evaluation and deposit delineation by providing bulk and mini-bulk samples. Target exploration drilling was undertaken between 2001 and 2010. Drilling in 2011 and 2012 was focussed on collecting data to support the proposed mine plan and infrastructure design, and drilling in 2014 concentrated on the Renard 2 kimberlite.

Table 1.2: Summary of Exploration Drill Programs

Program by Year	Number of Core Holes	Number of Extended Holes	Drilled Metres (core)	Number of RC Holes	Drilled Metres (RC)
2001	6	0	554	0	0
2002	33	0	4,688	0	0
2003	71	0	12,642	0	0
2004	104	0	17,699	23	4,157
2005	137	3	25,914	0	0
2006	90	1	11,343	5	805
2007	95	3	12,243	8	1,189
2008	16	0	2,160	0	0
2009	29	5	16,506	0	0
2010	12	2	5,209	0	0
2014	38	0	12,036	0	0
Total	**631**	**14**	**120,994**	**36**	**6,151**

Of the exploration drill holes listed above, 497 holes totalling 101,078m were used in the 2015 Mineral Resource Estimate (totals therefore exclude work on Renard 1, Renard 7, Renard 8 and Renard 10 as they

do not contain ‘resources’ as defined by NI 43-101 and related documents).

Table 1.3: Summary of Geomechanical, Geotechnical and Hydrogeological Drill Programs

Year	Purpose	Number of Drill Holes	Drilled Metres
2006	Hydrogeological	8	123
2010	Geomechanical	26	2,445
2010	Hydrogeological	12	106
2010	Geotechnical	39	203
2011	Geotechnical	23	499
2012	Geomechanical	7	696
2012	Geotechnical	49	423
2012	Hydrogeological	26	413
2014	Geotechnical	22	94
2014	Hydrogeological	18	242
2015	Geomechanical	2	330
Total		**232**	**5,574**

All exploratory borehole locations were verified by hand-held GPS units with no differential correction. Exploration drill hole azimuths and inclinations are set using a compass and protractor, respectively. Final exploration borehole inclinations are surveyed using an “acid test” system. Delineation and mini-bulk hole collar locations are determined by a registered surveyor using GPS equipment with sub-centimetre accuracy. The downhole track of core holes drilled at Renard 2, Renard 3, Renard 4, Renard 65, Renard 7, Renard 8, Renard 9, and Renard 10 were surveyed with borehole survey instruments to determine the azimuths and inclinations. All the core holes drilled on the Renard property are surveyed for magnetic susceptibility.

While drilling for delineation or mini-bulk samples, detailed geotechnical observations have been recorded from exploration drill core. All holes are logged for geotechnical parameters such as total core recovery, rock quality designation, intact rock strength, weathering/alteration, joint orientation, joint condition rating and fracture frequency in order to obtain rock mass quality values. Beginning in 2009, holes have been drilled to produce oriented core for the purpose of obtaining orientation data from the core. Azimuth (Alpha) and inclination (Beta) measurements for all fractures in the oriented drill core were recorded to aid in the development of a geotechnical model of the Renard mine site.

Sample Preparation, Analyses and Security

Three basic levels of progressively larger diamond sampling procedures are summarized below (caustic fusion sampling, mini-bulk sampling and bulk sampling), followed by descriptions of the comparable core, reverse circulation, trenching and underground sample programs. Determining the moisture content of each sample prior to processing through caustic fusion, DMS or bulk density is necessary to allow an accurate dry weight of the kimberlite to be calculated. The dry bulk density database comprises 2,127 bulk density records, consisting of 1,672 measurements from drill core and 455 from bulk sampling. When multiple measurements from the same sample, and multiple subsamples from the same rock are averaged, and the laboratory QC checks removed, there are 1,770 spatially discrete density samples. Density variations did not show a correlation with country rock dilution, nor was there a clearly demonstrable change of density with increasing depth in the kimberlite pipes.

*Caustic Fusion Sampling***:** The caustic fusion process is used to evaluate, characterize and correlate the diamond potential of individual kimberlite lithologies, and to provide data to facilitate the grade estimation process. The objective of this type of test is to extract all diamonds greater than 0.1 mm in size, through chemical dissolution of the host rock sample. Individual samples may vary in size from a few kilograms to hundreds of kilograms, depending on the available material and the specific purpose of the testing.

Kimberlite may be collected from drill core, float boulders, subcrop, outcrop, underground exposures and subsamples of material in a process facility or a combination thereof. Kimberlite is collected, described and recorded by the site geologists following protocols in place at the time. Samples are individually numbered, weighted, sealed in a tamper-resistant container appropriate for the volume of material, and transported to the test facility by a combination of charter aircraft and commercial couriers. Individual sample results from comparable kimberlite units may be merged together to provide larger, statistically more representative, samples.

During the Renard Diamond Mine exploration programs, microdiamonds were recovered by one internal facility situated in North Vancouver, British Columbia (owned and operated by Stornoway) and four external unrelated commercial facilities: Microlithics Laboratories Inc. located in Thunder Bay, Ontario; Saskatchewan Research Council Geoanalytical Laboratories ("**SRC**"), Saskatoon, Saskatchewan; Thunder Bay Mineral Processing Laboratory ("**TBMPL**") (owned and operated by Kennecott Canada Exploration Inc.), Thunder Bay; Ontario; and, SGS Lakefield Research Ltd. ("**Lakefield**") in Lakefield, Ontario.

Mini-Bulk Sampling: Although there is no formal industry-accepted definition of a "mini-bulk" sample, many companies would agree that the term is generally used to refer to the processing of kimberlite material up to several tens of tonnes. This material may be derived from drill core, RC chips, boulders, subcrop, outcrop, trenches or underground workings. Mini-bulk samples are usually processed through DMS equipment that, depending on specifications and diamond recovery objectives of a particular program, may be configured to recover diamonds of greater than 0.5 mm, 0.85 mm or 1.18 mm on square-mesh screens. In some cases caustic dissolution or other extraction techniques may be utilized to recover the diamonds. All of Stornoway's mini-bulk samples were processed through DMS equipment, and the diamond content is based upon stones retained on either 1.18 mm square-mesh screens or +1 DTC screens. Stornoway's mini-bulk sampling programs have used drill core, RC chips, boulders, and surface trenches to source kimberlite material.

Bulk Sampling: Although there is no formal industry-accepted definition of a "bulk" sample, many companies would agree that the term is generally used to refer to the processing of kimberlite material exceeding several tens of tonnes. This material may be derived from drill core, RC chips, boulders, subcrop, outcrop, trenches or underground workings. Bulk samples are usually processed through DMS equipment that, depending on specifications and diamond recovery objectives of a particular program, may be configured to recover diamonds of greater than 0.85 mm or 1.18 mm on square-mesh screens. In some cases larger screen sizes or other extraction techniques may be utilized for diamond recovery. All of Stornoway's bulk samples reported herein comprise either surface trench or underground sample material, and were processed through DMS equipment. The reported diamond content is based upon stones retained on either 1.18 mm square mesh or +1 DTC screens.

Certain drill core collected during historical drill programs was composited and treated for macrodiamond recovery. RC chip sampling programs were undertaken with objectives that varied from collecting a large amount of kimberlite to create representative samples, to characterizing the grade over various depth intervals, to regular sampling intervals. Since 2005, several thousand tonnes of kimberlitic material have been excavated from trenches on the Renard 4 and Renard 65 bodies and Lynx, Hibou and North Anomaly dykes. Macrodiamond sample results are summarized in Table 1.4.

Table 1.4: Summary of Macrodiamond Sampling Results

Kimberlite Body	Sample Type	Year	Number of Samples	Weight (dry t)	Total Carats (+1 DTC)
Renard 1	Drill Core	2002	1	0.3	0.00
	Drill Core	2003	11	10.0	0.73
	Drill Core	2014/2015	4	2.9	0.02
Renard 2	Drill Core	2002	7	5.0	3.29
	Drill Core	2003	8	8.6	5.24
	Drill Core	2004	9	12.5	13.45
	Drill Core	2005	16	6.7	4.96
	Drill Core	2006	7	2.8	2.71
	RC Chips	2004	12	171.2	146.96
	RC Chips	2007	15	86.8	70.95
	Underground	2006/2007	15	2448.8	1601.94
	Underground (drums)	2014/2015	7	1.4	1.77
	Drill Core	2014/2015	71	54.6	44.65
Renard 3	Drill Core	2002	5	4.9	6.47
	Drill Core	2004	13	13.8	13.66
	RC Chips	2004	10	157.0	185.11
	RC Chips	2007	13	59.4	34.86
	Underground	2006/2007	13	2113.7	2799.85
Renard 4	Drill Core	2002	6	4.8	2.94
	Drill Core	2003	15	12.4	5.32
	Drill Core	2004	36	32.4	13.62
	Drill Core	2005	1	0.5	0.48
	RC Chips	2004	17	141.8	53.23
	RC Chips	2006	14	41.4	33.21
	Surface Sample	2004	2	1.8	3.09
	Surface Sample	2005	6	9.8	17.76
	Surface Sample	2006/2007	7	2104.2	2721.88
Renard 65	Drill Core	2002	2	0.8	1.19
	Drill Core	2003	23	19.8	8.47
	Drill Core	2004	22	17.9	4.05
	RC Chips	2004	18	149.6	32.50
	Surface Sample	2007	2	266.0	51.77
	Surface Sample	2012	1	5080.8	963.38
Renard 7	Drill Core	2005	4	4.1	0.10
	Drill Core	2014/2015	3	2.3	0.00
Renard 8	Drill Core	2005	4	6.1	0.47
	Drill Core	2014/2015	2	1.4	0.03
Renard 9	Drill Core	2004	6	6.0	5.65
	Drill Core	2005	4	6.2	6.38
	RC Chips	2006	19	70.3	35.84
	RC Chips	2007	5	27.3	11.97
Renard 10	Drill Core	2014/2015	3	1.7	0.00
Hibou	Surface Sample	2005	5	19.8	4.68
	Surface Sample	2006	2	31.4	39.53
	Surface Sample	2008	1	543.9	781.41
Lynx	Surface Sample	2003	3	3.9	4.46
	Surface Sample	2004	2	10.3	14.92
	Surface Sample	2005	6	34.7	42.33
	Surface Sample	2007	3	494.3	528.93
North Anomaly	Surface Sample	2006/2008	3	46.4	44.90

Four DMS process facilities have been used as primary macrodiamond extraction laboratories during the Renard exploration programs to date: two separate third party commercial facilities (a 10 tonnes per hour plant owned by TBMPL and a 1.5 tonnes per hour plant operated by Microlithics) and two facilities owned and operated by Stornoway (a 5 tonnes per hour plant in North Vancouver, British Columbia and a 10 tonnes per hour plant at Camp Lagopède, Québec).
Diamond bearing concentrates generated by DMS processing of underground bulk samples, large tonnage trench samples and RC chip samples from the Renard Diamond Mine were all subjected to final processing at Stornoway's North Vancouver laboratory facilities. The diamond recovery circuit includes a sizing circuit, an X-ray flow-sort machine and grease table equipment. All processing of concentrates was undertaken in secured, controlled access, closed-circuit TV monitored areas of the North Vancouver facilities. DMS operations, post-processing treatment of DMS concentrates, observing, and post-observation handling of concentrates and diamonds, from 2004 to the present, were conducted under approved security protocols and procedures, which include but are not limited to:

- Chain of Custody documentation;
- Dual locking containers;
- Uniquely numbered, single use, tamper resistant seals;
- Monitoring and control of sample weights;
- Limited access or dual access to certain laboratory premises;
- Closed-circuit TV surveillance; and
- External (third party) security guards.

Comparative analysis of diamond size distribution is checked against historical and external laboratory results. Data collected from the various exploration, mini-bulk, and sampling programs were collated into a SQL Server relational database where access is restricted to the database administrator only. The database is stored on the server in the North Vancouver office, with backups being performed every day. Processing and diamond results hard copy data are stored in fire resistant filing cabinets in the North Vancouver office as are hard copy data of the Renard core field logging. In addition, these hardcopies have been scanned as digital PDF files which are stored on the server.

QA/QC programs conducted by Stornoway include:

- Blind spiking of samples in processing;
- Blind spiking of samples in observing;
- Regular testing of all machines and equipment;
- Calibration and verification procedures;
- Routine audits of non-observable fractions and reject materials;
- Use of internal standards and reference materials;
- A record-keeping system of documentation, which retains in archives all original records and data, with all amendments clearly marked, initialled and dated for reference;
- Corrective actions which are implemented immediately when any aspect of laboratory analysis, or chain of custody documentation does not conform to procedural standards;
- The investigation and verification of any result which appears to be a potential statistical anomaly, to ensure laboratory results fit within the geological context; and
- Use of external laboratories for check samples including QP visits.

As part of the independent expert review, the following verification checks were conducted on the Foxtrot Property:

- Site visits from March 5 to March 8, 2009; August 21, 2012; July 29 to July 31, 2014; and April 20 to April 22, 2015
- Review of the surface and underground geological and mineralization interpretations;
- Review of the historic and current exploration programs;
- Review of deposit model;

- Review of data that are supporting Mineral Resource models. The review covered drill core inspection, review of core logging, sampling and assay protocols and methods, and review of sample security measures and sample storage;
- Review of QA/QC data protocols and methods, data integrity and validation of RC, drill core and underground data, and
- Review of diamond valuation methodologies.

Independent samples were not collected and treated since this is not practical for diamond sampling. Stornoway's published and practiced procedures for collection of data in the field and transposition of these data into data 'products' to support resource evaluation work and initial costing exercises meet industry best practice guidelines.

These data have been collected, compiled and analyzed by a combination of methodologies in order to cater to the spatial distribution of sampling and the amount of information available for each kimberlite domain in each body.

Unlike commodities such as gold or base metals, diamonds do not have a standard value per unit weight that can be used to calculate value of a deposit. A one carat diamond can be worth from less than one dollar to tens of thousands of dollars, depending on the shape, colour and quality. A parcel of diamonds must be individually examined to establish an average value. While diamond values also vary over time, the trend has been towards an increase with time. Multiple valuations from different professional diamond valuers, or diamantaires, are necessary, and are usually averaged to give an estimate of the probable true price of the goods in question. Diamond price estimates can differ between valuers by as much as ± 20%. This is especially so on smaller parcels of diamonds. These differences are simply due to the fact that different diamantaires will perceive the value of a stone or parcel of stones differently. Their price guidelines will differ somewhat as well.

A cumulative 8,315.58 carat diamond parcel acquired by bulk sampling underground, trench sampling and RC drilling completed by Stornoway between 2003 and 2007 was used for value modelling. In a valuation exercise, it is necessary to involve a number of diamantaires to obtain a range of valuations that can be averaged to get an accurate price estimate and to use these data to model an average price. Often, in early stage evaluations of diamond projects, diamond price modelling is undertaken. In price modelling, the small sample size is compensated for by estimation of what the diamond population in a larger sample would be. By doing this, the valuer attempts to predict the likelihood of finding larger stones and what their effect on the overall value of the parcel would be and, as such, estimate more closely what the run-of-mine value would be. Modelling involves study of the diamond parcel on hand, including size distributions and valuations, to statistically estimate the upper and lower limits of a production parcel at certain confidence levels based upon the small parcel on hand. To accomplish this, Stornoway contracted WWW to obtain valuations and perform price modelling. WWW are recognized international leaders in this field.

Mineral Resources and Mineral Reserves

2015 Mineral Resource Estimate

Following a 2014 deep directional drill program at the Renard 2 kimberlite, and extensive related sampling activities both at Renard 2 and other project kimberlites, an updated Mineral Resource estimate was completed in accordance with the CIM Mineral Resource and Mineral Reserve definitions referred to in NI 43-101, *Standards of Disclosure for Mineral Projects* and reported on September 24, 2015, for Renard 2, Renard 3 and Renard 4. That work, as well as a target for further exploration for the Renard 1, Renard 7 and Renard 10 kimberlite pipes and the Hibou kimberlite dyke system, was more fully documented in an NI 43-101 technical report entitled "*2015 Mineral Resource Update for the Renard Diamond Project, Québec, Canada*" with an effective date of September 24, 2015 (available on SEDAR at www.sedar.com.) (the "**2015 Mineral Resource Estimate**").

The 2015 Mineral Resource Estimate comprises the integration of kimberlite volumes, density, petrology and diamond content data derived from 101,078 m of diamond drilling (497 holes), 6,151 m of large

diameter reverse circulation (RC) drilling (36 holes), 23.7 tonnes of samples submitted for microdiamond analysis, 196 carats (cts) of diamonds (3,107 stones) recovered from drill core, 605 cts of diamonds (7,181 stones) recovered from RC drilling, 4,404 cts of diamonds (40,521 stones) recovered from underground bulk sampling and 5,219 cts of diamonds (52,474 stones) recovered from surface and trench sampling. The estimate also incorporates information derived from approximately 150 drill holes, 37 surface test pits and 12 trenches undertaken for geotechnical and hydrogeological purposes. Results are tabulated in Table 1.5 and Table 1.6. The 2015 Mineral Resource Estimate is based on the continuity of geology between kimberlite at depth and kimberlite nearer surface, and the generally low variation in sample results for the different kimberlite phases with depth.

Table 1.5: September 2015 Indicated Mineral Resources of the Renard Diamond Mine

Deposit	Total Tonnes[4]	Total Carats[4]	Average cpht[5]	Average Dilution %
Renard 2 Total	25,696,000	21,578,000	84.0	54.7
Renard 2 w/o CRB[6]	*21,417,000*	*20,680,000*	*96.6*	*46.4*
Renard 2 CRB	*4,279,000*	*899,000*	*21.0*	*96.0*
Renard 3	1,820,000	1,859,000	102.2	33.5
Renard 4	7,246,000	4,437,000	61.2	48.9
Renard 65	7,865,000	2,300,000	29.2	42.8
Renard 9	0	0	0	n/a
Lynx	0	0	0	n/a
Hibou	0	0	0	n/a
Total	42,627,000	30,175,000	70.8	50.6

Notes:
1 Effective Date is September 24, 2015
2 Classified according to CIM Definition Standards.
3 Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
4 Totals may not add due to rounding.
5 Carats per hundred tonnes. Estimated at a +1 DTC sieve size cut-off.
6 Excludes discrete more dilute kimberlite facies not previously incorporated into July 2013 Resource. Provided to facilitate more direct comparison with 2013 Mineral Resource estimate.

Table 1.6: September 2015 Inferred Mineral Resources of the Renard Diamond Mine

Deposit	Total Tonnes[4]	Total Carats[4]	Average cpht[5]	Average Dilution %
Renard 2 Total	6,589,000	3,883,000	58.9	72.8
Renard 2 w/o CRB[6]	*4,080,000*	*3,356,000*	*82.3*	*58.5*
Renard 2 CRB	*2,510,000*	*527,000*	*21.0*	*96.0*
Renard 3	542,000	609,000	112.3	39.4
Renard 4	4,750,000	2,455,000	51.7	56.3
Renard 65	4,928,000	1,181,000	24.0	56.5
Renard 9	5,704,000	3,040,000	53.3	63.6
Lynx	1,798,000	1,924,000	107	n/a
Hibou	178,000	256,000	144	n/a
Total	24,490,000	13,348,000	54.5	n/a

Notes:
1 Effective Date is September 24, 2015
2 Classified according to CIM Definition Standards.
3 Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
4 Totals may not add due to rounding.
5 Carats per hundred tonnes. Estimated at a +1 DTC sieve size cut-off.
6 Excludes discrete more dilute kimberlite facies not previously incorporated into July 2013 Indicated Resource. Provided to facilitate more direct comparison with 2013 Mineral Resource estimate.

There is additional potential for the Project, as the geological models for Renard 2, Renard 3, Renard 4, Renard 65, and Renard 9 are based on conservative geometries for the kimberlites at depth, and the models do not incorporate areas of limited drilling at depth. New work was also undertaken during 2013, 2014 and 2015 on the Renard 1, Renard 7, Renard 8 and Renard 10 kimberlite pipes, and various kimberlite dyke systems on the property. The "Target for Further Exploration" (TFFE) - previously known as "Potential Mineral Deposit" (PMD) before the June 30, 2011 revisions to NI 43-101 - are detailed in Table 1.7. Total TFFE was identified as representing between 76 and 113 million tonnes, containing between 33 and 71 million carats of diamonds, at an average grade of 43 to 63 cpht. The potential quantity and grade of any TFFE is conceptual in nature, there is insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the target being delineated as a Mineral Resource.

Table 1.7: September 2015 Target For Further Exploration of the Renard Diamond Mine

Low Range				High Range		
Deposit	**Total Tonnes**	**Total Carats**	**Average cpht**	**Total Tonnes**	**Total Carats**	**Average cpht**
Renard 2	6,138,000	3,683,000	60	15,472,000	15,472,000	100
Renard 3	3,352,000	3,520,000	105	3,773,000	6,338,000	168
Renard 4	11,120,000	5,560,000	50	15,358,000	11,826,000	77
Renard 65	29,026,000	7,257,000	25	40,926,000	13,506,000	33
Renard 9	3,858,000	2,006,000	52	6,327,000	4,302,000	68
Lynx	3,089,000	2,966,000	96	3,199,000	3,839,000	120
Hibou	3,469,000	3,608,000	104	4,028,000	6,082,000	151
Renard 1	8,620,000	1,724,000	20	12,983,000	3,895,000	30
Renard 7	6,342,000	1,902,000	30	9,431,000	3,772,000	40
Renard 10	1,217,000	730,000	60	1,730,000	2,076,000	120
Total[2]	76,232,000	32,956,000	43	113,227,000	71,108,000	63

Notes:
1 Previously known as Potential Mineral Deposit prior to June 30, 2011 changes to NI43-101.
2 Totals may not equal the sum of the individuals due to rounding.

For the purposes of the 2016 Technical Report, only the Indicated Mineral Resources were considered.

Mineral Reserves

A detailed mine plan was developed to extract the Indicated Mineral Resources of the Renard Diamond Mine. Dilution and recovery assumptions were applied, and cut-off grades were calculated using preliminary costs and diamond valuations. Open pit and underground Probable Mineral Reserves were estimated independently based on criteria specific to each method. A reconciliation of the Indicated Mineral Resources included in the open pit and underground mine plans was completed, confirming that all available resources were included.

The Renard 2 and Renard 3 kimberlite pipes will be mined through a combination of open pit and underground mining methods while the Renard 65 pipe will be mined by open pit method only and Renard 4 pipe will be mined by underground methods only.

Open Pit: Reserves for the surface mine design are reported according to CIM standards. According to these standards, resource model blocks classified as Measured and Indicated are reported as Proven and Probable mineral reserves respectively. Owing to those reporting standards, the Inferred Resources cannot be included as reserves and so have not been included in the life of mine schedule. No resource blocks are classified as Measured and therefore no part of the Mineral Reserve classifies as Proven. The total Probable Mineral Reserve includes an ore dilution factor and an ore recovery factor to estimate a recoverable mining reserve.

The ore outline mining shapes consisted of expanding the modelled kimberlite solids to incorporate a 1 m dilution envelope. Specific dilution factors were estimated for each kimberlite orebody through compilations performed on a bench by bench basis. The dilution envelope is assumed not to contain diamonds and is therefore considered to be of zero grade. The dilution factors by bench per kimberlite pipe

are shown in Tables 1.8 and 1.9. For Mineral Reserve estimation, a 98% mine recovery factor was then applied to account for ore unrecovered at the edge of the orebody. The cut-off grades used for the mineral reserve estimation are shown in Table 1.10.

Table 1.8: R2, R3 & R65 Dilution by Bench

Bench	Bench Dilution (%)				
	R2	R3	CRB	CRB2a	R65
500	-	10.1	-	-	-
490	4.4	10.5	4.4	3.4	-
480	1.6	12.9	3.3	2.5	4.2
470	0.8	13.6	3.4	2.3	3.8
460	0.9	16.6	3.5	2.1	3.6
450	1.5	12.6	3.3	1.9	3.7
440	1.7	10.8	4.6	2.0	3.6
430	2.0	9.8	5.3	1.7	4.1
420	2.6	9.1	5.3	1.3	3.6
410	2.4	9.3	6.7	1.1	3.8
400	1.3	5.5	6.2	0.6	3.6
390	0.5	-	-	-	3.6
380	0.2	-	-	-	3.5
370	-	-	-	-	3.5
360	-	-	-	-	2.6
350	-	-	-	-	2.1
Average	1.72	11.44	4.32	1.75	3.51

Table 1.9: Average Dilution Factors

Dilution	R2 (Kimb2a; Kimb2b; CRB2a; CRB)	R3	R65
Diluted Ore Tonnage	4,333,020	793,719	4,578,679
Dilution Factor	2.73%	11.44%	3.51%

Table 1.10: Open Pit Cut-off grade (cpht)

R2 (Kimb2a; Kimb2b; CRB2a; CRB)	R3	R65
16.2	22.1	17.0

The total in-situ open pit Probable Mineral Reserve is estimated at 8.91 million tonnes of ore at an average diluted grade of 44.4 cpht for 3.96 million carats. The Renard 3 pipe has the highest average diamond grade at 92.3 cpht, followed by Renard 2 at an average grade of 59.6 cpht (after inclusion of the "CRB" and "CRB-2A" units). Renard 65 is a lower grade pit containing 4.58 Mt of ore at an average grade of 30.1 cpht for 1.38 million carats. As of December 31, 2015, 153 kt of ore have been mined and stockpiled containing an estimated 113 thousand carats.

Underground: The first step in the estimation of the underground Probable Mineral Reserves was to create 3-D shapes for each of the proposed stopes based on the Indicated Mineral Resource model and the planned mining method. Practical shapes compatible with the planned development of the drawpoint levels and drill drifts, available drill patterns, the type of drilling equipment selected, and likely post blast outlines, were created. The pipes outlines in some areas are irregular and in these areas practical (smoothed) mining outlines were created, which typically encapsulated some waste rock and occasionally excluded some kimberlite. Once all volumes were created, the tonnage and grade of all the Indicated Mineral Resources

contained within each stope shape were queried using the resource block model, Deswik software and excel spreadsheet for the resource to reserve conversion.

The modifying factors of mining recovery and external dilution of BHS mining have been applied to the contained Indicated Mineral Resource and waste in the stope shapes. The assumptions of recovery and dilution for BHS mining used for the 2016 Technical Report are listed in Table 1.11. Additionnal simulations will be performed to optimise these factors as the mining strategy is being refined for R2, and new simulations will be done for R3 and R4 to validate current assumptions.

Table 1.11: Assumptions of Recovery and Dilution of BHS Mining

Modifying Factor	**Pipe**		
	R2	R3	R4
Mining Dilution	20%	14%	14%
Mining Recovery	82%	85%	78%

Considerations for recovery and dilution estimate assumptions for BHS mining were the following:

- the first 35% of the production is swell, which is expected to have very low dilution. When the stope is full of blasted ore, the first 50% to 60% of the drawdown is also expected to have very low dilution and high recovery. When backfill waste starts mixing with the ore as it is drawn down, it is expected that dilution for each tonne drawn will start increasing significantly;
- placement of drawpoints and drawdown planning are critical to achieve mass flow and minimize "rat-holing" of the blasted ore in the stope during drawdown;
- grade of all external dilution has been assumed to be zero, even if it is known that the CRB units, which surround the pipes in many locations, contain diamonds;
- for internal design dilution, a grade of 21 cpht has been assumed for the CRB above the 300 m elevation (Indicated Resources). The grade of the CRB below this elevation (Inferred Resources) was assumed at 0 cpht, the same for all other waste rock units;
- it is expected that much of the dilution will come from open pit waste rock, placed on top of the blasted kimberlite, which will contain no grade;
- Material from drawcones located mostly in waste will be screened according to the following guidelines:
    - waste/ore percentage < 75% = 0%
    - 250% > waste/ore percentage > 75% = 33%
    - 750% > waste/ore percentage > 250% = 67%
    - 750% < waste/ore percentage = 100%

- Where a significant amount of blasted waste is included in the stope design, it was considered that it would either be left in the stopes (if on top of the ore) or screened (if below the ore) following the assumption that 33% will be mixed with the blasted ore and recovered, and 67% will be left in place at the end of the stope extraction. This was done on a stope by stope basis, making sure that it is operationally feasible.

At the very bottom level (710L for Renard 2 and 270L for Renard 4), the kimberlite remaining on the underside of the drawpoint troughs will not be recovered as part of BHS mining. At the very end of the mine life, sublevel retreat mining will be used, to recover this ore. Up holes will be drilled from all the drawpoints and scram drifts located below the troughs and cones, and then the holes will be blasted and the ore mucked in a retreat fashion.

At this stage, the mine-life estimated average recovery and dilution factors have been applied to each individual mined block (drawcone, stopes and sills) as not enough information is available to perform this exercise on a stope by stope basis. These factors will certainly vary for each mined block.

The grade of all the stopes was compared to the cut-off grades shown in Table 1.12, and all stopes were found to exceed this cut-off.

Table 1.12: Underground Cut-off grade (cpht)

R2 (Kimb2a; Kimb2b; CRB2a; CRB)	R3	R4
29.2	36.6	37.1

Of the three underground pipes in the Probable Mineral Reserve, Renard 2 contains 81% of the tonnes and 86% of the carats, Renard 4 contains 14% of the tonnes and 9% of the carats, and Renard 3 contains 5% of the tonnes and carats.

All open pit and underground Mineral Reserves are in the "Probable" category. A consolidated summary of open pit and underground Probable Mineral Reserves, by mining method and pipe, effective as of December 31, 2015, is presented in Table 1.13.

Table 1.13: Probable Mineral Reserve Summary – Open Pit and Underground

Mine	Tonnes (k)	Grade (cpht)	Carats (k)	% Tonnes Total	% Carats Total	% Tonnes Method	% Carats Method
OPEN PIT							
R2	1,489	92.7	1,381	4.5%	6.2%	16.7%	34.9%
CRB2A	475	31.4	149	1.4%	0.7%	5.3%	3.8%
CRB	1,575	20.2	319	4.7%	1.4%	17.7%	8.1%
R2 Subtotal	**3,539**	**52.2**	**1,849**	**10.6%**	**8.4%**	**39.7%**	**46.7%**
R3 Subtotal	**794**	**92.3**	**733**	**2.4%**	**3.3%**	**8.9%**	**18.5%**
R65 Subtotal	**4,579**	**30.1**	**1,376**	**13.8%**	**6.2%**	**51.4%**	**34.8%**
TOTAL OP	**8,912**	**44.4**	**3,958**	**26.8%**	**17.9%**	**100%**	**100%**
UNDERGROUND							
R2-290	5,111	63.3	3,236	15.4%	14.6%	21.0%	17.8%
R2-470	4,744	84.7	4,017	14.3%	18.1%	19.5%	22.1%
R2-590	4,750	89.9	4,270	14.3%	19.3%	19.5%	23.5%
R2-710	5,073	81.4	4,132	15.2%	18.7%	20.8%	22.7%
R2 Subtotal	**19,679**	**79.6**	**15,655**	**59.1%**	**70.7%**	**80.8%**	**86.1%**
R3 Subtotal	**1,223**	**70.2**	**858**	**3.7%**	3.9%	**5.0%**	**4.7%**
R4 Subtotal	**3,458**	**48.3**	**1,671**	**10.4%**	7.5%	**14.2%**	**9.2%**
TOTAL UG	**24,360**	**74.6**	**18,184**	**73.2%**	**82.1%**	**100%**	**100%**
STOCKPILE	**153**	**73.5**	**113**				
TOTAL OP, UG & Stockpile	**33,424**	**66.5**	**22,255**	**100%**	**100%**		

Notes to accompany Probable Mineral Reserves Table:

1) Probable Mineral Reserves have an effective date of December 31, 2015. The Probable Mineral Reserves were prepared under the supervision of Patrick Godin, Eng., Chief Operating Officer and Director of Stornoway Diamond Corporation. Mr. Godin is a Qualified Person within the meaning of NI 43-101.
2) Probable Mineral Reserves are reported on a 100% basis.
3) The reference point for the definition of Probable Mineral Reserves is at the point of delivery to the process plant.
4) Probable Mineral Reserves are reported at +1.0 mm (effective cut-off of 1.0 mm).
5) Probable Mineral Reserves that will be or are mined using open pit methods include Renard 2, Renard 3 and Renard 65. Probable Mineral Reserves are estimated using the following assumptions: Renard 2 and Renard 3 open pit designs assuming external dilution of 4.3% and mining recovery of 98%; Renard 65 open pit design assuming external dilution of 3.5% and mining recovery of 98%.
6) Renard 2, Renard 3 and Renard 4 Probable Mineral Reserves are mined using underground mining methods. The Renard 2 Probable Mineral Reserve estimate assumed an external dilution of 20% and mining recovery of 82%. The Renard 3 Probable Mineral Reserve estimate assumed an external dilution of 14% and mining recovery of 85%. The Renard 4 Probable Mineral Reserve estimate assumed an external dilution of 14% and mining recovery of 78%.
7) Tonnes are reported as thousand metric tonnes, diamond grades as carats per hundred tonnes, and contained diamond carats as thousands of contained carats.
8) Tables may not sum as totals have been rounded in accordance with reporting guidelines.

Factors that may affect the Probable Mineral Reserve estimates include:

- New data from ongoing and upcoming sampling programs;
- Updates to assumptions used in estimating diamond carat content, including bulk density, pipe geometry and dimension, and grade interpolation method;
- Geological interpretation of internal kimberlite units and/or domain boundaries;
- Changes to mine design and/or planning parameters;
- Unforeseen mine geotechnical and/or hydrological conditions;
- Depletion due to mining or sampling;
- Further improvement, or deterioration, of process plant recovery;

- External influences on operating and sustaining capital costs, including without being limited to, energy costs and escalation;
- Diamond price and valuation assumptions;
- Foreign exchange rates, especially Canadian versus US;
- Variations to the permitting, operating or social licence regime assumptions, in particular if permitting parameters are modified by regulatory authorities during permit renewals.

Mining Operations

The mining strategy for the Renard Diamond Mine is to extract the near surface portions of the kimberlite orebodies by open pit mining methods and to recover the extensions at depth using the underground BHS method. The selection of this underground mining method is the result of a trade-off study that was conducted to determine the best method for the project. The fact that the orebody can be mined by underground mining methods affects the optimum open pit size and is a trade-off of profit from mining by open pit versus underground mining techniques.

Open Pit Design

Open pit optimization was carried out using the Whittle software package implementing the Lerch-Grossman algorithm. The Whittle optimizations were performed using the 2015 Mineral Resource Update. The 2016 Technical Report considers mineralization classified in the Indicated Resource category, which limits open pit mining to the Renard 2, Renard 3 and Renard 65 kimberlite ore bodies.

A mining dilution factor was estimated for each pipe by including a 1 m envelope around the ore. The resulting dilution factor, which was employed in the optimization process, was used to calculate the diluted grade. For optimizations, an ore recovery of 96% was used for Renard 2 and Renard 3 and 100% for R65, while for Probable Mineral Reserves estimates, a uniform 98% was used for the open pits. Several optimization iterations and cases were performed for the R2/R3 open pit imposing certain surface and pit depth constraints. The selected R2/R3 pit shell is not limited by surface constraints, but is limited to elevation 380 in the pit where the current underground mine is designed to recover the ore body. The R65 pit is constrained at surface due to the road and lake bounding the pit on the south side and does not consider that the ore body will be mined by underground methods. Bench heights of 10 m were selected to facilitate efficient drilling and blasting activities. The loading units will mine the benches in 10-m-high cuts. The pit slope profile was determined using geotechnical recommendations from Golder and Itasca. The modelled overburden thickness varies from 5 m at the edges to > 27 m over the center of the orebodies. The slope configuration recommendations vary based on overburden thickness. The Renard 2 and Renard 3 open pit excavations result in a single pit at surface with two pit bottoms centered on the respective orebodies. The excavation is therefore treated as a single pit and is referred to as the R2/R3 open pit. The R2/R3 open pit is too small to allow for internal pit phases. The Renard 65 pit is centered on one main kimberlite and will be mined in three phases to maximize value and sequence waste mining.

Underground Mine Development

Access to the mine will be provided by a ramp to exploit the Probable Mineral Reserves that have been defined down to a depth of 710 m for the Renard 2 pipe, 250 m for the Renard 3 pipe and 270 m for the Renard 4 pipe. The underground mine has been planned so that a single common ramp will provide access to all three Renard pipes. The ramp has been sized to allow efficient ore extraction with an underground mobile equipment fleet, such as 60t haul trucks and 20t LHDs. It will be driven from surface to the 710L and will connect to all six drill levels and four production levels. Since only a ramp and a supported raise with a manway have access through to surface, all workers, equipment and materials will be transported in and out of the underground mine via the ramp facility. To facilitate smooth traffic in the ramp during the ore haul, passing bays were incorporated into the ramp design to allow loaded ore trucks to travel the ramp with minimal interruptions. The Renard 3 and Renard 4 pipes will be accessed either from the main ramp or from existing levels initially developed to access Renard 2.

During the life-of-mine, a total of 37.0 km of development will be excavated of which 4.0 km will be in initial or pre-production capital with the remainder in operating and sustaining capital. This development will produce 0.6 Mt of kimberlite ore and 2.0 Mt of waste. Ramp development was initiated in December 2014 with an initial 8 m cut, and then recommenced in April 2015. As of December 31, 2015, 887 m of development had been completed. The main ramp will remain the highest priority task until 290L is reached, as it is part of the critical path to start the underground operation. The planned rates per development team are 5.2 m/d for the ramp; 5.5 m/d for a single face in standard size tunnels, and 6.5 m/d if there are multiple faces available in standard size tunnels. Except for the first 8 m, which were performed by a contractor, all lateral development will be done by Stornoway-employed crews with newly purchased equipment.

The main exhaust raise will be a vertical and supported 5.0 m in diameter raise, extending from surface to 710L. It will be excavated in four sections: surface to 290L; 290L to 470L; 470L to 590L; and 590L to 710L. The main fresh air raise will be a vertical 6.5-m diameter supported raise, also extending from surface to 710L. It will be excavated in five sections: surface to 160L; 160L to 290L; 290L to 470L; 470L to 590L and 590L to 710L. The fresh air raise will also serve as the secondary egress from the mine in the event of emergency where the primary egress through the ramp is unavailable. Mine services such as electrical cables, fuel line, mine water, dewatering, compressed air and communications will be provided through the raise as well.

Underground Mining:

At the outset of the mine design contemplated in the report titled "The Renard Diamond Project, Québec, Canada, Feasibility Study, NI 43-101 Technical Report" dated December 29, 2011, a trade-off study was conducted to select the preferred underground mining method or methods to be used to extract the Renard 2, Renard 3 and Renard 4 pipes. In the study, potential mining methods were identified, evaluated and compared considering safety, dilution and recovery, production capacity, schedule, economics, risks and opportunities. As part of this study, a rock mechanics evaluation was conducted by Itasca, which determined that the Renard 2 and Renard 4 pipes were unlikely to support natural progressive caving, since the "caving" region is reached only for the lowest rock properties and largest hydraulic radius. As a result, block caving was eliminated as a potential mining method. Four underground mining methods were shortlisted and evaluated, including blasthole shrinkage (BHS), sublevel retreat (SLR), long hole panel mining with backfill (LHP), and blasthole shrinkage with pillars (BHSP). Based on this study, the blasthole shrinkage (BHS) mining method was selected to mine the underground portions of the Renard 2, Renard 3 and Renard 4 kimberlite pipes.

The BHS method consists of drilling and blasting the ore with long large-diameter blastholes, and extracting the ore at the base of the stopes from drawpoints. During the blasting phase, ore is left in the stope to support the walls until the complete stope has been blasted. Since ore expands when blasted due to the voids in the broken rock, it is necessary to draw out this swell on an ongoing basis, approximately 35% of the total in situ ore. Thus, with this method, there is a continual supply of ore production throughout the blasting period, and once the blasting is complete, the remaining broken ore can be drawn from the stope – generally at a very high rate with few restrictions.

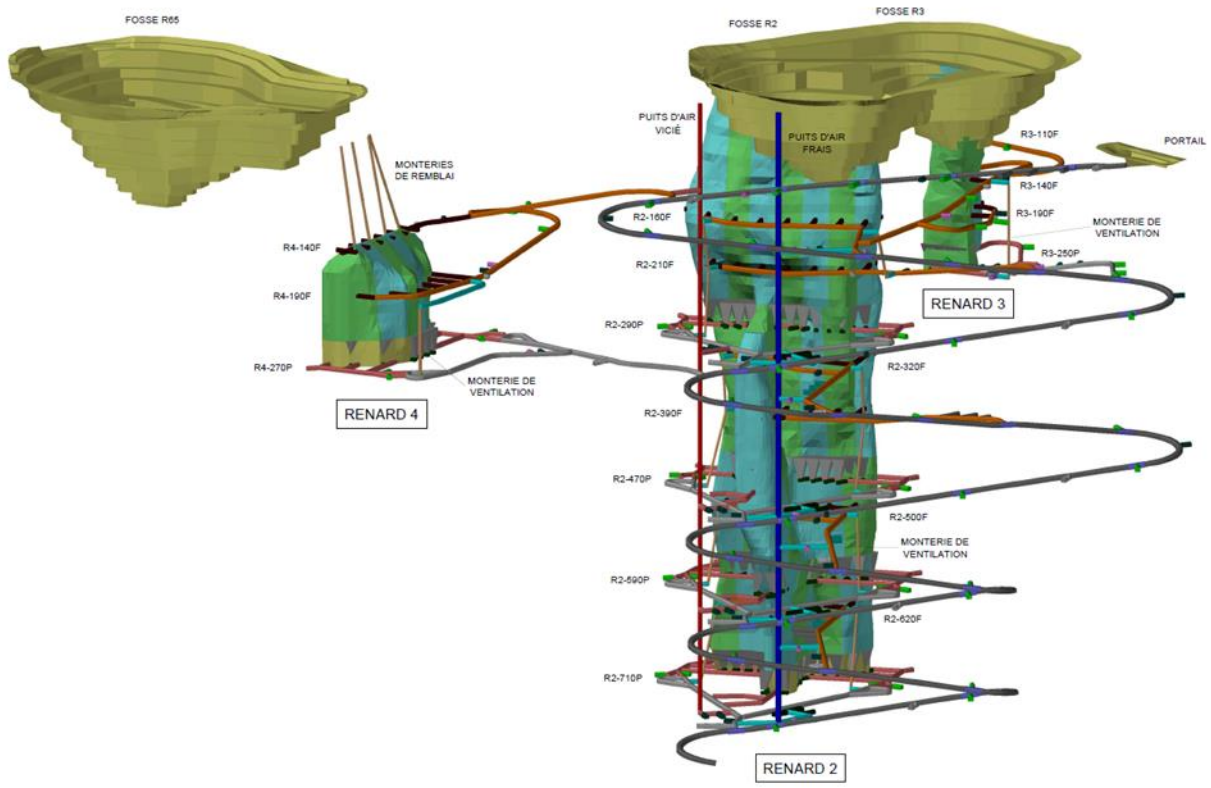
The expected advantages of BHS are:

- High production capacity capable of producing 6,000 tonnes per day ;
- Minimizes overall development requirements with large sublevel spacing (60 m);
- Blasted ore left in the stope (shrinkage) provides support to stope walls until the blasted ore is drawn down;
- Modern large equipment (20t LHD's and ITH drills with 60+ m blasthole lengths) can be used, resulting in high equipment productivity;
- Initial production from the stopes can begin before completion of the R2/R3 OP;
- Over half of the blasted ore can be recovered with low dilution before higher dilution in the final drawdown phase begins.

The BHS method has been designed to progress in four stages from the top of the pipe (bottom of the open pit) downwards. As the ore is drawn from the stope, a large open void will be created if no backfill is used. The mine plan is to fill this void using open pit waste as backfill placed into the stope by dumping it from trucks on surface onto the top of the broken ore column being drawn down in the pipe. For Renard 2 and Renard 3, waste will be dumped over the edge of the pit, while for Renard 4, wastes will be dumped into backfill raises leading to the top of the underground stope. This use of open pit wastes will also enable the rehabilitation of the waste rock pile during mine operation rather than at the end of the mine life.

A 3D view of the planned development and stopes is shown in Figure 1.14.

Figure 1.14: 3D View of the Renard Mine



For production mining, the Renard 2 pipe has been divided vertically into four production stages (zones), each located at elevations where the ore body changes geometry and orientation, so that recovery and dilution factors could be optimized. The resulting production levels with this design are at level 290L, 470L, 590L and 710L (all level designations are depth below surface in meters). Their respective heights are 165 m (up to the pit bottom), 180 m and 120 m for the last two stages. Drawpoints and cones will be located at the base of each of the stages. A top-down mining sequence is planned for the four mining zones in Renard 2.

The base of the Indicated Resource in the Renard 4 pipe is 235 m below surface (270 m from FAR collar) and will be mined below a 100-m-thick crown pillar for a vertical height of 135 m. The interpretation of the shape of the Renard 4 pipe is oblong, and very regular in its outline, so this height was deemed to be suitable for BHS mining. One production level and two drill levels will be used to extract all reserves from the Renard 4 orebody, which will also be subdivided into vertical panels as Renard 2. The bottom production level for Renard 4 pipe is at the 270L.

The Renard 3 pipe is fairly large close to surface, but then necks down to a fairly small pipe below the open pit and further necks down at the base of the Indicated Mineral Resources at a depth of 250 m. Due to the

very irregular shape of the orebody, the Renard 3 pipe was divided in two stopes. The stope on the West side of the pipe will first be mined bottom up by BHS as its grade and size are more important. This opens the opportunity to recover most of the carats in R3 without adding fill before the stope is depleted. Once the first stope is filled with waste, the stope on the East side of the pipe (stope 2) will be mined using standard long hole stoping, as it is too narrow to accommodate drawcones. The bottom of the only production level for the Renard 3 pipe is at 250L, and the mining of two stopes will extend up to the bottom of the pit.

Production Schedule

The mine production schedule was developed to initially supply the plant at a nominal rate of 2.16 2.16 Million tonnes per annum or 180,000 t/month. A plant ramp-up schedule is planned over a nine-month period starting in October 2016. The ramp-up includes three months of commissioning. It is planned to increase the mill feed up to 210,000 t/month by July 2018 to reach 2.52 Million tonnes per annum. The open pit production rate in the R2/R3 open pit is less than the mill capacity. An ore stockpile will be accumulated which can be used to balance the open pit and plant schedule until such time as sufficient ore produced by underground mining operations is available. The Renard 65 pipe is of lower grade than Renard 2 and Renard 3 pipes and is mined as supplemental feed to the underground operation once the R2/R3 open pit is exhausted. Waste rock mined from R65 will also be used as underground backfill material and the Renard 65 pit will act as a water catchment basin to collect surface runoff water. Mining of the R2/R3 open pit commenced in March 2015 and will conclude in April 2018.

Initial production blasting in the Renard 2 pipe on 290L is scheduled to start in August 2017, at a modest production rate with the commencement of drawcone blasting. Production blasting in the first stope on 290L will be initiated in November 2017, with total production tonnage forecast to reach 60,000 tonnes that month. The tonnage will then gradually increase of 15,000 tonnes each month until May 2018 when it will reach 150,000 tonnes. It is anticipated that the full production rate of 180,000 tonnes (6,000 tonnes per day) will be achieved in June 2018. Generally, each stope will provide between 1,000 tonnes per day and 2,000 tonnes per day in order to maintain a good ore/backfill interaction to optimize recovery and dilution factors.

The underground production schedule has been designed to coordinate with the open pit production schedule so that the mill feed continues at the full rate of 6,000 tonnes per day during the transition period from the completion of the open pit through the build-up to full production from underground.

Underground production will continue from Q3-2017 until early 2029 for a total mine life of 14 years. For the Renard 2 pipe, the 290L mining area will be completed in Q1-2021, the 470L area in Q2-2023, the 590L in 2025, and the final 710L area in 2028. The R3 pipe has been scheduled in 2026 and 2027 during the transition of the production from the R2-710 zone towards R4. Due to its small body shape and confined design, the highest planned rate for Renard 3 is 3,000 tonnes per day. The first production from R4 starts in 2027 and continues to the end of the mine life in early 2029.

Mineral Processing and Diamond Recovery

The process flow sheet was developed by the Corporation based on the following key aspects:

- The material characteristics observed, and data obtained, from the treatment of underground samples from Renard 2, Renard 3 and Renard 4 in Stornoway's Lagopede bulk sample plant;
- Specific unit operation test work;
- Conventional diamond processing techniques as successfully employed in the diamond industry;
- Liberation effectiveness with focus on diamond breakage;
- Circuit simplicity; and
- Cost effectiveness.

To optimize footprint and capital costs, the diamond process plant design has a single process line for comminution and ore preparation. Capacity considerations dictate that two (2) DMS circuits for concentration and four (4) lines for fines dewatering are required. All process equipment including storage bins and materials handling equipment is housed within a heated building, heated transfer towers or heated conveyor galleries.

The process plant design capacity is 2.16 Million tonnes per annum (dry solids basis). The plant overall utilization is estimated to be 78%, equivalent to an operating time of 6,833 hours per year or 315 tonnes per hour and 6,000 tonnes per day. Stornoway expects to increase the plant throughput to 323 tonnes per hour, already within initial plant equipment capacity, and increase the plant availability to 83.5% by optimizing plant maintenance sequences. Taking the aforementioned into consideration, by July 2018, Stornoway expects the plant will operate at a throughput of 7,000 tonnes per day at an overall plant utilization of 83.5%. Once the plant achieves sustainable nameplate throughput, further optimization work will be conducted focusing on liberation, diamond breakage and increasing the overall plant utilization. The ore processing system will liberate, concentrate and recover diamonds from 45 mm to 1mm.

Liberation design will use stage crushing where each crusher will operate with a large crushing gap to protect against potential diamond breakage. ROM material will be crushed, washed and sized at various stages to produce -45 mm ore, before all liberated diamonds are recovered within either a DMS or LDR concentration process. All rejected material larger than 6 mm from these processes is re-crushed within a High Pressure Grinding Roll ("**HPGR**") crusher to maximize the liberation of trapped diamonds. The HPGR product is then returned to the scrubber circuit to wash and de-agglomeratethe HPGR product. The HPGR promotes interparticle crushing used for tertiary crushing and is the principal diamond liberator generating a product size of 60% smaller than 6 mm. The majority of the unwanted fines (-1 mm) are separated from the ore in these circuits and then pumped to the thickening circuit for dewatering.

A surge bin with a capacity of 240 tonnes decouples the DMS from the ore preparation circuit. The process plant will produce a DMS and LDR concentrate which will be treated in a secure diamond recovery facility that uses diamond differentiation techniques based on magnetic, X-ray, laser Raman and ultra-violet technologies with hand sorting as final de-falsing step to produce a nominally 98% diamond product.

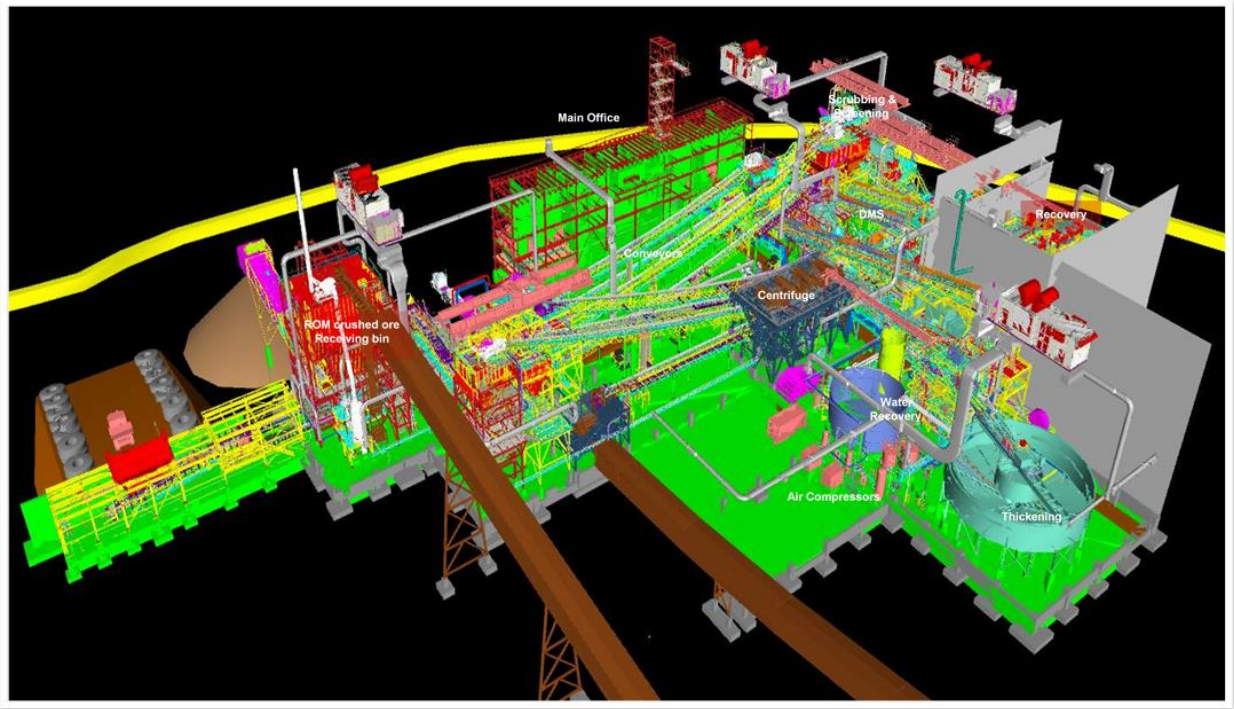
Final diamond recovery is achieved by hand sorting diamonds from waste in a secure glove box, located within the sorthouse in the recovery plant. The diamonds will be chemically cleaned before preliminary valuation and export. The diamond plant is expected to have a diamond recovery efficiency of not less than 97% by mass and 99% by value of liberated diamonds.

Security is a key element of the process plant design given the high value and volume of the final diamond product. A security management system to detect, deter and reduce the possibility of diamond theft in conjunction with an automated diamond recovery process is part of the design.

The following facilities are included in the plant design:

- Main plant office, control room and electrical rooms
- Recovery plant office, control room and storage room
- Security offices, access control and search rooms
- Metallurgical laboratory
- Air compressor area
- Mid size maintenance workshop
- Diamond cleaning facility
- Diamond stock room
- Diamond valuation room

- **Table 1.15: Main Plant 3D Modal**



Project Infrastructure

The Renard Diamond Mine surface and underground infrastructure are currently under construction.

On Site Ground Infrastructure

The on-site ground infrastructure required for the development of the Renard Diamond Mine include the following:

Water distribution system: a raw water intake has been installed in Lake Lagopede and a pumping station was installed on the shore at hundred meters from the lake. It is located near the accommodation camp and a few hundred metres from the main process area. The same pumping station also supplies the potable water treatment plant.

Wastewater treatment plant: a wastewater treatment plant equipped with a membrane bioreactor (MBR) treatment system has been constructed.

Potable water treatment plant. The potable water treatment plant is installed in a container located within the emergency vehicles garage. It houses the water treatment equipment, pumps and a small office.

Trench landfill: A trench landfill system with a volume of 40,000 m³ is in operation for domestic solid waste management.

Power plant: a power plan (comprised of seven natural gas generators of 2050 KW each and three diesel-powered generators of 1800 KW each) was constructed on the Renard Diamond Mine site to provide power requirements of the mine.

Fuel and LNG storage and regasification plant: A tank farm was constructed to store arctic grade diesel and unleaded gasoline in double-walled fuel tanks. An LNG storage and regasification plant was also constructed. This facility consists of a truck offloading station, six storage tanks and a regasification station with its ancilliary.

Explosive storage and handling area: the explosive storage and handling area consists of storage containers for emulsion, one detonator magazine, one packaged explosive magazine and a garage / wash bay building.

Service Buildings: the service buildings of the Renard Diamond Mine are all operational and include an accomodation complex, a camp reception complex, dormitories, emergency vehicle garage & potable water treatment plant, a service building, a leisure building, a heavy vehicle truck shop, light vehicle garage, workshop and warehouse, an office building.

Telecommunication System: A single satellite dish antenna, modems and related equipment have been installed at the mine site for recreational use (mainly TV signal to the rooms). Voice, video conferencing and data transmission are assured to the Renard mining site via a multi-megabit Microwave link going through seven repeater towers. The above Microwave link originates at the office building where MPLS connectivity to all other Stornoway locations is provided. The airport communication systems are serviced from the mine site by way of another multi-megabit Microwave link. This provides surveillance of the remote airport site while it is unmanned.IP Telephone service with QoS (Quality of Service) is installed at all site locations where warranted for operation and/or emergency communication needs. The industrial areas of the site (mill, power plant, garages etc.) are linked via fiber optic cables and equipped with more robust telephone sets and cabling, where warranted. VLANs with Firewall rules are used in order to keep recreational, corporate, production, CCTV and other types of content isolated from each other.

On Site Underground Infrastructure

Electrical power: electrical power will be provided throughout the mine for drills, jumbos, fans, pumps, lighting and other miscellaneous loads. The power will be distributed to the mine at 4.16 kV through three primary feeders, two located in the fresh air raise (3C 250 MCM) and the third in the ramp. All three feeders will be supplied from the power station electrical room. A substation located on surface will be fed from the power house electrical room containing BUS A and B and having 2000 amp capacity. From there, power will be distributed to the mine surface facilities, including the main intake fans.

Ventilation system: the mine will have one main fresh air intake, which will be a 6.5-m diameter supported raise with services and manway (secondary egress). Fresh air will be distributed on most levels directly from the fresh air raise. Drill levels which are not connected to the fresh air raise will be supplied via smaller vent raises connected to other levels with fresh air. Air distribution within the mine will be controlled by a combination of ventilation doors (SAS), regulators, plastic flaps and secondary fans installed in walls. This will allow large flow coverage of the levels with the use of auxiliary fans only locally (e.g., drill drifts). As the ramp is the primary egress, the secondary egress from the mine will be provided via a ladderway installed in the fresh air raise. The mine fresh air intake will be downcast so in the case of a fire, it will always be in fresh air and provide a safe escape route. In the rare case of a fire in or near the raise, personnel will report to the nearest refuge station.

Water pipelines: process water is required underground for drilling, dust suppression, and wash-down of equipment and rock faces for geology and mining. Process water will be supplied from the Project process water distribution system on surface, and will be fed underground through 151 mm (6") pipelines in the fresh air raise and 102 mm (4") in the ramp. Provisions are made for water recirculation to reduce water consumption and water treatment. Potable water for underground use will be provided using a 51 mm (2") line in the fresh air raise.

Dewatering system: a four-stage dewatering system is planned for the underground mine. Main sumps and pumping stations will be located on 290L, 470L, 590L and 710L, with water pumped from the lower pump station being rehandled at the upper station. It is anticipated that approximately 30% of the mine water inflows will be intercepted and contained at 290L, 470L and 590L as mining progresses deeper. Consequently, the 710L lower pumping station has been designed for 1960 m^3/day (360 USgpm) while the 290L, 470L and 590L upper stations will be capable of pumping the full predicted flow of 2,725 m^3/day (500 USgpm). All pump stations will have two pump arrangements installed, one operational and the second on standby for maintenance. A gravity drainage system will be established whereby drainage holes will be drilled to connect the levels and channel mine water down to the sump on the nearest level.

Communication system: the communication system for the underground operation will be installed in most tunnels and uses coaxial cable with modems, antennas and amplifiers. The system will be capable of transmitting data and voice, as well as high speed internet, telephone and equipment/personnel tracking. In addition, conventional telephone service will be provided to the refuge stations, maintenance facilities and fueling stations.

Explosive storage area: explosive storage areas include three excavations: the explosive truck parking, the explosive magazine and the detonator magazine. Three explosive storage areas are planned to provide explosives underground, all located near the Renard 2 production horizons. The main magazines will be located off the ramp close to surface, the second set at the entrance of the 390 drill level, and the third one at the same location on the 620 drill level. The explosive magazines have been designed to store 40 containers for a total capacity of 60,000 kg of emulsion and some packaged explosives.

Underground fuel bays: in addition to a surface fuelling facility, a fuelling system to deliver fuel underground through a pipeline will be installed. Underground fuel bays will be constructed on all main production levels: 290L, 470L, 590L and 710L. Each fuel bay will be equipped with a 20,000-litre receiving tank and dispensing equipment. The transfer of fuel underground will be done through a 25-mm diameter piping system on a batch basis, and will be fully instrumented to ensure safe operation.

Refuge Stations: a total of 14 refuge stations will be located at various strategic locations throughout the mine according to Quebec's regulations (15 min walk or 1000 m).

Offsite Infrastructure

Renard Airport: The airstrip for the Renard Diamond Mine is owned and operated by Stornoway with chartered aircrafts for its exclusive needs. The reference aircraft for the design of the runway is the DASH 8, Series 300 with a capacity of 50 passengers. The airport terminal is a two storey building, erected on site from an engineered wood structure. It includes an office for the airport operator, toilets and a general waiting area. A service shed, also built from an engineered wood structure, houses the generators and de-icing equipment. Jet fuel and diesel are stored in double-walled tanks.

Road Access: land access to the Renard Diamond Mine is provided by the extension of provincial highway Route 167 (built by the Ministère des Transport du Québec) and the Renard mining road (built by Stornoway). This road infrastructure affords year-round access linking the project to the municipalities of Mistissini and Chibougamau. The Route 167 Extension was constructed to MTQ standards and is a two-lane gravel-topped road with two-lane bridges and a design speed limit of 70 km/h, while the mining road is a two-lane gravel topped Class III road with one-lane bridges and a design speed limit of 50 km/h.

Processed Kimberlite Containment Facility

The processed kimberlite containement ("**PKC**") facility is the long-term storage facility for the processed kimberlite ("**PK**") generated during operations. The facility has a total footprint area of about 72 hectares (ha) and is planned to store 44.8 megatonnes (Mt) of PK (23 Mm3 of PK) representing the total Indicated and Inferred Mineral Resources of the Renard Diamond Mine for a long term life of mine that could reach 19 years.

The site, located in the Canadian subarctic, is permafrost-free and of low seismicity. The PKC facility is located on top of a watershed, which generally drains towards the processing plant located to the southwest, thus facilitating water management. Geotechnical testing carried out to date classifies the PK as well-graded sand with some gravel to gravelly sand with some low plastic or non-plastic fines. Of concern is the potential plasticity of the PK; therefore the PKC facility was designed based on the potential undrained behaviour of the PK. Geochemical testing carried out to date showed that the PK and waste rock release low concentration of dissolved constituents; therefore, the PK and mine waste rock are classified as low risk materials. Furthermore, the waste rock is considered to be Category I and is suitable for use as a construction material without restriction. Geotechnical and geochemical testing of the PK will be performed throughout the development of the PKC facility.

The design objective of the PKC facility is that it receives all materials generated by the processing plant at all times such that neither mining nor processing operations are adversely affected. The design, including development and operating plans, has been developed in consideration of the expected variability of the PK and in consideration of the facility having a high consequence of failure as per the 2013 Dam Safety Guidelines published by the Canadian Dam Safety Guidelines. The PK will be dewatered at the processing plant and trucked to the PKC facility. The facility will be developed throughout operations as a stacked facility with an external slope configuration of 3H: 1V. Placement of the erosion protection layer on the exterior of the PKC facility will occur during operations, thereby progressively closing the facility during its development. No water will be allowed to pond within the PKC facility.

The PKC facility includes material placement zones (nominally compacted zone, engineered filled zone, and PK waste zone), a starter berm, a containment berm, an access ramp to allow haulage of PK, as well as a water management system, including internal drainage elements (rockfill blanket and foundation rock drains), a slope drainage channel for the access ramp, and a series of ditches and sumps around the perimeter of the facility. The engineered fill zone corresponds to the outer shell of the PKC facility and provides sufficient material strength to ensure stability of the facility. This zone will be constructed on a prepared foundation and placed as an engineered fill. The nominally compacted fill zone corresponds to the internal portion of the PKC facility. This zone is built with PK material and provides PK storage capacity into which the material will be deposited with nominal compaction control measures. During processing plant commissioning and early operations, the PK is expected to have higher water content than for the duration of operations. The PK waste zone contains PK with excessively high water contents requiring the construction of the containment berm to separate the PK waste from both the engineered and nominally compacted fill zones. A rockfill embankment, namely the starter berm, will be constructed prior to the deposition of PK to allow for the deposition of PK with high water content. The starter berm will be placed on the interior limit of the engineered fill zone.

The PK is expected to be variable over the life of mine; this will affect its geotechnical behaviour. The key parameter for the development of the PKC facility is the water content of the PK. The PK hauled and placed in the PKC facility is expected to be several percents above the geotechnical optimum water content. Mechanical reworking of the PK to dry it to enable the required compaction within the engineered fill zone is expected to be required. The facility development and PK management plans are developed with this in mind.

PK is an erodible material. Therefore, the crest of the facility will be sloped and crowned to promote drainage of surface water and precipitation towards water collection systems. The placement of the erosion protection layer on the external slopes will be concurrent with PKC facility development. This is consistent with the progressive closure concept aimed to provide environmental, financial and operational benefits for the mine. For facility closure, the PKC facility pile will be contoured and surfaced to mimic the surrounding landforms.

The conditions in the foundation and deposited PK will be monitored during the development of the PKC facility and into the closure period. The geotechnical instrumentation program includes the installation and the monitoring of piezometers (measurement of phreatic surface and porewater pressures within the PK), thermistors (temperature measurement within the PK), and survey monuments (displacement measurement of the PK).

Capital and Operating Costs

In November 2015 Stornoway undertook a re-baselining exercise for the capital costs ("**CAPEX**") on the basis of the Project's then percentage of construction completion. The re-baselining exercise resulted in a shortened overall construction schedule showing a 5-month improvement in the scheduled date of commencement of commercial production from May 29, 2017 to December 31, 2016.

As a result of the November 2015 re-baselining exercise, the estimate of CAPEX to complete the contruction of the Project to the date of Commencement of Commercial Production has been estimated at $775.4 million, including contingencies of $57.5 million and an escalation allowance of $25.3 million. A portion of the 2017 mine development costs and associated G&A costs that would have been incurred during the construction phase of the Project under the initial construction schedule was transferred to the 2017 sustaining capital. CAPEX is estimated at an accuracy of -13% and +17%. (Table 1.16)

Table 1.16: Estimate of Capital Costs

Site Preparation & General	$ 45.1
Mining	$ 57.1
Mineral processing plant	$ 137.7
Onsite utilities and infrastructures	$ 111.1
Network and Distribution	$ 15.9
Offsite utilities and infrastructures	$ 0.3
Pre-production and Ramp-up	$ 88.5
Project indirect costs	$ 153.9
Professional Services	$ 44.6
Construction indirect costs	$ 38.5
Contingency	$ 57.5
Escalation	$ 25.3
Total including escalation	**$ 775.4**

Note:
(1)Dollar amounts in $ million. Totals may not add due to rounding.

As of December 31, 2015, there was $24.6 million of contingency and $12.0 million of escalation allowance unallocated.

Annual operating costs ("**OPEX**") are defined as costs incurred once Commencement of Commercial Production has been achieved. Based on the re-baselined project schedule and estimated production ramp-up schedule, Commencement of Commercial Production is scheduled to be achieved by December 31, 2016. The annual operating costs are subdivided into open pit operations, underground mine operations; process plant and auxiliaries; and general administrative and infrastructure.

The open pit operations cost estimate is based on the updated open pit mine design and production schedule, and assumes standard open pit mine operating procedures. Kimberlite ore will be delivered initially to the ore stockpile or, once process plant operations start, to the surface primary crusher upstream of the process plant.

The underground mine operations cost estimate is based on the updated underground mine design and production schedule and estimated from first principles. Ore from the underground mine will be transported to the surface using truck hauling via ramp.

The process plant and auxiliaries cost estimate is based on the quantity of kimberlite ore feed to the process plant. For the purpose of the estimate, a process plant capacity of 78% plant utilization at a nameplate capacity of 2.16 Million tonnes per annum was assumed. The operating costs were estimated using standard manufacturer's cost data for power, fuel, equipment, consumables and hourly maintenance costs.

The general, administrative and infrastructure cost estimates were derived from budgetary quotes and project actuals established in the first year of mine operations. Labour costs are based on a salary scale and organizational chart developed by Stornoway.

A summary of the estimated OPEX, on a life of mine basis, for each of the four categories described above is shown in Table 1.17 and 1.18.

Table 1.17: Summary of Estimated Total Life of Mine OPEX

Description	Open Pit	Underground	Process plant	G&A and Infrastructure
Labour	64,751	263,780	188,863	236,559
Fuel	20,868	57,599	20,744	29,967
Explosives & supplies	8,038	21,368	-	-
Consum. & reagents	-	-	44,418	-
Equipment	26,099	143,175	-	-
Power	1,982	59,238	195,393	62,137
Maintenance	-	-	89,438	24,537
Heating	-	-	11,980	-
Accomodation	-	-	-	128,048
Transportation	-	-	-	54,961
Other	4,655	72,744	34,927	180,891
Totals	126,396	617,904	585,763	717,100

Notes:

(1) All figures in 2016 dollars. Totals may not add due to rounding.

Total life of mine OPEX is estimated at $1,878,431,631, excluding $168,728,602 of costs incurred prior to the attainment of Commencement of Commercial Production and characterized as capitalized operating costs within the CAPEX estimate.

Table 1.18: Summary of Estimated OPEX Life of Mine Unit Cost per Tonne Ore Processed ($)

Description	Open Pit	Underground	Process plant	G&A and Infrastructure
Labour	1.94	7.89	5.65	7.08
Fuel	0.62	1.72	0.62	0.90
Explosives & supplies	0.24	0.64	-	-
Consum. & reagents	-	-	1.33	-
Equipment	0.78	4.28	-	-
Power	0.06	1.77	5.85	1.86
Maintenance	-	-	2.68	0.73
Heating	-	-	0.36	-
Accomodation	-	-	-	3.83
Transportation	-	-	-	1.64
Other	0.14	2.18	1.04	5.41
Totals	3.78	18.49	17.53	21.45

Total life of mine OPEX unit cost is estimated at $56.20/tonne processed, excluding $5.05/tonne pre-production costs characterized as capitalized operating costs within the CAPEX estimate.

The OPEX estimate was developed for the Project with the following key assumptions:

- Power unit cost was based on an estimate of fixed and variable costs. Power consumption was based on the average consumption of each motor included in the equipment list;
- Pricing is based on cost of supply, manpower performance and compensation actualized to the fourth quarter of 2015;
- No allowance was made for contingency, escalation and risk relating to OPEX;
- No allowance was made for final mine closure activities within the OPEX estimate, other than the progressive reclamation costs of the PKC facility. In the project Economic Analysis, the balance of mine closure costs are treated as a capital cost item; and

- The OPEX estimate was based on from budgetary quotes and project actuals established in the first year of mine operations, and utlize a Class III estimate methodology as defined by the type and quantity of engineering deliverables produced to support the estimate. The expected order of accuracy is in the range of -15% to +15%.

Sustaining Capital Costs are capital and replacement costs required to sustain operations against mine plan estimates, such as maintenance of the mobile mining fleet and power plant, or deferred capital costs occurring after the attainment of commercial production, such as the development of the underground mine. Sustaining Capital Costs are defined independently of the CAPEX estimate or OPEX. Annual estimates for the life of mine are shown in Table 1.19.

Table 1.19: Estimated Sustaining Capital and Capital Replacement Costs (in $M)

Description	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Open pit	1.8	0.5	0.7	3.2	1.5	1.5	1.3	3.0	2.7	0.0	0.0	0.0	0.0	0.0
Underground	43.7	45.2	27.8	18.4	11.8	31.8	5.8	18.5	13.6	5.0	0.5	0.1	0.1	0.0
Process plant	0.8	1.1	1.5	1.1	1.5	1.1	1.2	1.1	1.1	1.0	0.3	1.0	0.0	0.0
Adm. & Infra.	0.0	0.2	0.0	0.7	0.2	0.0	0.0	0.2	1.5	0.0	0.2	0.0	0.0	0.8
Power Plant & Airport	3.8	1.8	2.0	0.2	0.5	1.8	0.9	0.0	1.8	0.7	0.0	0.0	0.0	0.0
Totals	50.1	48.8	32.0	23.6	15.4	36.2	9.2	22.7	20.7	6.7	0.9	1.1	0.1	0.8

Diamond Market Fundamentals and Diamond Price Estimates

Rough diamonds are a mined product characterised by a high degree of non-homogeneity in terms of size, colour, quality and shape. Rough diamonds are not exchange traded and have no terminal market. Rather, they are sold directly by mine producers to a wide range of clients within an industry pipeline that funnels their transformation into polished diamond jewellery through cutting and polishing, polished diamond wholesaling, diamond jewellery manufacturing, and end-product distribution to the retail markets of the world.

Most mine producers will undertake the sorting of their rough diamond production into parcels of like characteristics so as to maximise their attractiveness and value prior to sale. Sales mechanisms include contracted sales with a regular list of qualified rough market buyers, tenders and auctions, offtakes with retail end-users, and downstream beneficiation partnerships designed to capture value-add. Sales are typically transacted on a cash basis in US dollars.

Diamond pricing is set by a mine producer based on a regularly adjusted price book, or set on the basis of an achieved price achieved in a tender or auction sale. No benchmark price list for rough prices exist, although several rough market agencies, such as RoughPrices.com, publish a rough price index based on proprietary transactional data and public data compiled from the international Kimberley Process and producer country customs agencies.

Stornoway intends to sell the diamond production from the Renard Diamond Mine in 10 tender sales per year in Antwerp, Belgium. To this end, Stornoway's wholly owned subsidiary FCDC Sales and Marketing Inc. has entered into a sales and marketing agreement with the diamond industry broker and rough distributor Bonas-Couzyn, which will act as sales commissionaire and tender agent for arm's length market sales. Sales of diamonds under the Streaming Agreement for the Forward Sale of Diamonds will be undertaken by Bonas-Couzyn, on an undivided basis, on behalf of FCDC and the Streamers.

In most diamond supply and demand forecasts, future rough diamond supply is assessed on the basis of current and future production plans at the major producing mines. These supply projections are generally robust, as most of the world's major diamond mines are operating on a steady-state basis or transitioning to lower production rates as they age, and it typically takes between 8 and 12 years to find and develop a new diamond mine.

Bain and Company forecast a potential maximum of 20 million carats of new diamond production between 2013 and 2019 on the basis that all currently known sources of rough supply are brought to the market. This yields a forecast Compound Annual Growth Rate ("CAGR") of 4.5% to 5.5% in carat terms (Bain, 2015).

Diamond demand forecasting (expressed as either demand for rough diamonds in the cutting centres or demand for polished diamonds for diamond jewelry manufacture) is a more complex calculation based on, amongst other things:

- long-term gross domestic product ("**GDP**") growth forecasts in the main consumer markets;
- diamond jewelry consumer growth trends in developing markets; and
- short-term inventory draw-down or re-stocking trends within the diamond pipeline, often linked to levels of bank debt.
- The impact of diamond recycling or synthetic diamond substitution on polished diamond demand.

The principal difference between published diamond demand forecasts is whether they are based solely on the first of these elements and assume steady state diamond demand linked to GDP growth or whether they also take into account the second and third of these elements, and allow for market changes outside of GDP growth and short- term inventory factors.

2015 was a year of volatility in the world diamond markets which saw price declines for both rough and polished diamonds in the face of moderate sales growth for diamond jewellery in the US market, flat or negative growth in China, and low profitability for those in the transformative, middle part of the diamond pipeline (Bain & Co. 2015). High stocking levels of polished diamonds along with high debt levels in the cutting centers created the impression of a short term over-supply of rough diamonds and low sell-through of polished diamond jewellery.

On a longer term basis, Bain & Company forecast a global CAGR in rough diamond demand of 3% to 4% to 2030, with a period of supply balance between 2015 and 2019 as the new projects come into production. The differential between a long term positive demand outlook and negative supply outlook prompts the common adoption in the diamond mining industry of a real terms price escalation factor on rough diamond prices for the forward planning and valuation purposes, with real terms escalators of between 1% and 4% common. Stornoway has typically chosen to represent forward diamond prices based on a combination of "spot" diamond market pricing and a forward escalation factor of 2.5% CAGR in the base case, applied for a period of 10 years, with sensitivities of 0% and 5%

Between May 9th and May 13th, 2011, parcels of diamonds recovered during the 2007 bulk sampling program from the Renard 2, 3 and 4 kimberlite pipes (the "Valuation Samples") were valued in Antwerp, Belgium under the supervision of WWW International Diamond Consultants Ltd. WWW also valued diamond parcels from the Lynx and Hibou kimberlite dykes. WWW is an internationally recognized independent diamond valuation and advisory service to diamond mining and exploration companies. In Canada WWW, through Diamonds International Canada (DICAN) Ltd., serves as the valuator for the Government of the Northwest Territories and the Government of Ontario.

In addition to performing its own valuation, WWW showed the Renard 2, 3 and 4 diamond samples to four other experienced rough diamond companies in order to obtain additional market based valuations (an "open market" valuation). In each case WWW's own valuation was higher than the average of the five independent valuations and the average was used by WWW to construct a diamond price model, with

"High" and "Minimum" sensitivities based on alternate interpretations of diamond quality and potential value. Diamond price models represent the true diamond price that might reasonably be expected for a kimberlite ore body based on standard commercial-scale recoveries of all diamond size classes. They differ from the achieved diamond valuation price principally through a correction which is applied for the absence of large diamonds which are typically under-represented in exploration scale samples. The choice of "Minimum" and "High" to describe the sensitivity limits is deliberate: in WWW's view it is highly unlikely that an actual diamond price achieved for each kimberlite ore body upon production would fall below the "Minimum" sensitivity, but it is possible that the actual diamond price achieved may be higher than the "High" sensitivity, which is not a maximum price.

At the time of the May 2011 open market valuation, WWW recommended the adoption of a single diamond price model for the Renard 2 and Renard 3 valuation samples given the similarity of the diamonds in terms of diamond qualities and size distribution.

A separate diamond price model was adopted for the Renard 4 Valuation Sample given its apparently finer distribution of diamond sizes and marginally different diamond quality characteristics. However, independent studies on diamond breakage and plant performance during the processing of the Renard bulk samples have indicated that the size distribution of the Renard 4 sample was most likely been modified during its recovery. For this reason, an alternate diamond price model for the Renard 4 sample has been adopted for planning purposes since the May 2011 valuation exercise which assumes a diamond size distribution equal to the average Renard 2-Renard 3 size distribution.

The collection of a bulk sample of diamonds from the Renard 65 kimberlite in 2013 revealed a diamond population with a markedly different assortment of diamond qualities compared to any of the other kimberlite pipes. Accordingly, individual price models have been adopted for each kimberlite pipe at the Renard Diamond Mine since this time on the basis that the small differences in diamond quality and size distribution that can be observed between the pipes should be treated as real. Updated diamond valuation exercises were conducted on this basis by WWW in March 2013 and March 2014. For the Renard 2, 3 and 4 valuation samples, the result of each WWW re-valuation was used to adjust the average valuations obtained in the May 2011 exercise from the five independent valuators, and a revised diamond price model with High and Minimum sensitivities generated. The Lynx and Hibou samples were not re-valued in 2013 and 2014 and the proposed mine plan for Renard presently does not include these kimberlite bodies. At the time of the most recent WWW re-valuation in March 2014, base case diamond price models of US$197/carat were calculated for Renard 2, US$157/carat for Renard 3, US$155/carat for Renard 4 and US$187/carat for Renard 65.

A tracking of world average rough diamond prices by RoughPrices.com, based on a market assortment maintained by WWW, indicates a -19% drop in average diamond pricing between March 2014 and March 2016. Stornoway has applied this market adjustment to the March 2014 WWW diamond price models to arrive at an estimate of "Spot" diamond pricing for each Renard kimberlite pipe for use in the Renard Diamond Mine's economic analysis and the declaration of the project's Mineral Reserves of the 2016 Technical Report.

Table 1.20: Estimated Diamond Price Adjustments, March 2014 to March 2016

Body	**March 2014 Diamond Price Model[1] (US$/carat)**	**Estimated Market Price Adjustment March 2014 to March 2016**	**Adjusted Price Estimates March 2016: "Spot" Price Models[1] (US$/carat)**
Renard 2	**$197** *(High $222, Min $178)*	*-19%*	**$160** *(High $181, Min $145)*
Renard 3	**$157** *(High $192, Min $146)*	*-19%*	**$128** *(High $156, Min $119)*
Renard 4	**$106** ***($155)***[2] *(High $174, Min $100)*	*-19%*	**$86** ***($126)***[2] *(High $141, Min $81)*
Renard 65	**$187** *(High $190, Min $160)*	*-19%*	**$152** *(High $155, Min $130)*

Notes

1 As determined WWW International Diamond Consultants Ltd. at a +1 DTC sieve size cut off.

2 As determined by applying the world average rough price index of roughrices.com to the March 2014 price models, at a +1 DTC sieve size cut-off.

3 Should the Renard 4 diamond population prove to have a size distribution equal to the average of Renard 2 and 3, WWW have estimated that a base case diamond price model of US$155 per carat would apply based on March 2014 pricing, equivalent to US$126 per carat on a market price adjusted basis to March 2016.

Economic Analysis and Sensitivities

Stornoway completed a financial analysis for the Renard Diamond Mine, reflected in the 2016 Technical Report. The Project economic analysis incorporates the estimated life of mine diamond production profile based on the updated Probable Mineral Reserves, diamond valuation and escalation estimates, CAPEX , OPEX, Sustaining Capital Costs, salvage value, working capital, closure and reclamation costs, taxation, costs under the Mecheshoo Agreement, royalties, the Streaming Agreement for the Forward Sale of Diamonds, and the project's financial parameter assumptions.

The significant financial assumptions affecting the financial analysis of the Project include:

Process plant throughput: For the purpose of the economic analysis, by mid 2018, Stornoway has assumed a plant capacity of 2.5 Million tonnes per annum. (see "Mineral Projects - Renard Diamond Mine – Mineral Processing and Diamond Recovery").

Diamond selling prices: "spot" diamond valuation estimates used for revenue forecasting are based on a -19% estimated market adjustment to the March 2014 valuation of the Renard 2, 3, 4 and 65 valuation samples by WWW International Diamond Consultants.

Diamond escalation rate: Diamond prices have been assumed to increase by 2.5% per annum in real terms (with sensitivities ranging from 0% to 5% in real terms), from January 1, 2016 until the end of 2028.

Exchange rate: the CAD/USD exchange rate is used to convert revenue from diamond sales into Canadian dollars and to calculate a delivered certain fuel price to site. The base case exchange rate assumption for financial modelling is 1.35 C$/US$ flat. All operating cost estimates are in Canadian dollars.

Energy: the delivered diesel price used in the model is $1/litre, and the delivered LNG price is $0.63/$m^3$ which includes transportation costs to site, federal excise tax and provincial fuel tax. Power generation is via a combination of LNG and diesel power plant located on site. The cost of generating power is therefore dependent on mix between LNG and diesel and the fuel price assumption for both. The average mix of LNG and diesel used to generate power over the life of mine is approximately 88% and 12% respectively. The total energy cost (power and fuels) represents 24.5% of total life of mine OPEX.

Real dollar terms: Project cash flows have been calculated in real dollar terms (constant dollar terms). Where nominal cash flows have been calculated for comparable purposes, a general inflation factor of 2% per year has been applied to operating costs, revenues, deferred and sustaining capital expenditures, as well as closure costs and salvage values. The general inflation factor used is consistent with the monetary policy adopted by the Bank of Canada and the federal government at keeping total CPI inflation at 2% with a control range of 1% to 3% around the target (Bank of Canada Monetary Policy Report, July 2011).

Project Financing: On July 8, 2014 Stornoway completed a series of financing transactions, consisting of the issuance of common shares and warrants, convertible debentures, a diamond streaming agreement, a senior loan agreement, cost over-run facilities and an equipment finance facility. Proceeds from the financing transactions have been used and are being used for the construction of the Renard Diamond Mine, and for working capital during the construction period, including interest and financing expenses. It is anticipated that proceeds from the financing transactions mentioned above will be sufficient to meet the Corporation's capital requirements to the Commencement of Commercial Production at the Project. Net present valuations are presented net of all royalties, costs incurred under the Mecheshoo Agreement, the effective revenue impairment associated with the Streaming Agreement for the Forward Sale of Diamonds, and are presented on an unlevered basis.

Life of mine gross revenue from diamond sales is estimated at $5,565 million in real dollar terms. Life of mine OPEX is estimated at $1,878 million in real terms to process 33.4 Mt of ore and produce 22.3 million diamond carats. The average life of mine operating cost is $56.20/t (US$41.63/t) of ore or $84.37/carat (US$62.50/ct) produced with the average annual profile presented.

An unlevered after-Tax NPV (7%) is estimated at $974 million, and $1,349 million on a pre-tax basis, in real dollar terms. Given the advanced nature of project construction, estimates of internal rate of return and payback period are not considered meaningful.

Table 1.21: Project Valuation

	Pre-Tax	**After-Tax**
NPV5%	$1,558	$1,113
NPV7% (Base Case)	**$1,349**	**$974**
NPV8%	$1,258	$913

Note:

(1) All quoted figures in the Project economic analysis are quoted in Canadian $ terms unless stated otherwise.

(1) Dollar amounts in $ million

(2) For the purposes of the 2016 Technical Report financial model, net present valuations are presented net of all royalties, costs incurred under the Mecheshoo Agreement, the effective revenue impairment associated with the Streaming Agreement for the Forward Sale of Diamonds, and are presented on an unlevered basis.

The Project is most sensitive to estimated revenue parameters (diamond price, exchange rate and grade) and least sensitive to estimated operating cost metrics. The Project also shows strong sensitivity to future diamond price growth. Stornoway's utilization of a 2.5% real terms growth factor is consistent with well constrained rough diamond supply and demand forecasts and industry best-practice.

Conclusions and Recommendations

All elements of the project development plan, including the remaining required infrastructure, mine design, process plant design, waste disposal infrastructure and cost estimation, represent the current estimate for life of mine operations. The resulting information therefore met all of the applicable requirements for conversion of Indicated Mineral Resources to a Probable Mineral Reserve estimate. The Probable Mineral Reserve estimate was determined in accordance with CIM Definition Standards classification. Considering the risks inherent in all kimberlite deposits, such as sampling for geological continuity, diamond grade and diamond revenue determination, the Indicated portion of the Mineral Resources is considered suitable for the estimate of Probable Reserve. The authors of the report recommend to perform additional work in order to reduce the uncertainties in the geomechanical and design analysis and to continually review these

analysis to ensure they remain valid over time. They also recommend to test processed kimberlite material post production to confirm geochemical classification in support of the processed kimberlite facility design. There is no certainty that the 2016 Technical Report will be realized.

Other Exploration Properties

Stornoway's diamond exploration programs are conducted under the direction of Mr. Hopkins, P.Geol. (NT/NU), who has reviewed the disclosure for the Corporation's other exploration property interests contained in this AIF.

The Corporation maintains interests in two advanced exploration stage properties, being the Aviat property in Nunavut, and the Timiskaming Property in Ontario. In addition to the advanced exploration projects, the Corporation maintains an interest in a number of property interests in Quebec and other parts of Canada, representing either a 100% ownership or a partial interest through a property option agreement, including the Adamantin Project in Quebec.

The Adamantin Project is located approximately 100 km south of the Renard Diamond Mine and 25 km west of the Route 167 Extension road, and currently comprises 28,169 hectares of mineral claims in three separate claim blocks. Till sampling during 2015 confirmed the presence of indicator mineral anomalies interpreted to be sourced from undiscovered kimberlites with diamond potential, with one till sample including a diamond from the +0.25mm-0.50mm size fraction. An initial exploratory drill program in March and April of 2016 discovered 11 discrete kimberlite bodies at Adamantin. No diamonds were recovered from available kimberlite material. Further till sampling and geophysical surveys undertaken in 2016 identified additional targets of interest. In January 2017, Stornoway's board of directors approved a budget allocation of $1.0 million for a second stage of drilling at the Adamantin Project. This work will commence in March 2017.

Exploration activities continue on other properties and projects.

JV Agreements

In March 2013, the Corporation entered into three project-specific exploration option agreements with North Arrow whereby North Arrow had the right to earn an 80% interest in each of the Pikoo, Qilalugaq and Timiskaming properties (each, a "**JV Exploration Project**") upon completion of a JV Exploration Project specific work program and subject to a one-time back-in right of the Corporation for a 20% interest in each JV Exploration Project. The Timiskaming option agreement excludes the previously identified 95-2 kimberlite.

North Arrow earned an 80% interest in each of the Timiskaming and Pikoo properties during the financial year ended April 30, 2014 and an 80% interest in the Qilalugaq property during the financial year ended December 31, 2015. The Corporation did not elect to buy-back an additional 20% interest in any of the JV Exploration Projects.

On February 15, 2017, North Arrow acquired Stornoway's remaining 18% interest in the Qilalugaq project and remaining 15% interest in the Pikoo project in consideration for the issuance of 2,000,000 common shares in the share capital of North Arrow and future NSR Royalties and Gross Overriding Royalties on each of the Qilalugaq and Pikoo projects. North Arrow is also required to make a cash payment of $2.5 million and $1.25 million to the Corporation, concurrently with the first NSR Royalties and Gross Overriding Royalties payable on the Qilalugaq and Pikoo projects, respectively.

DIVIDENDS

The Corporation has not paid any dividends on its common shares. The Corporation may pay dividends on its common shares in the future if it commences mining operations and generates profits. Any decision to declare and pay dividends on common shares in the future will be made at the discretion of the Board of Directors and will depend on, among other things, the Corporation's financial results, cash requirements,

contractual restrictions and other factors that the Board of Directors may deem relevant at such time. In addition, the Corporation's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness that the Corporation or its subsidiaries incur.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of common shares (the "**Common Shares**"). As at the close of business on February 22, 2017, the Corporation's issued and outstanding share capital consisted of 828,452,337 Common Shares.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. The holders of the Common Shares, subject to the prior rights, if any, of the holders of any other class of shares of the Corporation, are entitled to receive such dividends in any financial year as the Board of Directors of the Corporation may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Corporation, the remaining property and assets of the Corporation.

Amended and Restated Investor Agreement

Pursuant to the Amended and Restated Investor Agreement entered into in satisfaction of one of the conditions precedent to the Financing Transactions Closing, each of Orion Equity Co-Invest, Diaquem and CDPQ had a pre-emptive right (the "**Pre-Emptive Right**") to purchase its *pro rata* share of all Common Shares, or other voting or equity shares, or convertible securities of the Corporation (other than (i) securities of the Corporation issued or issuable to officers, directors or employees of, or consultants to, the Corporation pursuant to stock option, stock purchase plans or other share-based compensation arrangements or agreements approved by the Board of Directors and the TSX, (ii) Common Shares issuable upon the exercise of convertible securities outstanding as of July 8, 2014 or pursuant to agreements or commitments existing as of July 8, 2014, and (iii) securities of the Corporation issued or issuable pursuant to the terms of, or in connection with, the Financing Transactions) ("**New Securities**") that Stornoway may, from time to time, propose to sell and issue.

The Pre-Emptive Right terminated as of January 1, 2017, which was the date Stornoway formally declared Commencement of Commercial Production, in accordance with its terms.

Subject to certain limits, including underwriters' cut-back, and conditions, exceptions and customary indemnification rights, each of Orion Equity Co-Invest, the IQ Parties and CDPQ are entitled under the Amended and Restated Investor Agreement to certain demand qualification rights entitling them to request that Stornoway file a prospectus under applicable Canadian securities laws qualifying for distribution all or any portion of the Common Shares of Stornoway held by them, provided that the proposed sale of such qualifiable securities would be a "control distribution" for purposes of National Instrument 45-102 *Resale of Securities*. In addition, the Amended and Restated Investor Agreement provides that if Stornoway proposes to file a preliminary prospectus under any applicable Canadian securities laws in connection with the sale of any of its Common Shares or other equity securities (or convertible securities) in connection with the public offering of such securities (including the public sale of securities held by shareholders other than Orion Equity Co-Invest, the IQ Parties or CDPQ), Stornoway will use its reasonable best efforts to cause all of the qualifiable securities that each of Orion Equity Co-Invest, the IQ Parties and CDPQ will have requested to be included in the filing to be included in and sold pursuant to the prospectus or supplement. If Stornoway is to become a registrant in the United States, the Amended and Restated Investor Agreement requires that Stornoway must first extend substantially similar rights to each of Orion Equity Co-Invest, the IQ Parties and CDPQ with respect to qualifications through U.S. registration statements.

The Corporation will not be required to effect a demand qualification unless the qualifiable securities requested by the applicable investor to be registered or qualified constitute the lesser of (a) at least 20% of the number of qualifiable securities held by such investor on July 8, 2014 and (b) an aggregate amount of at least $25 million. In addition, the Corporation shall not be required to effect a demand qualification if two or more demand qualifications have been completed within the preceding 12-month period, subject to certain exceptions.

The Amended and Restated Investor Agreement provides that each of Orion Equity Co-Invest, the IQ Parties and CDPQ are entitled to assign demand qualification rights and piggy-back qualification rights to which they are entitled under the Amended and Restated Investor Agreement, provided however that an assignee of any such assigned qualification rights shall be limited to two demand qualifications and in respect of any demand qualification, the assignee shall bear all expenses relating to the qualification of the qualifiable securities so assigned, including the reasonable costs of the legal and accounting advisors retained by Stornoway, and any underwriting discounts or commissions, and all registration, filing, printing, accounting and translation fees incurred.

The Amended and Restated Investor Agreement will terminate:

(a) in respect of the IQ Parties, if the common share ownership of IQ and its affiliates, including Diaquem and RQ, on a fully-diluted basis, becomes less than ten percent (10%),

(b) in respect of Orion Equity Co-Invest, if the common share ownership of Orion and its affiliates, on a fully-diluted basis, becomes less than ten percent (10%), or

(c) in respect of CDPQ, if the common share ownership of CDPQ and its affiliates, on a fully-diluted basis, becomes less than five percent (5%),

subject in each case to any continuing governance rights provided for in the Amended and Restated Investor Agreement.

The Amended and Restated Investor Agreement also provides that RQ, Diaquem and IQ, and Orion, will be entitled to designate candidates for election or appointment to the Board of Directors of the Corporation as follows:

(a) if the Common Share ownership of IQ and its affiliates, including Diaquem and RQ, is twenty percent (20%) or more, RQ, Diaquem and IQ shall be entitled to three (3) nominees on the Board of Directors;

(b) if the Common Share ownership of IQ and its affiliates, including Diaquem and RQ, is less than twenty percent (20%) but equal to or more than ten percent (10%), RQ, Diaquem and IQ shall be entitled to two (2) nominees on the Board of Directors;

(c) if the Common Share ownership of IQ and its affiliates, including Diaquem and RQ, is less than ten percent (10%), RQ, Diaquem and IQ shall not be entitled to any nominee on the Board of Directors, unless the Corporation is indebted to IQ or its affiliates, in which case RQ, Diaquem and IQ shall be entitled to designate one (1) nominee but only for such time as such indebtedness of the Corporation (or any permitted assignee) in favour of IQ or its affiliates is at least the lesser of: (i) $40 million, and (ii) 10% of the market capitalization of the Corporation; and

(d) if the Common Share ownership of Orion and its affiliates is five percent (5%) or more, Orion shall be entitled to one (1) nominee on the Board of Directors.

For purposes of the Amended and Restated Investor Agreement, the Common Share ownership of a party is calculated on a fully-diluted basis, assuming the exercise, exchange or conversion of the outstanding convertible securities of the Corporation held by such party and its affiliates or any other outstanding securities held by such party and its affiliates that may from time to time be exercisable for, exchangeable

or convertible into Common Shares.

MARKET FOR SECURITIES

Common Shares - Trading Price and Volume

The Corporation's Common Shares are listed for trading through the facilities of the Toronto Stock Exchange under the symbol "SWY". During the period from January 1, 2016 to January 31, 2017, the Corporation's Common Shares traded as follows:

Month	Volume	High - $	Low - $
January 2017	16,151,647	$1.07	$0.81
December 2016	8,606,527	$1.03	$0.91
November 2016	18,107,503	$1.16	$0.96
October 2016	23,338,883	$1.33	$1.10
September 2016	15,154,443	$1.20	$1.05
August 2016	12,808,603	$1.16	$1.05
July 2016	31,063,549	$1.20	$0.90
June 2016	14,980,916	$1.04	$0.93
May 2016	10,608,143	$1.04	$0.95
April 2016	9,701,867	$1.06	$1.01
March 2016	20,727,811	$1.08	$0.93
February 2016	7,531,815	$0.96	$0.69
January 2016	5,083,462	$0.77	$0.66

Source: TSX Infosuite Quotestreamer

Warrants - Trading Price and Volume

Warrants of the Corporation were listed for trading through the facilities of the Toronto Stock Exchange under the symbol "SWY.WT.A" until the close of business on July 8, 2016, at which time warrants that had not been exercised prior to that date expired in accordance with their terms. During the period from January 1, 2016 to July 8, 2016, the warrants traded as follows:

Month	Volume	High - $	Low - $
July 2016	7,035,891	$0.035	$0.01
June 2016	10,891,709	$0.135	$0.02
May 2016	3,478,827	$0.13	$0.055
April 2016	7,334,129	$0.155	$0.11
March 2016	10,046,677	$0.175	$0.06
February 2016	1,148,819	$0.08	$0.01
January 2016	460,000	$0.045	$0.015

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Source: TSX Infosuite Quotestreamer

Convertible Debentures - Trading Price and Volume

The Corporation's Convertible Debentures are listed for trading through the facilities of the Toronto Stock Exchange under the symbol "SWY.DB.U". During the period from January 1, 2016 to January 31, 2017, the Corporation's Convertible Debentures traded as follows:

Month	Volume	High - $	Low - $
January 2017	5,000	109	109
December 2016	0	n/a	n/a
November 2016	3,008,000	105	103
October 2016	51,000	114	114
September 2016	0	n/a	n/a
August 2016	8,000	112	112
July 2016	3,000	108	108
June 2016	81,000	109	106.02
May 2016	74,000	110	107
April 2016	95,000	114.95	108.02
March 2016	873,000	110	95
February 2016	170,000	95	83
January 2016	0	n/a	n/a

PRIOR SALES

Type of Issuance	Securities Issued	Price	Date of Issuance
Issue of Stock Options	120,000	$0.85	February 15, 2017
Issue of Stock Options	360,000	$0.86	February 8, 2017
Issue of Stock Options	210,000	$1.09	September 20, 2016
Issue of Stock Options	150,000	$1.10	August 11, 2016
Issue of Stock Options	150,000	$0.99	July 19, 2016
Issue of Stock Options	150,000	$0.97	June 6, 2016
Issue of Stock Options	450,000	$0.99	May 19, 2016
Issue of Stock Options	3,050,000	$1.04	April 8, 2016
Issue of Stock Options	150,000	$0.73	February 8, 2016

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The name, province or state, country of residence, position or office held with the Corporation and principal occupation during the past five years of each director and executive officer of the Corporation, as of the date hereof, are described below:

Name and Address	Office or Position Held	Previous Service as a Director	Expiry of Term as Director	Principal Occupation during past five years
Patrick Godin Québec, Canada	Director, Chief Operating Officer	Since October 20, 2011	2016 AGM	Professional Engineer; COO of Stornoway since May 2010; former Vice-President, Project Development for G Mining Services Inc. (2008-2010); Chairman of the board of directors of GeoMega Resources Inc.
Hume Kyle Ontario, Canada	Director	Since August 15, 2013	2016 AGM	Executive Vice President and Chief Financial Officer of Dundee Precious Metals Inc. (precious metals mining company) since June 2011; formerly Vice President Treasurer and Controller of TransAlta Corporation (from 2009 to 2011).
John LeBoutillier Québec, Canada	Director	Since July 20, 2011	2016 AGM	Chairman of the board of directors of Industrial Alliance Insurance and Financial Services Inc. (insurance and financial services company) since 2005; Director of Mazarin Inc., Semafo Inc. and Société Asbestos Limitée
Matthew Manson Ontario, Canada	Director, President & Chief Executive Officer	January - September 2007; since March 2009	2016 AGM	Ph.D.; CEO of Stornoway since January 2009; President of Stornoway since January 2007.
Gaston Morin Québec, Canada	Director	Since October 19, 2014	2016 AGM	Professional Engineer; Former Vice President of Technology for ArcelorMittal Mines Canada (integrated steel and mining company) until 2013, Director of Quebec Iron Ore.

Name and Address	Office or Position Held	Previous Service as a Director	Expiry of Term as Director	Principal Occupation during past five years
Peter B. Nixon Ontario, Canada	Director	Since March 19, 2003	2016 AGM	Director of Dundee Precious Metals, Midas Gold Corp., Reunion Gold Corp., and Toachi Mining Corpo.
Eberhard W. Scherkus Ontario, Canada	Director	Since April 1, 2011	2016 AGM	Professional Engineer; Former President, Chief Operating Officer and Director of Agnico-Eagle Mines Limited; Former Director and Chairman of Premier Gold Mines Limited; and former Director of Richmont Mines Inc.
Douglas B. Silver Colorado, United States	Director	Since July 8, 2014	2016 AGM	Portfolio Manager, Orion Resource Partners (private equity investment manager) since 2011; former Chief Executive Officer and Chairman, International Royalty Corporation (2003 to 2010); director of Aldridge Minerals Ltd.
Marie-Anne Tawil Québec, Canada	Director	Since October 19, 2015	2016 AGM	President of Investissements Iron Hill Inc. (commercial brokerage and development consulting company); Director of Hydro-Québec, Dundee Precious Metals Inc., Centraide du Grand Montréal and Kruger L.P.
Serge Vezina Québec, Canada	Director	Since March 2009	2016 AGM	Professional Engineer; former Vice-President, Industrial Engineering and Environment, Cambior Inc.; Director of Metal 7 Inc. and 5N Plus Inc.
Orin Baranowsky Ontario, Canada	Vice President, Investor Relations and Corporate Development	N/A	N/A	Vice President, Investor Relations and Corporate Development for Stornoway since March 2016, previously Director Investor Relations for Stornoway since June 2013.
Martin Boucher Québec, Canada	Vice-President, Sustainable Development	N/A	N/A	Vice President, Sustainable Development for Stornoway since May 2013; Manager, Sustainable Development for Stornoway since May 2010.

Name and Address	Office or Position Held	Previous Service as a Director	Expiry of Term as Director	Principal Occupation during past five years
Rob Chausse	Chief Financial Officer[3]	N/A	N/A	Chief Financial Officer of Stornoway since April 4, 2016, previously Executive Vice President and Chief Financial Officer, AuRico Metals (July 2015 to March 2016), Executive Vice President and Chief Financial Officer, AuRico Gold (January 2013 to July 2015), Vice President Finance, Operations and Projects, Kinross Gold Corporation (2009 to 2012)
Brian Glover Ontario, Canada	Vice-President, Asset Protection	N/A	N/A	Vice President, Asset Protection for Stornoway since May 2012. Director of Security, Harry Winston Diamond Corp. (2004 to 2012).
Ian Holl Québec, Canada	Vice-President, Processing	N/A	N/A	Vice President, Processing for Stornoway since March 2014. General Manager, Processing for DRA (August 2013 to March 2014), Manager, Processing for Rossing (October 2012 to August 2013), Senior Manager, Ore Processing, Jwaneng Mine, (April 2011 to September 2012), Process and Maintenance Manager, DeBeers Canada (April 2007 to March 2011).
Robin Hopkins British Columbia, Canada	Vice-President, Exploration	N/A	N/A	Professional Geologist (NT/NU); Vice-President, Exploration of Stornoway since January 2006.
David Farrow	Vice-President, Diamonds	N/A	N/A	Vice President, Diamonds for Stornoway since May 2016, previously Director, Operations Geology, New Gold (2014-2015), President, GeoStrat Consulting Services.

3 Rob Chausse joined the Corporation as CFO on April 4, 2016.

Name and Address	Office or Position Held	Previous Service as a Director	Expiry of Term as Director	Principal Occupation during past five years
Yves Perron Québec, Canada	Vice President, Engineering & Construction	N/A	N/A	Professional Engineer; Vice-President, Engineering & Construction for Stornoway since June 2012; previously Vice-President, Business Development & Project Management for Delsaer Inc. (2010 to 2012); Vice-President, Business Development & Project Management for Seneca (2008 to 2010).
Ghislain Poirier Québec, Canada	Vice President, Public Affairs	N/A	N/A	Professional Engineer; Vice-President, Public Affairs for Stornoway since March 2010; former Manager, Environment and Public Affairs for Stornoway since 2006.
Annie Torkia Lagacé Québec, Canada	Vice President, Legal Affairs, General Counsel and Corporate Secretary	N/A	N/A	Vice President, Legal Affairs, General Counsel and Corporate Secretary for Stornoway since December 2014; previously senior legal counsel for the Eastern Canadian Iron Ore Division of Cliffs Natural Resources Inc. (2011 to 2014); lawyer Blake, Cassels & Graydon LLP (2004 – 2011)

Directors' Terms

Directors are elected annually by the Corporation's Shareholders at each annual meeting.

Please see "Description of Capital Structure – Amended and Restated Investor Agreement" for details on IQ's and Orion's existing governance rights granted to it in connection with the closing of the Financing Transactions.

Ownership of Securities

As at February 21, 2017, the directors and executive officers of the Corporation as a group beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 2,542,905 Common Shares of the Corporation, representing less than 1% of the issued and outstanding Common Shares of the Corporation.

Committees of the Board of Directors

The committees of the Board of Directors of the Corporation and the directors serving on each of the committees are described below:

Audit Committee

The members of the Corporation's Audit Committee are Hume Kyle (Chairman), John LeBoutillier and Peter Nixon. The Audit Committee's responsibilities and duties are set out in the Audit Committee's Charter, the full text of which is attached as Schedule "A" hereto and which include: overseeing the Corporation's financial reporting, its internal control over financial reporting, the appointment (subject to shareholder ratification) of the Corporation's external auditor and all audit and non-audit work performed by the Corporation's external auditor.

Corporate Governance & Nominating Committee

The members of the Corporation's Corporate Governance and Nominating Committee are Peter Nixon (Chair), Gaston Morin and Marie-Anne Tawil. This committee is responsible for developing and implementing the Corporation's approach to corporate governance.

HR & Compensation Committee

The members of the Corporation's HR & Compensation Committee are John Leboutillier (Chair), Hume Kyle, Marie-Anne Tawil and Serge Vezina. This committee is responsible for determining the compensation paid to the Corporation's executive officers and directors.

Environmental, Health and Safety Committee

The members of the Corporation's Environmental, Health and Safety committee are Serge Vézina (Chair), Patrick Godin, Matthew Manson, Gaston Morin, Ebe Scherkus and Douglas Silver. This committee's mandate is to develop, implement and monitor the Corporation's environmental, health and safety practices.

Other Committees

In addition, the Corporation has a disclosure policy committee comprised of the President and Chief Executive Officer (Matthew Manson), the Chief Operating Officer (Patrick Godin), the Chief Financial Officer (Rob Chausse), the Vice-President, Public Affairs (Ghislain Poirier), the Vice President, Legal Affairs, General Counsel and Corporate Secretary (Annie Torkia Lagacé) and the Vice President, Investor Relations and Corporate Development (Orin Baranowsky). The Corporation's other executive officers attend committee meetings as required. This committee is responsible for overseeing the Corporation's corporate disclosure practices and the administration of the Corporation's policy on corporate disclosure, confidentiality and insider and employee trading.

Technical Committee

As required pursuant to the terms of the Purchase and Sale Agreement, a Technical Committee was established by SDCI, to remain in place until Completion, and which is composed of members which include appointees of Diaquem, Orion, RQ and CDPQ, members of the Board of Directors and management of the Corporation, and representatives of the Independent Engineer. The Technical Committee is not a committee of the Board of Directors of the Corporation.

The Technical Committee's duties are limited to the oversight of the activities, operations and work performed for the purpose of or in connection with the development and operation of the Renard Diamond Mine property in preparation for production of diamonds, including without limitation pre-production development for the commencement of mining operations (including the engineering, construction, start-up and commissioning of the processing plant and infrastructure and procurement of equipment and consumables), the operation of the Renard Diamond Mine, as well as providing information to SDCI, Diaquem and the Purchasers with respect to all technical matters in respect thereof. Among such duties, the Technical Committee shall (a) perform a quarterly review of the development and operation of the Renard Diamond Mine and report thereon to SDCI's board of directors and the Purchasers; (b) review any material amendment to the development plan for the Renard Diamond Mine, the Mine Plan or capital expenditures

made by SDCI for the purposes of the development of the Renard Diamond Mine proposed by SDCI and report thereon to SDCI and the Purchasers prior to approval of such amendments by the Corporation's Board of Directors; and (c) review and report on any other matter referred to it by SDCI or the Purchasers.

In carrying out its responsibilities, the Technical Committee shall co-ordinate and consult with the Corporation's Board of Directors and management. The Technical Committee holds regular quarterly meetings as well as additional meetings on a more frequent basis if and as decided by its members and may, as it considers appropriate from time to time, exclude from any part of its meetings its members who are also members of the Corporation's Board of Directors.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, no director:

(a) is, as at the date of the AIF, or has been, within 10 years before the date of the AIF, a director, chief executive officer ("**CEO**") or chief financial officer ("**CFO**") of any company (including the Corporation) that:

  (i) was the subject, while the proposed director was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or

  (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO but which resulted from an event that occurred while the proposed director was acting in the capacity as director, CEO or CFO of such company; or

(b) is, as at the date of this AIF, or has been within 10 years before the date of the AIF, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or

(d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(e) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision;

with the exception of Mr. John LeBoutillier who was, but is no longer, a director of Shermag Inc. which filed for and obtained creditor protection under the CCAA in April 2008. In August 2009, Shermag presented a plan of arrangement to its creditors and obtained the homologation from the Superior Court (district of Montréal) on September 15, 2009. Shermag closed a transaction with Groupe Bermex Inc. and implemented a plan of arrangement in October 2009 allowing it to emerge from CCAA protection. The transaction enabled Groupe Bermex Inc. to take control over Shermag and to pursue its restructuring and rebuilding plan.

Conflicts of Interest

Certain of the Corporation's directors and officers serve or may agree to serve as directors or officers of other reporting companies that may compete with the Corporation in some respects or may hold significant shareholdings in the Corporation or other companies that compete with the Corporation and, to the extent that such other companies may have conflicting interests, the directors of the Corporation may have a conflict of interest. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment.

In the event that such a conflict of interest arises at a meeting of the Corporation's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms and such director will not participate in negotiating and concluding terms of any proposed transaction. Under the CBCA, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time. See also "*Description of the Business – Risk Factors*" and "*Interest of Management and Others in Material Transactions*".

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Corporation's Audit Committee has a charter (the "**Audit Committee Charter**") in the form attached to this AIF as Schedule "A".

Composition of the Audit Committee

The following are the members of the Audit Committee:

Hume Kyle	Independent[(1)]	Financially literate[(1)]
John LeBoutillier	Independent[(1)]	Financially literate[(1)]
Peter Nixon	Independent[(1)]	Financially literate[(1)]

(1) As defined by National Instrument 52-110 ("**NI 52-110**").

Relevant Education and Experience

Hume Kyle

Mr. Hume Kyle is presently Executive Vice-President and Chief Financial Officer for Dundee Precious Metals Inc. Prior to his current position, Mr. Kyle held several senior financial executive positions in a number of large, publicly traded, multinational energy and natural resource businesses. Mr. Kyle is a Chartered Professional Accountant, Chartered Accountant and Chartered Financial Analyst and holds a Bachelor of Arts degree in economics and accounting from the University of Western Ontario and a Graduate Diploma in accounting from McGill University. By virtue of his education and with over 30 year's of work experience, Mr. Kyle has a high degree of understanding of the accounting principles used by the Corporation to prepare its financial statements, the financial reporting requirements of a public company and internal controls and governance matters. Mr. Kyle is the Chairman of the Corporation's Audit Committee.

John LeBoutillier

Mr. John LeBoutillier is presently Chairman of the Board of Directors of Industrial Alliance, Insurance and Financial Services Inc., a large, publicly traded insurance and financial services company. Mr. LeBoutillier also currently serves as a director of several other publicly-traded companies. Mr. LeBoutillier has a Bachelor of Law degree and an MBA and is a member of the Québec Bar. By virtue of his education and career experience, Mr. LeBoutillier understands the accounting principles used by the Corporation to prepare its financial statements, and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions. Mr. LeBoutillier has an understanding of internal controls and procedures for financial reporting.

Peter Nixon

Peter Nixon, while not having related, professional training in accounting, understands the accounting principles used by the Corporation to prepare its financial statements, and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions as a result of having spent over 30 years in the investment business. Mr. Nixon's background includes basic accounting understanding as required by the Canadian Securities Course and knowledge of accounting acquired in the process of analyzing corporate financial statements from an investment perspective for an extended period of time. His understanding of financial statements was applied in the research of securities and for the raising of capital for issuers, primarily those in the natural resource sector. Mr. Nixon has also completed the Executive Program at the Rotman School of Management (University of Toronto) for Financial Literacy for Directors and Executives.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the 12-month period ended December 31, 2016 has the Corporation relied on an exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), Section 3.2 of NI 52-110 (*Initial Public Offerings*), Section 3.3(2) of NI 52-110 (*Controlled Companies*), Section 3.4 of NI 52-110 (*Events Outside Control of Member*), Section 3.5 of NI 52-110 (*Death, Disability or Resignation of Audit Committee Member*) or Section 3.6 of NI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*), on an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*) or on Section 3.8 of NI 52-110 (*Acquisition of Financial Literacy*).

Policies and Procedures for Approval of Non-Audit Services by external auditor

The Corporation has established policies and procedures that provide for the Audit Committee's pre-approval of all allowable non-audit services provided by the Corporation's external auditor. These policies provide for, among others things: approval of the engagements for the annual audit and quarterly reviews and pre-approval for any service permitted by the Chartered Professional Accountants of Ontario Rules of Professional Conduct (as it exists from time to time) within certain limits and management reporting on a quarterly basis.

External Auditors Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors in the last two fiscal years ended December 31, 2016 and December 31, 2015[1] are as follows:

Financial Year Ending	Audit Fees	Audit-Related Fees	All Other Fees	Total
December 31, 2016	$209,900	$195,000	$46,500	$451,400
December 31, 2015[1]	$159,563	$78,750	$85,575	$323,888

1. In July 2015, the Corporation changed its fiscal year end from April 30 to December 31, resulting in an eight-month transition fiscal year ended December 31, 2015.

Audit-related fees include quarterly interim reviews and specific audit work; all other fees include consulting, tax planning, internal financial controls review and translation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed, no director, executive officer, or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of voting securities of the Corporation, or an associate or affiliate of any of the foregoing, have had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected or is reasonably expected to materially affect the Corporation or its subsidiaries, except as follows:

1. On October 2, 2013, Stornoway entered into an unsecured non-revolving bridge credit facility of up to $20 million with Diaquem (the "**Bridge Facility**"). Under the Bridge Facility, Diaquem agreed to loan up to an aggregate amount of $20 million to Stornoway in two tranches. An initial tranche of $10 million was drawn in October 2013, and on March 24, 2014, Stornoway announced that it had drawn the second tranche of $10 million. The Bridge Facility is now fully drawn. A commitment fee equal to 1% of the amount funded under each tranche was paid by Stornoway. Principal on the Bridge Facility bears interest at a rate of 12% *per annum*. The proceeds of the Bridge Facility are being used in connection with the development of the Renard Diamond Mine and for general corporate purposes, including costs relating to Stornoway's ongoing financing activities.

   On June 26, 2014, the Corporation and Diaquem agreed to extend the maturity date of the Bridge Facility to the earliest to occur of (a) the day on which the conditions precedent to the closing of the first tranche of the Senior Secured Loan are satisfied or waived, (b) June 30, 2017 and (c) the date on which the amount outstanding under the Bridge Facility may be accelerated in accordance with its terms. Accrued and unpaid interest will be added to the principal amount under the Bridge Facility and will be payable at maturity in cash. Under the terms of this amendment, Stornoway no longer has the right to satisfy up to 50% of the interest payable under the Bridge Facility in Common Shares of Stornoway.

2. Diaquem, one of the Corporation's largest shareholders, directly or through its affiliates RQ and IQ, was a party to some of the Financing Transactions which closed on July 8, 2014. See "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015".

3. Orion, one of the Corporation's largest shareholders, directly or through its designated affiliates, was a party to some of the Financing Transactions which closed on July 8, 2014. See "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015".

TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is Computershare Trust Company of Canada, 3rd floor, 510 Burrard, Vancouver, British Columbia, V6C 3B9. The Corporation has appointed Computershare Trust Company of Canada, 4 King Street West, Suite 1101, Toronto, Ontario, M5H 1B6 as its co-transfer agent and registrar.

MATERIAL CONTRACTS

Other than those contracts entered into during the normal course of business, the only contracts that are material to the Corporation and that were entered into within the fiscal year ended December 31, 2016, or before such year and after January 1, 2002 that are still in effect, and which are required to be filed with Canadian securities regulatory authorities pursuant to applicable securities laws, are as follows:

- The LNG Supply Contract dated October 20, 2015 providing for the supply of LNG by Gaz Métro GNL 2013, S.E.C. ("**Gaz Métro**") to the Renard Diamond Mine mine site. Under the terms of the LNG Supply Contract, SDCI is committed to purchasing from Gaz Métro set volumes of LNG annually (subject to a floor volume from and after the LNG Effective Date) from such later date as agreed upon by the parties (such date being the "**LNG** Effective Date") to December 2026. For each cubic meter of purchased LNG, SDCI shall pay Gaz Métro fixed and variable costs relating to, inter alia, the natural gas particle and its transportation, the costs associated to the distribution and balancing of volumes of LNG over any given month and liquefaction costs. Prior to the LNG Effective Date, SDCI may choose to inform Gaz Métro of a committed volume of LNG for such period, if any, subject to availability. Failure by SDCI to purchase any committed volume of LNG in any given year, including prior to the LNG Effective Date, if applicable, will result in the payment by SDCI of penalties which shall vary depending on the amount of committed volume of LNG which SDCI shall have failed to purchase. The LNG Supply Contract may not be terminated prior to the end of its term except in limited circumstances, including (i) by either party in the event of a material default by the other party which remains uncured for 60 days or in the event of force majeure affecting Gaz Métro's facility, (ii) by Gaz Métro in the event of a non-material default by SDCI which remains uncured for 180 days, or (iii) automatically if either party is the subject of insolvency or bankruptcy proceedings. If the LNG Supply Contract is terminated by Gaz Métro due to SDCI's default, whether or not material, or is automatically terminated as described above, SDCI will remain responsible for payments associated with the committed volumes of LNG until the end of the term.

- the Purchase and Sale Agreement, as amended on March 30, 2015 (described under "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015");

- the Senior Secured Loan Agreement (described under "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015");

- the Amended and Restated Investor Agreement (described under "Description of Capital Structure – Amended and Restated Investor Agreement");

- the Equipment Facility (described under "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015");

- the Bridge Facility, as amended (described under "Interest of Management and Others in Material Transactions")

- the MFE Financing Agreement (particulars of which can be found in Note 13 (d) under the heading "Renard Mine Road Debt Facility" on page 32 of the Corporation's consolidated financial statements for the financial year ended December 31, 2016, available under Stornoway's SEDAR profile at www.sedar.com, which Note 13 (d) is incorporated by reference herein); and

- the $20 million unsecured debt facility entered into on May 3, 2012 among the Corporation and the Existing Lenders. The proceeds of the debt facility are being used to finance pre-development work at the Renard Diamond Mine. Diaquem provided 25% of the loan amount and received 3,750,000 share purchase warrants as consideration. Each warrant entitles the holder to acquire one Common Share at a price of $1.21 until May 4, 2017. The loan bears interest at a rate of 12% per annum, payable 100% in cash or 50% in cash and 50% in Common Shares, at the Corporation's option, prior to commencement of commercial production, and 100% in cash thereafter. Principal is to be repaid in equal monthly instalments commencing approximately one month following the date of commercial production at Renard, but not before May 3, 2016 and not later than May 3, 2017. The final maturity is May 3, 2021. In connection with the loan, SDCI has granted the Existing Lenders a 1% contingent secured royalty interest in the Renard Diamond Mine which is only triggered upon the occurrence of certain specified events, such as a payment default or a default following a change of control of the Corporation, in each case capped at an amount equal to the aggregate value of the principal and interest then outstanding on the loan. On each of the four semi-annual interest payments between May 1, 2012 and May 1, 2014, as well as on the semi-annual interest payment of November 1, 2014, the Corporation paid 50% of the semi-annual interest payment in cash and issued interest payment shares for the remaining 50%.

Copies of the agreements referred to above can be found under Stornoway's SEDAR profile at www.sedar.com.

EXPERTS

Names of Experts

Paul Bedell, P.Eng. of Golder and Associates Ltd., an independent "qualified person" for the purposes of NI 43-101, is an author responsible for the preparation of the 2016 Technical Report.

Patrick Godin, Ing. (Québec), a "qualified person" for the purposes of NI 43-101, is an author responsible for the preparation of the 2016 Technical Report. Mr. Godin was not independent at the time of writing as he is an officer of Stornoway.

Robin Hopkins, P. Geol. (NT/NU), a "qualified person" for the purposes of NI 43-101, is an author responsible for the preparation of the 2016 Technical Report. Mr. Hopkins was not independent at the time of writing as he is an officer of Stornoway.

PricewaterhouseCoopers LLP, Chartered Accountants, of Montreal, Québec is the independent auditor who prepared the Auditors' Report to the shareholders of the Corporation under Canadian generally accepted auditing standards.

Interests of Experts

PricewaterhouseCoopers LLP has confirmed to the Corporation that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables professionnels agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable to chartered accountants in the other provinces of Canada.

Other than as disclosed below, none of the experts named under "Names of Experts", when or after they prepared the statement, report or valuation, has received any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of one of the Corporation's associates or affiliates (based on information provided to the Corporation by the experts) or is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

Patrick Godin, Ing. (Québec), holds stock options exercisable into less than 1% of the issued and outstanding Common Shares of the Corporation.

Robin Hopkins, P. Geol. (NT/NU), holds stock options exercisable into less than 1% of the issued and outstanding Common Shares of the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Corporation's Management Information Circular for its most recent annual general meeting of shareholders that involved the election of directors. Additional financial information is provided in the Corporation's consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2016.

SCHEDULE "A" – AUDIT COMMITTEE CHARTER

STORNOWAY DIAMOND CORPORATION
(the "**Corporation**")

Purpose

To assist the board of directors (the "**Board**") in fulfilling its oversight responsibilities for:

(a) the integrity, quality and transparency of the Corporation's financial statements;

(b) the Corporation's internal control over financial reporting;

(c) the Corporation's compliance with legal and regulatory requirements which relate to financial reporting;

(d) the recommendation for the appointment of the Corporation's external auditor made to shareholders and the approval of its compensation, as well as responsibility for its independence, qualifications and performance of all audit and audit related work; and

(e) such other duties as assigned to it from time to time by the Board.

The function of the audit committee (the "**Committee**") is oversight. The members of the Committee are not full-time employees of the Corporation. The Corporation's management is responsible for the preparation of the Corporation's financial statements in accordance with applicable accounting standards and applicable laws and regulations. The Corporation's external auditor is responsible for the audit and review, as applicable, of the Corporation's financial statements in accordance with applicable auditing standards and laws and regulations.

In carrying out its oversight role, the Committee and the Board recognize that the Corporation's management is responsible for:

(a) implementing and maintaining suitable internal controls and disclosure controls;

(b) the preparation, presentation and integrity of the Corporation's financial statements; and

(c) the appropriateness of the accounting principles and reporting policies that are used by the Corporation.

The Committee

The Committee shall consist of at least three members of the Board. The Board will appoint the Committee members and the Committee Chair.

The Board will confirm that the Chair of the Committee and its members are independent and financially literate. Both independence and financial literacy are defined in National Instrument 52-110 ("**NI 52-110**").

Procedures, Powers and Duties

In carrying out its oversight role, duties and responsibilities, the Committee believes that its policies and procedures should remain flexible, within appropriate regulatory and generally accepted accounting principles guidelines, in order to best react to changing events, conditions and circumstances.

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. The Committee will invite members of management, the external auditors or others to attend meetings and provide pertinent information, as necessary. The Committee will hold private meetings with external auditors, the chief financial officer, or Vice-President Finance where acting as the most senior financial officer of the Corporation, and others as considered necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

The Chair of the Committee has the authority to convene additional meetings, as circumstances warrant. Any member of the Committee, the Chair of the Board, Chief Executive Officer and the Chief Financial Officer shall be entitled to request that the Chair of the Committee call a meeting within 48 hours of receipt of such request.

No business shall be transacted by the Committee except at a meeting where a majority of the members are present, either in person or by teleconference or video conference.

The Committee may:

(a) engage outside legal, audit or other counsel and/or advisors at the Corporation's expense, without the prior approval of the directors of the Corporation;

(b) set and pay the compensation of any advisors employed by the Committee;

(c) review any corporate counsel's reports of evidence of a material violation of security laws or breaches of fiduciary duty relating to or having an impact on financial reporting;

(d) seek any information it requires from employees – all of whom are directed to cooperate with the Committee's request – or external party; and

(e) meet and/or communicate directly with Corporation's officers, external auditors or outside counsel, as necessary.

The Committee's business will be recorded in minutes of the Committee meetings, which shall be submitted to the Board.

Responsibilities

The Committee will carry out the following responsibilities:

Financial Statements and Related Disclosure Documents

- Review and discuss with management and the external auditor the quarterly and annual consolidated financial statements and the related disclosures contained in Management's Discussion and Analysis and news releases and approve, or where required recommend to the Board for approval, in each case subject to any required change being made, prior to the public disclosure of this information by the Corporation. Such discussion shall include:
    (a) the choice and justification of significant accounting policies and estimates made by management and the quality, not just the acceptability, of the accounting principles applied by the Corporation;
    (b) the reasonableness of any significant judgments made;
    (c) the clarity and completeness of the financial statement disclosure;
    (d) any accounting adjustments that were noted or proposed by the external auditor but were not made (as immaterial or otherwise); and
    (e) any communication between the audit team and their national office relating to accounting or auditing issues encountered during their work.
- Review and discuss with management and the external auditor the financial information contained in any prospectus, offering memoranda and any other document containing financial information required to be disclosed or filed by the Corporation and recommend to the Board for approval, in each case subject to any required change being made prior to the public disclosure of this information.
- Review disclosure related to any insider and related party transactions, significant non-recurring events, significant risks and changes in provisions, estimates or reserves included in the Corporation's public disclosure documents.

Internal Controls

- Review with management and the external auditor the adequacy and effectiveness of the Corporation's

systems of internal control over financial reporting and disclosure, including policies, procedures and systems to assess, monitor and manage the Corporation's assets, liabilities, revenues and expenses. In addition, the Committee will review and discuss the appropriateness and timeliness of the disposition of any recommendations for improvements in the Corporation's internal control over financial reporting and disclosure.

- Obtain and review reports of the external auditor on significant findings and recommendations on the Corporation's internal controls, together with management's responses.
- Periodically discuss with management, the Corporation's policies regarding financial risk assessment and financial risk management. While it is the responsibility of management to assess and manage the Corporation's exposure to financial risk, the Committee will discuss and review guidelines and policies that govern the process. The discussion may include the Corporation's financial risk exposures and the steps management has taken to monitor and control such exposures.

External Auditor

- Receive reports directly from and oversee the external auditor.
- Discuss with representatives of the external auditor the plans for their quarterly reviews and annual audit, including the adequacy of staff and their proposed fees and expenses. The Committee will have separate discussions with the external auditor, without management present, on:
  (a) the results of their annual audit and quarterly reviews;
  (b) any difficulties encountered in the course of their work, including restrictions on the scope of activities or access to information;
  (c) management's response to audit or quarterly review issues; and
  (d) any disagreements with management.
- Pre-approve all audit and allowable non-audit fees and services to be provided by the external auditor in accordance with securities laws and regulations and the Corporation's policies and procedures pertaining to the pre-approval and reporting of such services.
- Recommend to the Board that it recommend to the shareholders of the Corporation the appointment and termination of the external auditor.
- Approve the external auditor's compensation.
- Receive reports in respect of the quarterly review and audit work of the external auditor and, where applicable, oversee the resolution of any disagreements between management and the external auditor.
- Establish and maintain direct communication channels between the Committee and the external auditor of the Corporation to discuss and review specific issues, as appropriate.
- Meet separately, on a regular basis, with management and the external auditor to discuss any issues or concerns warranting Committee attention. As part of this process, the Committee shall provide sufficient opportunity for the external auditor to meet privately with the Committee.
- At least annually, obtain and review a report from the external auditor describing:
  (a) any sanctions made by any government or professional authorities, respecting independent audits carried out by the external auditor, and any steps taken to deal with any such issues; and
  (b) all relationships between the external auditor and the Corporation in order to assess external auditor independence and receive a letter each year from the external auditor confirming its continued independence.
- Allow the external auditor of the Corporation to attend and be heard at any meeting of the Committee.
- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the external auditor to ensure compliance with NI 52-110.

- At least annually, evaluate the external auditor's qualifications, performance and independence, including that of the external auditor's lead partner, and report the results of such review to the Board; and
- At least every five years, conduct a more comprehensive review of the external auditor's performance and report the results of such review to the Board.

Whistleblower

- Review procedures established with respect to employees and third parties for:
  (a) the receipt, retention and treatment of complaints received by the Corporation, confidentially and anonymously, regarding accounting, financial reporting and disclosure controls and procedures, or auditing matters; and
  (b) dealing with the reporting, handling and taking of remedial action with respect to alleged violations of accounting, financial reporting and disclosure controls and procedures, or auditing matters, as well as certain other alleged illegal or unethical behaviour, in accordance with the Corporation's related policies and procedures.

Compliance

- Review disclosures made by the Corporation's chief executive officer and chief financial officer, or Vice-President Finance where acting as the most senior financial officer of the Corporation, regarding compliance with their certification obligations as required by the regulators.
- Review the Corporation's chief executive officer and chief financial officer's, or Vice-President Finance where acting as the most senior financial officer of the Corporation, quarterly and annual assessments of the design and operating effectiveness of the Corporation's disclosure controls and procedures and internal control over financial reporting, respectively.
- Review the findings of any examination by regulatory agencies, and any auditor observations.
- Receive reports, if any, from management and corporate legal counsel of evidence of material violation of securities laws or breaches of fiduciary duty.

Reporting Responsibilities

- Regularly report to the Board on Committee activities, issues and related recommendations.
- Report annually to the shareholders, describing the Committee's composition, responsibilities and how they are discharged, and any other information required by legislation.

Other Responsibilities

- Perform any other related activities as requested by the Board.
- Review and assess the adequacy of the Committee mandate annually, requesting Board approval for proposed changes.
- Institute and oversee special investigations, as needed.

Last updated: December 7, 2015

SCHEDULE "B" - GLOSSARY OF TERMS

In this AIF, the following terms have the meanings set forth below, unless otherwise indicated.

"**2013 Optimization Study**" means the report titled "The Renard Diamond Project, Quebec Canada – Feasibility Study Update, NI 43-101 Technical Report" dated February 28, 2013;

"2015 Mineral Resource Estimate" has the meaning attributed thereto under the section titled "Mineral Projects – Renard Diamond Project – 2015 Mineral Resource Estimate";

"**2015 Mineral Resource Update**" means the report titled "2015 Mineral Resource Update for the Renard Diamond Project, Québec, Canada, National Instrument 43-101 Technical Report" dated January 11, 2016;

"**2016 Technical Report**" means the report titled "Update on the Development and Mineral Reserve Estimate of the Renard Diamond Project, Québec, Canada, NI 43-101 Technical Report" dated March 30, 2016;

"**Acquisition**" means the acquisition by Stornoway of Diaquem's 50% interest in the Renard Diamond project completed on April 1, 2011;

"**AIF**" means this annual information form of Stornoway;

"**Amended and Restated Investor Agreement**" means the amended and restated investor agreement dated July 8, 2014 among the Corporation and Orion Equity Co-Invest, the IQ Parties and CDPQ, as the same may be amended from time to time, amending and restating the Investor Agreement dated April 1, 2011 among Stornoway, Diaquem and IQ, as amended;

"**Ashton**" means Ashton Mining of Canada, Inc.;

"**Blackstone**" means The Blackstone Group L.P.;

"**Blackstone Tactical Opportunities**" means an affiliate of Blackstone Tactical Opportunities Advisors LLC;

"**Board of Directors**" means the board of directors of Stornoway;

"**Bridge Facility**" has the meaning attributed thereto under the section titled "Interest of Management and Others in Material Transactions";

"**CAPEX**" has the meaning attributed thereto under the section titled "Mineral Projects – Renard Diamond Mine – Capital and Operating Costs";

"**CBCA**" means the *Canada Business Corporations Act*;

"**CDPQ**" means Caisse de dépôt et placement du Québec;

"**CEAA**" has the meaning attributed thereto under the section titled "General Development of the Business – Environment";

"**Change of Control**" means: (i) any event as a result of or following which any person (other than IQ, Orion or their respective affiliates), or group of persons (other than IQ, Orion or their respective affiliates) acting jointly or in concert (within the meaning of MI 62-104 as at the date hereof), acquires the right to cast, at a general meeting of shareholders of Stornoway more than fifty percent (50%) of the votes that may be ordinarily cast at a general meeting; (ii) any amalgamation, consolidation, merger or arrangement by Stornoway with or into any other person, or of any person into Stornoway; or (iii) the conveyance, transfer, sale, lease or other disposition, directly or indirectly, of all or substantially all of the assets and properties

of Stornoway and its subsidiaries, taken as a whole, to another arm's length person; but with respect to each of (i) through (iii) above, will not include a sale, merger, amalgamation, consolidation, reorganization, arrangement, combination or other similar transaction if the previous holders of Common Shares beneficially own or exercise Control or direction over at least a majority of the voting securities in such merged, amalgamated, consolidated, reorganized, arranged, combined or other continuing entity (or, as applicable, in the entity which has acquired more than fifty percent (50%) of Stornoway's consolidated assets) immediately following completion of such transaction;

"**Closure Plan**" has the meaning attributed thereto under the section titled "Mineral Projects – Renard Diamond Mine – Government and Permitting";

"**CNM**" means the Cree Nation of Mistissini;

"**COF**" means an unsecured cost overrun facility in an amount of $28 million to be provided by CDPQ to Stornoway;

"**COF Agreement**" means the definitive documents providing for the COF;

"**COF Warrant Exercise Price**" means $0.945 per share, being 135% of the Equity Investment Price;

"**COF Warrants**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Collateral**" means any property, assets or collateral that is subject to security granted pursuant to the Definitive Agreements;

"**Commencement of Commercial Production**" means the first day of the month immediately following the month in which the Renard Diamond Mine's processing plant first processes ore at an average rate of 3,550.7 tons per day;

"**Commencement of Commercial Production Date**" means October 1, 2017, extendible day for day for *force majeure* events up to a maximum of 180 days;

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

"**Common Terms and Intercreditor Agreement**" means the common terms and intercreditor agreement entered into between the Senior Secured Lender (under the Senior Secured Loan) and the Purchasers (under the Forward Sale of Diamonds);

"**Completion**" shall occur upon delivery to the Senior Secured Lender of certain certificates of SDCI (verified, where appropriate, by the Independent Engineer, including in respect of sustainability of performance consistent with the levels required to achieve Completion as well as production levels including that the processing facility has been processing ore for at least thirty (30) days at an average rate of 5,326 tons per day);

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ability to exercise voting power, by contract or otherwise. "**Controlling**" and "**Controlled**" have corresponding meanings;

"**Conversion Price**" means $0.945, being a conversion price calculated at a 35% premium to the Equity Investment Price;

"**Convertible Debentures**" means the unsecured convertible debentures acquired from Stornoway by the Convertible Debenture Purchasers on the Financing Transactions Closing Date in an aggregate principal amount of US$81,257,000;

"**Convertible Debenture Purchasers**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Corporation**" or "**Stornoway**" or "**we**" or "**us**" or "**our**" means Stornoway Diamond Corporation;

"**Cree Parties**" means the CNM, the Grand Council of the Crees (Eeyou Istchee) and the Cree Regional Authority;

"**D1**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**D2**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**D3**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Debt Financing Facilities**" means, collectively, the Senior Secured Loan, the Convertible Debentures and the COF;

"**Definitive Agreements**" means, collectively, all definitive documentation for the Financing Transactions (other than the Equipment Facility);

"**Deposit**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Deposit Conditions Precedent**" means the conditions precedent in favour of the Purchasers to funding of each of D1, D2 and D3 pursuant to the Purchase and Sale Agreement;

"**Diaquem**" means Diaquem Inc.;

"**Early Repayment Amount**" means the payment of the un-offset Deposit amount plus an interest rate to be agreed to;

"**Environmental Assessment Decision**" means the principal regulatory approval from the federal government which, with the Québec Certificate of Authorization, is required before mine construction can commence, and which was issued by the CEAA on July 12, 2013 for the Renard Diamond Mine;

"**Equipment Facility**" means the equipment financing facility made available to SDCI by Caterpillar Financial Services Limited pursuant to the terms of a master lease agreement dated July 25, 2014;

"**Equity Investment**" means, collectively, the Public Offering and the Subscription Receipt Private Placements;

"**Equity Investment Price**" means $0.70, or US$0.64232, as applicable, being the subscription price of one Subscription Receipt under the Public Offering and one Private Placement Subscription Receipt under the Subscription Receipt Private Placements;

"**ESIA**" means the Environmental and Social Impact Assessment filed by the Corporation on December 28, 2011, for the Renard Diamond Mine;

"**Excluded Properties**" means any ore bodies or properties which form part of the Renard Diamond Mine other than the Properties;

"**Existing Lenders**" means, collectively, Fonds and Diaquem;

"**FCDC**" means FCDC Sales and Marketing Inc., a wholly-owned subsidiary of SDCI;

"**Financing Commitment Letter**" means, collectively, the financing commitment letter and the Term Sheets attached as schedules thereto entered into on April 9, 2014 among the Corporation, SDCI and the Investors, as amended from time to time, including without limitation on May 7, 2014 and May 12, 2014;

"**Financing Transactions**" means, collectively, the series of financing transactions contemplated by the terms of the Financing Commitment Letter, which include the Equity Investment, the Forward Sale of Diamonds, the Debt Financing Facilities and the Equipment Facility, and "**Financing Transaction**" means any one of the Financing Transactions;

"**Financing Transactions Closing**" means the closing of each of the Financing Transactions (other than the Equity Investment, which closed at the Public Offering Closing, and the Equipment Facility, which closed after the Financing Transactions Closing);

"**Financing Transactions Closing Date**" means the date on which the Financing Transactions Closing occurred, being July 8, 2014;

"**First Payment Date**" means the earlier of (i) the first Payment Date occurring six months following Commencement of Commercial Production, and (ii) the first Payment Date which falls 42 months after the Financing Transactions Closing Date;

"**Fonds**" means, collectively, Fonds de solidarité FTQ and the Fonds régional de solidarité FTQ Nord-du-Québec, S.E.C.;

"**Forward Sale of Diamonds**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Forward Sale of Diamonds Collateral**" means the Subject Diamond Interest, the Forward Sale of Diamonds Net Proceeds and a 20% undivided interest in the mining lease for the Renard Diamond Mine;

"**Forward Sale of Diamonds Net Proceeds**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Forward Sale of Diamonds Upfront Deposit Offset Date**" means the date on which the Deposit has been fully offset under the Purchase and Sale Agreement;

"**Foxtrot Property**" has the meaning attributed thereto under the section titled "Mineral Projects – Renard Diamond Mine – Property Description and Location";

"**Gaz Métro**" has the meaning attributed thereto under the section titled "Material Contracts";

"GCC" has the meaning attributed thereto under the section titled "Mineral Projects – Renard Diamond Mine – Government and Permitting";

"**Golder**" means Golder Associates Ltd;

"**Gross Overriding Royalties**" means 0.5% of the Net Sales Returns (as such term is defined in the Qilalugaq and Pikoo Property Purchase Agreement) from all diamonds mined from the Qilalugaq property and 1.0% of the Net Sales Returns from all diamonds mined from the Pikoo property;

"**Gross Proceeds**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**HPGR**" has the meaning attributed thereto under the section titled "Mineral Projects – Renard Diamond Mine – Mineral Processing and Diamond Recovery";

"**Indenture**" means the trust indenture entered into on July 8, 2014 between the Corporation and the trustee named therein relating to the Convertible Debentures;

"**Independent Engineer**" means Roscoe Postle Associates Inc., including its successors or permitted assigns in such capacity;

"**Initial Forward Sale of Diamonds Deposit Date**" means March 31, 2015;

"**Intercreditor Principles**" means the general core principles for the intercreditor provisions contained in the Common Terms and Intercreditor Agreement among the Senior Secured Lender and the Purchasers;

"**Investors**" means Orion, CDPQ, together with RQ and/or Diaquem (including in its capacity as the Senior Secured Lender), as the context may require, and "**Investor**" means any one of the Investors;

"**Itasca**" Itasca Consulting Canada Inc.;

"**IQ**" means Investissement Québec, the parent company of RQ and of Diaquem;

"**IQ Parties**" means IQ together with Diaquem and RQ;

"James Bay Regional Government" has the meaning attributed thereto under the section titled "Mineral Projects – Government and Social License";

"**JBNQA**" has the meaning attributed thereto under the section titled "General Development of the Business – Environment";

"**JV Exploration Project**" has the meaning attributed thereto under the section titled "Mineral Projects – Other Exploration Properties – JV Agreements";

"**LNG Effective Date**" has the meaning attributed thereto under the section titled "Material Contracts";

"**LNG Supply Contract**" means the LNG supply contract entered into on October 20, 2015 between SDCI and Gaz Métro GNL 2013, S.E.C.

"**Maturity Date**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**MDDELCC**" has the meaning attributed thereto under the section titled "General Development of the Business – Environment";

"**Mecheshoo Agreement**" or "**Impact and Benefits Agreement**" means the Impact and Benefits Agreement dated March 27, 2012 between SDCI and the CNM, The Grand Council of the Crees (Eeyou Istchee) and The Cree Regional Authority;

"**MFE**" means the Québec *Ministère des Finances et de l'Économie*;

"**MFE Financing Agreement**" means the financing agreement entered into on December 6, 2012 among SDCI and the MFE providing for a credit facility consisting of Loan A and Loan B for the construction of the Renard Mine Road;

"**MI 62-104**" means Multilateral Instrument 62-104−*Take-Over Bids and Issuer Bids*;

"**Mine Plan**" means the initial mine plan delivered by SDCI to the Senior Secured Lender;

"**Mining Lease**" has the meaning attributed thereto under the section titled "Mineral Projects – Renard Diamond Mine – Property Description and Location";

"**MERN**" has the meaning attributed thereto under the section titled "General Development of the Business – Environment";

"**MTQ**" means the *Québec Ministère des Transports*;

"**New Securities**" means all Common Shares, or other voting or equity shares, or convertible securities (other than securities of Stornoway issued or issuable to officers, directors or employees of, or consultants to, Stornoway pursuant to stock option or stock purchase plans or similar agreements) that Stornoway may, from time to time, propose to sell and issue;

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*;

"**North Arrow**" has the meaning attributed thereto under the section titled "General Development of the Business – Summary Description of the Business";

"**NSR Royalties**" means 0.5% of the precious net smelter returns from all ores mined from the Qilalugaq property and 1.0% of the precious net smelter returns from all ores mined from the Pikoo property and having a precious metal or combination of precious metals as contained element of greatest economic value, and all doré, concentrates and other mineral products, metals or mineral which are derived therefrom prior to their sale, as calculated in accordance with the Qilalugaq and Pikoo Property Purchase Agreement.

"**OPEX**" has the meaning attributed thereto under the section titled "Mineral Projects – Renard Diamond Mine – Capital and Operating Costs";

"**Orion**" means Orion Co-Investments I Limited;

"**Orion Equity Co-Invest**" means Orion Co-Investments I LLC;

"**Payment Date**" means each semi-annual payment date which falls on June 30 and December 31 of each year;

"**Per Carat Cash Price**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Pre-Emptive Right**" has the meaning attributed thereto under the section titled "Description of Capital Structure";

"**Price Protection Event**" means the occurrence of a Subsequent Equity Offering, whether on a public offering or private placement basis, where the Subsequent Offering Price is lower than the Equity Investment Price;

"**Private Placement Subscription Receipts**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Properties**" means the Renard 2, Renard 3, Renard 4, Renard 9, and Renard 65 kimberlites at the Renard Diamond Mine;

"**Public Offering**" means the distribution and offering of the Subscription Receipts by the Corporation pursuant to the Short Form Prospectus and the Common Shares and Warrants issued pursuant to the terms of the Subscription Receipts;

"**Public Offering Closing**" means the closing of the Public Offering, which occurred on May 23, 2014;

"**Purchase and Sale Agreement**" or "**Streaming Agreement**" means a diamond streaming agreement pursuant to which SDCI shall agree to sell to the Purchasers, and the Purchasers shall agree to purchase from SDCI, at the times and under the conditions set out therein, the Subject Diamonds Interest;

"**Purchase Price**" means the purchase price payable by the Purchasers to SDCI for the Subject Diamonds Interest;

"**Purchasers**" or "**Streamers**" means, collectively, (i) Orion and/or one or more of its designated affiliates and/or respective limited partners or investors; and (ii) all assignees party to the Purchase and Sale Agreement at the relevant time, including as of the date hereof, CDPQ and Blackstone Tactical Opportunities;

"**Qilalugaq and Pikoo Property Purchase Agreement**" means the property purchase agreement entered into between North Arrow and the Corporation dated January 16, 2017 relating to the acquisition by North Arrow of the Corporation's 18% interest in the Qilalugaq project and the 15% interest in the Pikoo project.

"**Renard Diamond Mine**" means Stornoway's 100% owned Renard Diamond Mine located in north-central Québec, which is held through its wholly-owned subsidiary SDCI;

"**Renard Mine Airport**" means the new regional aerodrome enhancing air transport in the Monts Otish region of Québec, named the Abel & Swallow Airport;

"**Renard Mine Airstrip**" means the airstrip of the Renard Diamond Mine Airport;

"**Renard Mine Road**" means the 97 km long mining-grade road on segments "C" and "D" of the Route 167 Extension;

"**Route 167 Extension**" means the extension of Route 167 from Témiscamie to the Renard Diamond Mine mine site;

"**ROM**" means run-of-mine;

"**RQ**" means Ressources Québec (as mandatary for the Government of Québec);

"**SDCI**" means Stornoway Diamonds (Canada) Inc., a wholly-owned subsidiary of the Corporation;

"**Senior Obligations**" means (i) all obligations owing to the Senior Secured Lender under the Senior Secured Loan, (ii) all obligations owing to the Purchasers under the Purchase and Sale Agreement, and (iii) all obligations owing to hedge counterparties under permitted hedging agreements, if any;

"**Senior Secured Lender**" means Diaquem;

"**Senior Secured Loan**" means, collectively, the Senior Secured Loan, Tranche A and the Senior Secured Loan, Tranche B;

"**Senior Secured Loan Agreement**" means, collectively, the definitive documents providing for the Senior Secured Loan;

"**Senior Secured Loan, Tranche A**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015 – Debt Financing Facilities – Senior Secured Loan";

"**Senior Secured Loan, Tranche B**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015 – Debt Financing Facilities – Senior Secured Loan";

"**Services Agreement**" means the services agreement to be entered into between SDCI and Stornoway (pursuant to which Stornoway will agree to provide certain management services to SDCI in connection with the construction and operation of the diamond mine at Renard, including sales assistance, operational security support, technical support, advisory services and support, finance administration, management

information systems support, geological support, risk management activities, policies and procedures, and other types of services or support as may be established by mutual agreement, in exchange for a monthly fee to be charged by Stornoway based on the cost to Stornoway for the time spent by its employees and the reimbursement of expenses incurred, not to exceed $5 million annually in constant Q2 2011 terms;

"**Settlement Amount**" means: (a) during the period commencing on the Financing Transactions Closing Date and ending on the date on which 18 million carats shall have been sold pursuant to the Purchase and Sale Agreement, the un-offset Deposit amount plus US$100 million; (b) during the period commencing on the date that 18 million carats have been sold pursuant to the Purchase and Sale Agreement and ending on the date that 30 million carats have been sold pursuant to the Purchase and Sale Agreement, the un-offset Deposit amount plus US$50 million; and (c) after the date that 30 million carats have been sold pursuant to the Purchase and Sale Agreement, the un-offset Deposit amount plus zero;

"**Short Form Prospectus**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**SOQUEM**" means Société Québécoise d'Exploration Minière inc.;

"**Sponsor and Shareholder Guarantee**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Standby Fee**" means a standby fee of 1% *per annum* based on the average daily undisbursed Deposits commencing on the Financing Transactions Closing Date;

"**Subject Diamonds Interest**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Subscription Receipt Private Placements**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Subscription Receipts**" means the subscription receipts of the Corporation offered pursuant to the Short Form Prospectus;

"**Subsequent Equity Offering**" means additional Common Share financing(s) made during the period between the Financing Transactions Closing Date and the Commencement of Commercial Production Date;

"**Subsequent Offering Price**" means the offering price pursuant to a Subsequent Equity Offering;

"**Term Sheets**" means each of the term sheets (including the general terms and conditions term sheet) attached as schedules to the Financing Commitment Letter, and "**Term Sheet**" means any one of the Term Sheets;

"**Threshold Number**" means the first 30 million carats produced from the Renard Diamond MineMine;

"**Trustee(s)**" means a trustee, collateral agent and fondé de pouvoir under Article 2692 of the Civil Code of Québec;

"**TSX**" means the Toronto Stock Exchange;

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

"**Warrant Exercise Price**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Warrants**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015";

"**Warrant Shares**" has the meaning attributed thereto under the section titled "General Development of the Business – Three Year History – Financial Year Ended April 30, 2015"; and

"**WWW**" means WWW International Diamond Consultants Ltd.

In this AIF, the following technical terms have the meanings set forth below, unless otherwise indicated.

"**breccia**" A coarse grained rock in which angular fragments of one mineral (or composite of minerals or rock) are surrounded and held together by a mass of fine-grained minerals and in this case originating from explosive igneous processes;

"**BHS**" means blasthole shrinkage;

"**bulk sample**" Diamond content of a kimberlite is evaluated through a series of incrementally larger samples culminating in a bulk sample which may vary from 10 -10,000 tonnes in size;

"**carats**" Unit of weight in the gemstone trade where 1 carat = 0.2 grams;

"**CCR**" cracked country rock;

"**CIM**" Canadian Institute of Mining, Metallurgy and Petroleum;

"**claim**" A portion of land in which the subsurface mineral rights are held either by a prospector or a mining company under grant from the federal, provincial or territorial governments;

"**concentrate**" A product of the milling process containing a higher proportion of indicator minerals and diamonds than was present in the original rock;

"**core**" Long cylindrical piece of rock, commonly between 25 and 100mm (1 to 4 inches) in diameter, brought to surface by diamond drilling;

"**country rock**" The rock that surrounds or is entrained within an ore deposit but which generally has no commercial value. Also referred to as wall rock;

"**cpht**" Carats per hundred tonnes. Weight of diamonds in 100 tonnes of rock;

"**CRB**" Country rock breccia;

"**delineation drilling**" Drilling of a sufficient number of core holes in a regular enough pattern to allow the character, size and continuity of an ore body to be established with a reasonable degree of certainty;

"**dense media separation**" **(DMS)** Dense media separation (DMS) plant processing is used to establish whether kimberlitic rock samples contain a population of commercial size diamonds. It is a process whereby a fluid media is used to 'float' off undesirable minerals with a low specific gravity (density) and to 'sink' or concentrate minerals with a higher specific gravity. The density of the fluid media can be varied to change the density of the minerals that are retained/discarded;

"**development**" Preparation of a mineral deposit for commercial production including installations of plant and machinery and the construction of all related facilities;

"**diamond**" The hardest known mineral and composed of pure carbon. Low quality diamonds are used to make bits for diamond drilling in rock or other industrial applications. Higher quality diamonds are used in the manufacture of jewellery and in scientific applications;

"**diamond drilling**" **(core drilling)** A hollow drill bit impregnated with synthetic diamonds is attached to the end of a series of drill rods. The rods and bits are rotated rapidly and forced downward into the rock. The result is a cylinder of rock (called core) that is recovered from inside the drill rods. Diamonds drills are the most common type of exploration drill used in Canada;

"**diatreme**" Breccia-filled volcanic pipe formed by a gaseous explosion;

"**exploration**" The prospecting, mapping, sampling, remote sensing, geophysical surveying, diamond drilling and other work involved in the searching for ore bodies;

"**GDP**" means gross domestic product;

"**geological model**" Drill hole data combined with surface and subsurface geological information to develop an accurate 3-D model describing the shape, size and orientation of the mineralization or mineralized body;

"**geophysical survey**" A scientific method that measures the physical properties of rock formations. Common properties investigated include magnetism, density and electrical conductivity;

"**grease table**" A method of diamond extraction whereby a disaggregated rock sample is run down a gently sloping table covered in a specialized grease. Because diamonds are hydrophobic (water repellent), any diamonds present in the sample will adhere to the grease;

"**hypabyssal**" Referring to an igneous intrusion, or the rock of that intrusion, whose depth of emplacement is intermediate. When applied to kimberlite, generally refers to dykes in the root zones of diatremes or to sills, which were not exposed at surface during emplacement;

"**indicator minerals**" A suite of distinctive minerals, some of whom crystallised directly from a kimberlitic magma (phenocrysts) and others that are mantle derived (xenocrysts), and which are common constituents of kimberlites, lamproites and orangeites -the three primary host rocks for diamonds. Examples of indicator minerals include picroilmenite, titanium and magnesium rich chromite, chrome diopside, magnesium rich olivine, pyrope garnet and eclogite garnet, also known as kimberlite indicator minerals (KIMs) and diamond indicator minerals (DIMs);

"**kimberlite**" Volatile-rich, potassic ultrabasic rocks with highly variable textures and mineralogic compositions that are one of the primary hosts for diamond deposits. Kimberlite is a hybrid igneous rock crystallised from a molten liquid (kimberlitic magma) originating from the Earth's upper mantle;

"**LDR**" large diamond recovery;

"**LNG**" means liquefied natural gas;

"**mCarats**" means million carats;

"**mineralization**" means rock containing an undetermined amount of minerals or metals;

"**mTonnes**" means million tonnes;

"**NPV**" means net present value;

"**NPV 7%**" means NPV discounted at 7%;

"**ore**" A natural aggregate of one or more minerals which, at a specified time and place may be mined, processed and sold at a profit, or from which some part may profitably be separated;

"**outcrop**" An exposure of rock or mineral deposit that can be seen on surface, not covered by soil or water;

"**PK"** means Processed Kimberlite;

"**PKC**" means Processed Kimberlite containment;

"**RC**" means reverse circulation;

"**TFFE**" means a target for further exploration as defined in NI 43-101 (previously "potential mineral deposit");

"**trenching**" Digging or blasting down from surface through dirt and into the underlying rock to expose mineralization that can then be examined;

NI 43-101 Definitions

"**Indicated Mineral Resource**"	Refers to that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
"**Inferred Mineral Resource**"	Refers to that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
"**Measured Mineral Resource**"	Refers to that part of a Mineral Resource for which quantity grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
"**Mineral Reserve**"	Refers to the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that might occur when the material is mined. Mineral Reserves are categorized as follows on the basis of the degree of confidence in the estimate of the quantity and grade of the deposit: probable Mineral Reserves and proven Mineral Reserves.

"**Mineral Resource**"	Refers to a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.
"**Modifying Factors**"	Modifying Factors are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.
"**NI 43-101**"	National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*. An instrument developed by the Canadian Securities Administrators (an umbrella group of Canada's provincial and territorial securities regulators) that governs public disclosure by mining and mineral exploration issuers. The instrument establishes certain standards for all public disclosure of scientific and technical information concerning mineral projects.
"**pre-feasibility study**" and "**feasibility study**"	Refers to a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve. Feasibility studies have a greater degree of confidence associated with all aspects.
"**preliminary assessment**"	The term "preliminary assessment" or "preliminary economic assessment", commonly referred to as a scoping study, means a study that includes an economic analysis of the potential viability of Mineral Resources taken at an early stage of the project prior to the completion of a preliminary feasibility study.
"**Probable Mineral Reserve**"	Refers to an economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.
"**Proven Mineral Reserve**"	A Proven Mineral Reserve is the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.
"**qualified person**"	Means an individual who (a) is an engineer or geoscientist with at least five years experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the technical report; and (c) is a member in good standing of a professional association that, among other things, is self-regulatory, has been given authority by statute, admits

members based on their qualifications and experience, requires compliance with professional standards of competence and ethics and has disciplinary powers to suspend or expel a member, as defined in NI 43-101.

The terms “Mineral Resource”, “Measured Mineral Resource”, “Modification Factors”, “Indicated Mineral Resource”, “Inferred Mineral Resource”, Probable Mineral Reserve and Proven Mineral Reserve used in this AIF are Canadian mining terms as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards.

Conversion Factors

To Convert From	To	Multiply By
Feet	Metres	0.305
Metres	Feet	3.281
Acres	Hectares	0.405
Hectares	Acres	2.471
Grams	Ounces (Troy)	0.03215
Grams/Tonnes	Ounces (Troy)/Short Ton	0.02917
Tonnes (metric)	Pounds	2,205
Tonnes (metric)	Short Tons	1.1023