

CREDIT AGREEMENT

BETWEEN

STORNOWAY DIAMOND CORPORATION
as Borrower

AND

DIAQUEM INC.
as Lender

MADE AS OF

October 1, 2013

McCarthy Tétrault LLP

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CREDIT AGREEMENT

THIS AGREEMENT is made as of October 1, 2013

BETWEEN

STORNOWAY DIAMOND CORPORATION, a corporation
incorporated under the laws of Canada (the “**Borrower**”),

- and -

DIAQUEM INC., a corporation incorporated under the laws of
the Province of Québec (the “**Lender**”).

RECITALS

WHEREAS the Borrower has requested the Credit Facilities (as defined below) and the Lender has agreed to provide the Credit Facilities to the Borrower upon and subject to the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

“**Applicable Securities Legislation**” means applicable securities Laws (including rules, regulations, policies and instruments).

“**Ashton**” means Ashton Mining of Canada Inc./Les Mines Ashton du Canada Inc.

“**Affiliate**” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“**Agreement**” means this credit agreement, including its recitals and schedules.

“**Borrower Entities**” means, collectively, the Borrower and its Subsidiaries.

“**Borrower’s Counsel**” means Norton Rose Fulbright Canada LLP or such other firm of legal counsel as the Borrower may from time to time designate and that is acceptable to the Lender.

“**Borrower Public Record**” means (i) the Financial Statements and management’s discussion and analysis of financial conditions and operations related thereto, (ii) the current annual information form and any documents incorporated therein by reference, and (iii) all press

releases, certification, management information circulars, material change reports and other documents publicly filed by the Borrower on SEDAR since the date of the Borrower's current annual information form.

"Business Day" means a day of the year, other than a Saturday, Sunday or statutory holiday in Montreal, Québec or Vancouver, British Columbia.

"Capital Lease" means a capital lease or a lease that should be treated as a capital lease under GAAP.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Change of Control" means: (i) any event as a result of or following which any Person, or group of Persons acting jointly or in concert (within the meaning of MI 62-104 as at the date hereof), beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Common Shares; (ii) any amalgamation, consolidation or merger by the Borrower with or into any other Person, or of any Person into the Borrower; (iii) the conveyance, transfer, sale, lease or other disposition, directly or indirectly, of assets and properties, taken as a whole, representing more than 50% of the Borrower's consolidated assets; or (iv) any event as a result of or following which the Common Shares are no longer listed and posted for trading on a recognized stock exchange, but with respect to each of (i) through (iv) above, shall not include a sale, merger, 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, reorganized, arranged, combined or other continuing entity (or, as applicable, in the entity which has acquired more than 50% of the Borrower's consolidated assets) immediately following completion of such transaction.

"Closing Date" means, as applicable, the Tranche A Closing Date or the Tranche B Closing Date.

"Common Shares" means common shares in the capital of the Borrower, as such common shares are constituted on the date of this Agreement; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redivisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then "Common Shares" shall mean the shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up.

“Contingent Obligation” means, with respect to any Person, any obligation, whether secured or unsecured, of such Person guaranteeing or indemnifying, or in effect guaranteeing or indemnifying, any indebtedness, leases, dividends, letters of credit or other monetary obligations (the **“primary obligations”**) of any other Person (the **“primary obligor”**) in any manner, whether directly or indirectly, including any obligation of such Person as an account party in respect of a letter of credit or letter of guarantee issued to assure payment by the primary obligor of any such primary obligation and any obligations of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds for the purchase or payment of any such primary obligation or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the obligee under any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the obligee under such primary obligation against loss in respect of such primary obligation; provided, however, that the term Contingent Obligation does not include endorsements of instruments for deposit or collection in the ordinary course of business.

“Contract” means, in respect of any Person, any written or oral agreement, indenture, contract, lease, sublease, deed of trust, license, option or other legally enforceable obligation of or in favour of the applicable Person.

“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.

“Credit Facilities” means the Tranche A Facility and the Tranche B Facility, and **“Credit Facility”** means either of them.

“Current Market Price” means the volume weighted average trading price of the Common Shares on the Principal Market for the five Trading Days preceding the applicable date. If no such prices are available, “Current Market Price” shall be the fair value of a Common Share as reasonably determined by the board of directors of the Borrower.

“Current Material Subsidiaries” means, together, Ashton and SDCL.

“Default” means any event or condition that constitutes an Event of Default or that would constitute an Event of Default except for satisfaction of any condition subsequent required to make the event or condition an Event of Default, including giving of any notice, passage of time, or both.

“Disposition” means, with respect to a Person, any sale, assignment, transfer, conveyance, lease, licence or other disposition of any nature or kind whatsoever of any Property or of any right, title or interest in or to any Property that is out of the ordinary course of business of such Person, and the verb **“Dispose”** has a corresponding meaning, provided that the exercise of any rights under option agreements entered into by the Borrower with respect to its non-core exploration properties by the counterparties to those agreements shall not constitute a Disposition.

“Encumbrance” means, with respect to any Person, any hypothec, security interest, mortgage, debenture, pledge, lien, right of preference, charge, assignment by way of security, or any other agreement or encumbrance of any nature that secures the performance of an obligation, and a Person is deemed to own subject to an Encumbrance any Property that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or similar arrangement (other than an operating lease) relating to such Property, and **“Encumbrances”, “Encumbrancer”, “Encumber”** and **“Encumbered”** have corresponding meanings.

“Environmental Law” means any applicable Law relating to the environment, including those pertaining to:

- (i) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and
- (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling and the like of Hazardous Substances, including those pertaining to occupational health and safety.

“Event of Default” has the meaning set out in Section 9.01.

“FCPA Legislation” means the *Corruption of Foreign Public Officials Act* (Canada) and, to the extent applicable to the subject Person(s), the *U.S. Foreign Corrupt Practices Act*, the *U.K. Bribery Act*, and any other foreign corrupt practices Laws applicable to the subject Person(s).

“Financial Assistance” means, without duplication and with respect to any Person, all loans granted by that Person and guarantees or Contingent Obligations incurred by that Person for the purpose of or having the effect of providing financial assistance to another Person or Persons, including letters of guarantee, letters of credit, legally binding comfort letters or indemnities issued in connection therewith, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business), obligations to purchase assets regardless of the delivery or non-delivery thereof and obligations to make advances or otherwise provide financial assistance to any other Person.

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) borrowed money;
- (b) the face amount of all letters of credit issued for the account of any Borrower Entity and without duplication all drafts drawn thereunder;
- (c) any bond, note, debenture, loan stock or other similar instrument;
- (d) all ordinary course trade payables which are more than 60 days overdue;
- (e) any redeemable preference share;
- (f) any Capital Lease Obligation;

- (g) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (h) the acquisition cost of any asset or service to the extent payable after its acquisition or possession by the Person liable where the advance or deferred payment:
 - (i) is arranged primarily as a method of raising finance or financing the acquisition of that asset or the construction of that asset; or
 - (ii) is due more than six months before or after the date of acquisition or supply;
- (i) any derivative transaction protecting against or benefitting from fluctuations in any rate or price (and, except for non-payment of an amount, the then mark-to-market value of the derivative transaction will be used to calculate its amount);
- (j) any other transaction (including any forward sale or purchase agreement or advance payment agreement) which has the commercial effect of a borrowing;
- (k) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution;
- (l) a Contingent Obligation to the extent that the primary obligation would be classified as “Financial Indebtedness” (within the meaning of this definition) of the primary obligor; or
- (m) any guarantee, indemnity or similar assurance against financial loss of any Person in respect of any item referred to in the above paragraphs.

“**Financial Statements**” means the most recent audited consolidated annual financial statements of the Borrower filed on SEDAR and any unaudited consolidated interim financial statements of the Borrower for a subsequent period filed on SEDAR.

“**GAAP**” means those accounting principles (which for the financial period of the Borrower commencing after April 30, 2011 is understood to incorporate IFRS) that are from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute.

“**Governmental Body**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; (iii) any quasi-governmental, self-regulatory organization or private body exercising any regulatory, expropriation or taxing authority under or for the account of its members or any of the above (including the TSX); or (iv) any arbitrator exercising jurisdiction over the affairs of the applicable Person, asset, obligation or other matter.

“**Guarantee**” has the meaning attributed to such term in Section 8.01(o).

“Guarantors” means the existing and any future Material Subsidiaries providing a Guarantee.

“Hazardous Substance” means any substance or material whether natural or artificial and whether in solid or liquid form or in the form of a gas or vapour that is causing or capable of causing harm to any living organism or damage to the environment.

“Hedging Arrangement” means any arrangement or transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, interest rate option, spot or forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, equity hedging or any other similar transaction (including any option with respect to any such transactions or arrangements).

“In Specie Interest Payment Right” has the meaning attributed to such term in Section 4.02.

“Interest Rate” means 12% per annum, calculated and payable as set forth herein.

“Interest Payment Shares” means Common Shares issued pursuant to the In Specie Interest Payment Right.

“Laws” means the common law and any and all laws, including all federal, provincial, state and local statutes, codes, ordinances, guidelines, decrees, rules, regulations and municipal by-laws and all judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, and all published orders, directives, decisions, rulings of any Governmental Body, binding on or affecting the Person referred to in the context in which the term is used.

“Lender’s Counsel” means McCarthy Tétrault LLP or such other firm of legal counsel as the Lender may from time to time designate.

“Loan” means any extension of credit by the Lender under the Credit Facilities.

“Loan Documents” means (a) this Agreement, (b) the Guarantees, and (c) all present and future agreements, documents, certificates and instruments delivered by any Borrower Entity to the Lender pursuant to or in respect of this Agreement or the Guarantees, in each case as the same may from time to time be amended or restated, and **“Loan Document”** means any one of the Loan Documents.

“Material Contracts” means, with respect to a particular Borrower Entity all contracts to which such Person is a party or by which it is bound or may hereafter become a party or be bound, the breach or default of which would result in a Material Adverse Effect.

“Material Adverse Effect” means a material adverse effect on:

- (a) the business, operations, property, assets or financial condition of the Borrower Entities, considered as a whole;

- (b) the ability of any Borrower Entity to perform its obligations under any Loan Document to which it is a party or the validity or enforceability of a provision of this Agreement or any other Loan Document; or
- (c) the ability of the Lender to enforce its rights under any Loan Document.

Notwithstanding the foregoing and for greater certainty, normal course price fluctuations in the commodity markets, and any adverse effect (including a fluctuation in the market price of the Common Shares) resulting from or relating to the public announcement of the transactions contemplated hereby, shall not be deemed to constitute a Material Adverse Effect.

“Material Subsidiary” means (a) the Current Material Subsidiaries and (b) any other direct or indirect Subsidiary of the Borrower from time to time that, directly or indirectly, (i) owns any property comprising any operating mine and in respect of which the book value of resource properties attributable to such Subsidiary is greater than 20% of the Borrower’s consolidated book value of resource properties, based on the most recent consolidated financial statements of the Borrower, or (ii) holds a mineral project on a property material to the Borrower for the purposes of National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

“Maturity Date” means March 28, 2014.

“MI 62-104” means Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* as at the date of this Agreement.

“Net Proceeds” means, with respect to any Disposition, the aggregate fair market value of proceeds of such Disposition (whether such proceeds are in the form of cash or other Property or part cash and part other Property) net of reasonable, *bona fide* direct transaction costs and expenses incurred in connection with such Disposition, including (i) reasonable legal fees and disbursements, the customary fees of agents or brokers payable in connection with such Disposition within one year of such Disposition and title and recording expenses payable in connection with such Disposition, and (ii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Financial Indebtedness that is secured by a Permitted Encumbrance, if any, on any of the Property that is the subject matter of such Disposition and that is required to be repaid under the terms of such Financial Indebtedness as a result of such Disposition.

“Obligations” means the aggregate of all indebtedness, obligations and liabilities, direct or indirect, absolute or contingent, matured or not, (i) of the Borrower to the Lender under this Agreement and (ii) of the Material Subsidiaries to the Lender under the Guarantees.

“Organizational Documents” means, with respect to any Person, such Person’s articles, memorandum or other charter documents, partnership agreement, joint venture agreement, declaration of trust, trust agreement, by-laws, unanimous shareholder agreement, or any and all other similar agreements, documents and instruments pursuant to which such Person is constituted, organized or governed.

“Pension Plan” means (i) a “pension plan” or “plan” which is a “registered pension plan” as defined in the *Income Tax Act* (Canada) or is subject to the funding requirements of applicable

pension benefits legislation in any Canadian jurisdiction and is applicable to employees resident in Canada of a Borrower Entity, or (ii) any other pension benefit plan or similar arrangement applicable to employees of a Borrower Entity.

“Permitted Debt” means: (a) Qualifying Project Finance; (b) other debt financing for the Renard Diamond Project from one or more recognized pension funds or private equity funds; (c) financing for the Renard Diamond Project by way of forward purchase or streaming transactions; (d) Hedging Arrangements so long as they are not speculative, provided no Event of Default exists at the time such Hedging Arrangements are entered into or would arise as a result of the incurrence of such Financial Indebtedness; (e) Financial Indebtedness between the Restricted Parties; (f) other Financial Indebtedness in an aggregate amount not to exceed \$5,000,000, provided no Event of Default exists at the time such Financial Indebtedness is incurred or would arise as a result of the incurrence of such Financial Indebtedness; (g) Financial Indebtedness under this Agreement, (h) Financial Indebtedness reflected in the unaudited consolidated financial statements of the Borrower for the 3-month period ended July 31, 2013, and (i) all costs and expenses incurred by or on behalf of the holder of any Permitted Debt in enforcing payment or collection of any such Permitted Debt, including enforcing any security interest securing the same.

“Permitted Encumbrances” means:

- (a) Encumbrances:
 - (i) arising in the ordinary course of business, not securing Financial Indebtedness and for amounts either not overdue or for amounts contested in good faith and in appropriate proceedings and for which the Borrower or the relevant Material Subsidiary has established adequate reserves in accordance with GAAP (including purchase-money liens and retention of title arrangements in favour of suppliers); and
 - (ii) that could not in the aggregate reasonably be expected to have a Material Adverse Effect or materially impair the Borrower’s or the relevant Material Subsidiary’s use of the assets encumbered or by such Encumbrances;
- (b) Encumbrances for taxes, assessments or governmental charges or levies:
 - (i) not at the time due or delinquent; or
 - (ii) the validity of which are being contested in good faith by appropriate proceedings and as to which reserves are being maintained in accordance with GAAP; provided that such proceedings shall not involve any danger of the sale, forfeiture, or loss of the Renard Diamond Project or any material part thereof, and shall not interfere in any material respect with the use or disposition of the Renard Diamond Project;
- (c) Encumbrances incidental to construction or current operations which have not at the time been filed pursuant to Law or which relate to obligations not due or

delinquent or the validity of which are being contested in good faith by appropriate proceedings and as to which reserves are being maintained in accordance with GAAP; provided that the aggregate total amount so secured at any one time by the Borrower and the Material Subsidiaries does not exceed \$5,000,000 (or its equivalent);

- (d) any Encumbrance comprising a netting or set-off arrangement entered into by a Material Subsidiary in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
- (e) any Encumbrance arising under standard bank account agreement terms with respect to any bank account of a Material Subsidiary;
- (f) each Encumbrance created solely to secure the indebtedness described in item (a) of the definition of “Permitted Debt” above;
- (g) Encumbrances arising out of Capital Lease Obligations; provided that, at any particular time, the aggregate capital value of the amounts secured by such Encumbrances does not exceed, in aggregate, as incurred by the Borrower and the Material Subsidiaries, \$10,000,000 (or its equivalent) at any time;
- (h) Encumbrances securing credit lines provided by the Material Subsidiaries’ bankers to replace any indebtedness specified in (g) above; provided that the aggregate amount of Financial Indebtedness secured by such Encumbrances does not at any time exceed in respect of, in aggregate, the Borrower and the Material Subsidiaries, \$10,000,000 (or its equivalent);
- (i) the Encumbrances which are detailed in Schedule 1.1(a) to this Agreement; provided that no such security interest will be a Permitted Encumbrance to the extent that it creates an Encumbrance over existing Property that is not subject to that security interest or otherwise already contemplated by Schedule 1.1(a) as at the date of this Agreement; and
- (j) any Encumbrance for operating leases;

“**Person**” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Body or other entity, however designated or constituted.

“**Principal Market**” for the Common Shares as at a date means such stock exchange or quotation system on or through which the Common Shares are listed or quoted which has the highest trading volume in the calendar month immediately preceding such date, being as at the date hereof the TSX.

“**Project Lender**” means a recognized institution lender or a syndicate of recognized institutional lenders providing Qualifying Project Finance to the Borrower or to SDCL.

“Property” means, with respect to any Person, all or any portion of that Person’s property, assets or undertaking, both movable (real) and immovable (personal).

“Qualifying Project Finance” means project debt financing for the Renard Diamond Project in the aggregate amount of at least \$250 million.

“Related Parties” means, with respect to any Person, such Person’s directors, officers and employees.

“Release” means any release or discharge of any Hazardous Substance including any discharge, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leach, migration, dispersal, dispensing or disposal.

“Renard Diamond Project” means the Borrower’s Renard diamond project, being the diamond project located in north-central Québec as described in the technical report filed on SEDAR on March 27, 2013 with an effective date of February 28, 2013 and titled “The Renard Diamond Project, Québec, Canada, Feasibility Study Update, NI 43-101 Technical Report, February 28, 2013”.

“Restricted Parties” means the Borrower and each of the Guarantors, and **“Restricted Party”** means any one of them.

“Restricted Payment” means: (a) any dividend or other distribution, direct or indirect, declared or paid on account of any equity interest of the Borrower or any of its Subsidiaries now or hereafter outstanding; (b) any redemption, conversion, exchange, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, declared or paid on account of any equity interest of any of the Borrower Entities now or hereafter outstanding; (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire any equity interests of any of the Borrower Entities now or hereafter outstanding; (d) the payment by any Restricted Party of any royalty, consulting fee, management fee, bonus or similar fee to its shareholders (in their capacity as such) or any Borrower Entity; or (e) the making of any payment on account of any fees, principal, interest or otherwise on any shareholder advances or any other Financial Indebtedness owing to an Affiliate of the Borrower. A Restricted Payment shall not include any of the payments specified in items (a), (b), (c), (d) or (e) above by a Borrower Entity to any of the Restricted Parties.

“SDCI” means Stornoway Diamonds (Canada) Inc./Les Diamants Stornoway (Canada) Inc.

“SEDAR” means the System for Electronic Document Analysis and Retrieval (www.sedar.com) administered for the Canadian Securities Administrators.

“Subsidiary” means, at any time, with respect to any Person, any other Person, if at such time the first mentioned Person (i) owns, directly or indirectly, securities or other ownership interests in such other Person, having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such other Person, and (ii) directly or indirectly, through the operation of any agreement or otherwise, the ability to elect or cause the election of a majority of the board of directors or other persons performing similar functions for such other

Person or otherwise exercise control over the management and policies of such other Person, and in either case will include any other Person in like relationship to a Subsidiary of such first mentioned Person.

“**Taxes**” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Body, including any interest, additions to tax or penalties applicable thereto.

“**Trading Day**” means a day on which the Principal Market is open for the trading of securities.

“**Tranche A Closing Date**” means October 2, 2013, or such other date as the Borrower and the Lender may agree to in writing.

“**Tranche A Facility**” has the meaning set out in Section 2.01(a).

“**Tranche B Closing Date**” has the meaning set out Section 2.03(c).

“**Tranche B Facility**” has the meaning set out in Section 2.01(b).

“**TSX**” means the Toronto Stock Exchange.

1.02 **Interpretation**

In this Agreement:

- (a) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and *vice versa*;
- (b) all references to Articles and Schedules refer, unless otherwise specified, to articles of, and schedules to, this Agreement;
- (c) all references to Sections refer, unless otherwise specified, to Sections, subsections or clauses of this Agreement;
- (d) “this Agreement”, “hereto”, “herein”, “hereby”, “hereunder”, “hereof” and similar expressions refer to this Agreement and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof, and include any and every instrument supplemental or ancillary hereto;
- (e) the word “including”, when following any general statement, term or matter, is not to be construed to limit such general statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters whether or not non limiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto, but rather such general statement, term or matter is to be construed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter;

- (f) reference to any agreement or other instrument in writing means such agreement or other instrument in writing as amended, modified, replaced or supplemented from time to time;
- (g) unless otherwise expressly provided herein, any reference to a Law, includes a reference to all amendments made thereto and in force from time to time, and to any Law that may be passed which has the effect of supplementing or superseding such Law;
- (h) for the purposes of any representation or warranty of the Borrower set out herein which is made to the Borrower's "knowledge", the term "knowledge" means actual knowledge of on the part of the directors and executive officers of the Borrower, or any of them, after due inquiry; and
- (i) unless otherwise indicated, time periods within which a payment is to be made or any other action is to be taken hereunder shall be calculated by including the day on which the period commences and excluding the day on which the period ends.

1.03 **Headings, Etc.**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.04 **Time of Essence**

Time shall be of the essence of this Agreement.

1.05 **Invalidity, Etc.**

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

1.06 **Successors and Assigns**

All covenants and agreements of the Borrower and the Guarantor in the Loan Documents shall bind their respective successors and assigns, whether so expressed or not, and enure to the benefit of the successors and assigns of the Lender.

1.07 **Applicable Law and Attornment**

Each of the Loan Documents shall be construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein and shall be treated in all respects as Québec contracts.

The Borrower irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the Province of Québec, and any appellate court

from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such court. Each of the parties hereto agrees that a final, non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to any Loan Document against any Restricted Party or its Properties in the courts of any jurisdiction.

The Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable Laws, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to any Loan Document in any court of the Province of Québec. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Laws, the defence of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each party hereby waives any right they may have to require a trial by jury of any proceeding commenced in connection herewith.

1.08 **Non-Business Days**

Whenever any payment to be made hereunder shall be due, if any period of time would begin or end, any calculation is required to be made or any other action is required to be taken on, or as of, or from a period ending on, a day other than a Business Day, such payment shall be required to be made, such period of time shall begin or end, such calculation shall be required to be made and such other action shall be required to be taken, as the case may be, unless otherwise specifically provided herein, on or as of the next succeeding Business Day without any additional interest, cost or charge to the Borrower.

1.09 **Accounting Terms**

Except as hereinafter provided or as otherwise indicated in this Agreement, all calculations required or permitted to be made hereunder pursuant to the terms of this Agreement shall be made in accordance with GAAP. For greater certainty, GAAP shall include any accounting standards, including International Financial Reporting Standards, that may from time to time be approved for general application by the Canadian Institute of Chartered Accountants and that apply to the Borrower under Applicable Securities Legislation.

1.10 **Calculations**

The Borrower shall be responsible for making all calculations called for hereunder including calculations of Current Market Price. Whenever it is necessary to calculate the Current Market Price or any other value or amount hereunder in Canadian dollars for the purposes of payment or otherwise, and the Current Market Price or other value or amount to be calculated is not at the relevant time expressed in Canadian dollars, then the Current Market Price or other value or amount to be calculated hereunder, as applicable, shall be converted into Canadian dollars based on: (i) in the event that the Current Market Price or other value or amount to be calculated hereunder is expressed in United States dollars, the Bank of Canada

daily noon rate of exchange for converting United States dollars into Canadian dollars on the Business Day immediately preceding the applicable payment or other conversion date, as applicable, or (ii) in the event that the Current Market Price or other value or amount to be calculated hereunder is expressed in any currency other than Canadian or United States dollars, the exchange rate for the purchase of Canadian dollars with such other currency using for the purposes of such calculation the Bank of Canada daily noon rate of exchange for converting such other currency into Canadian dollars on the Business Day immediately preceding the applicable payment or other conversion date, as applicable. The Borrower shall make such calculations in good faith and, absent manifest error, the Borrower's calculations shall be final and binding on the Lender. The Borrower will provide a schedule of its calculations to the Lender.

1.11 **Solidary Obligations**

The obligations of the Guarantors under the Loan Documents shall be solidary and the Lender may pursue its remedies against one or more of the Guarantors at its sole, absolute and unfettered discretion. Each of the Guarantors shall acknowledge in its Guarantee that additional Guarantors may become parties to the Loan Documents from time to time without any agreement with, acknowledgement or approval from or notice to the Guarantors and that upon such additional Guarantor becoming a party to any Loan Document, such additional Guarantor's obligations under the Loan Documents shall be solidary with the obligations of all then existing Guarantors.

1.12 **Interest Calculations and Payments**

Unless otherwise stated, wherever in this Agreement reference is made to a rate of interest "*per annum*" or a similar expression is used, such interest will be calculated on the basis of a calendar year of 365 days or 366 days, as the case may be, and using the nominal rate method of calculation and not the effective rate method of calculation or on any other basis that gives effect to the principle of deemed reinvestment of interest. Interest will continue to accrue after maturity and default and/or judgment, if any, until payment thereof, and interest will accrue on overdue interest, if any.

1.13 **Interest Act (Canada)**

For the purposes of this Agreement, whenever interest to be paid hereunder is to be calculated on the basis of 360 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or such other number of days in such period, as the case may be.

1.14 **Currency**

Unless otherwise specified in this Agreement, all references to currency (without further description) are to lawful money of Canada.

1.15 **Conflicts**

In the event of a conflict between the provisions of this Agreement and the provisions of any other Loan Document, then, unless such Loan Document or an acknowledgement from the Restricted Party and the Lender relative to such Loan Document expressly states that this section is not applicable to such Loan Document, notwithstanding anything else contained in such other Loan Document, the provisions of this Agreement will prevail and the provisions of such other Loan Document will be deemed to be amended to the extent necessary to eliminate such conflict.

1.16 **Schedules**

The following are the schedules attached hereto and incorporated by reference and deemed to be part hereof:

Schedule 1.1(a)	- Existing Encumbrances
Schedule 3.01(i)	- Form of Amendment to Investor Agreement
Schedule 3.01(j)	Form of Guarantee
Schedule 10.09	Form of Payout Letter

ARTICLE 2 - THE CREDIT FACILITIES

2.01 **Credit Facilities**

Subject to the terms and conditions of this Agreement, the Lender establishes in favour of the Borrower:

- (a) a non-revolving term facility (the “**Tranche A Facility**”) in an amount of \$10,000,000, which facility will be available by a single advance on the Tranche A Closing Date; and
- (b) a non-revolving term facility (the “**Tranche B Facility**”) in an amount up to \$10,000,000, which facility will be made available by a single advance on the Tranche B Closing Date.

2.02 **Purpose of Credit Facilities**

- (a) Loans under the Credit Facilities will only be used to make a loan, advance and/or capital contribution to or investment in SDCI, and will in turn only be used by SDCI for the development of the Renard Diamond Project and for general corporate requirements in the ordinary course of business of the Borrower and SDCI, including costs relating to financing activities of the Borrower and SDCI. For greater certainty, Loans under the Credit Facilities are not to be used for exploration activities.
- (b) The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

2.03 **Lender's Discretion for Tranche B**

The Borrower acknowledges as follows with respect to the Tranche B Facility:

- (a) the Borrower will provide to the Lender all historical and prospective (including budgets, cost estimates and business plans) information as the Lender may reasonably request from time to time for purposes of determining whether to fund the Tranche B Facility;
- (b) the Lender is entitled, in its sole discretion, to determine whether to fund the Tranche B Facility and, if so, the specific amount of the Tranche B Facility; and
- (c) should the Lender determine to fund the Tranche B Facility, the parties shall determine the date on which the Tranche B Facility will be funded (the "**Tranche B Closing Date**"), and the conditions for such funding shall be those set out in Section 3.02, and such further conditions, if any, as the Lender may require. The Lender shall endeavor to notify the Borrower of any such further conditions as much in advance of the Tranche B Closing Date as commercially practicable.

ARTICLE 3- DISBURSEMENT CONDITIONS

3.01 **Conditions Precedent to Funding Tranche A Facility**

The obligation of the Lender to make the Tranche A Facility Loan is subject to and conditional upon the prior satisfaction of the following conditions precedent:

- (a) the Lender will have received certified copies of the Organizational Documents of each Restricted Party, the resolutions authorizing the execution and delivery of, and performance of each Restricted Party's respective obligations under, the Loan Documents and the transactions contemplated herein, and a certificate as to the incumbency of the officers of the Restricted Parties executing the Loan Documents and any other documents to be provided pursuant to the provisions hereof;
- (b) certificates of compliance, attestation or comparable certificates for each Restricted Party will have been delivered to the Lender;
- (c) the Lender will have received certified copies of any shareholder, regulatory, governmental and other approvals required in order for the Restricted Parties to enter into the Loan Documents and to perform their obligations thereunder;
- (d) the Lender will have received payment of all fees payable to the Lender that are due and payable at such time, including any fees payable pursuant to, and in the manner contemplated by, Section 4.03;
- (e) the Lender will have received a favourable title opinion, addressed to the Lender, with respect to the status of the interests of the Borrower Entities in the Renard Diamond Project;

- (f) the Lender will have received an opinion of Borrower's Counsel dated as of the Tranche A Closing Date addressed to the Lender, relating to such matters as the Lender may reasonably require;
- (g) the Lender will have received evidence satisfactory to the Lender confirming conditional approval of the listing of the Interest Payment Shares on the TSX, subject to standard conditions;
- (h) the Lender will have received a certificate, dated as of the Tranche A Closing Date, signed by the Chief Executive Officer and Chief Financial Officer of the Borrower, or such other senior officers as may be acceptable to the Lender, certifying for and on behalf of the Borrower, to the best of the knowledge, information and belief of the persons so signing, after having made due enquiry, but without personal liability, that:
 - (i) since April 30, 2013, except as disclosed in the Borrower Public Record, (A) there has been no material change (actual, or to the Borrower's knowledge, anticipated, contemplated or threatened) in the business, affairs, operations, properties, permits, assets, liabilities (contingent or otherwise), condition (financial or otherwise) or capital of the Borrower on a consolidated basis, and (B) no transaction has been entered into by any of the Borrower Entities which is or would be material to the Borrower on a consolidated basis;
 - (ii) no order, ruling or determination having the effect of suspending or prohibiting the sale or ceasing the trading of the Common Shares or any other securities of the Borrower has been issued by any applicable regulatory authority in any applicable jurisdiction and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the knowledge of such officers, contemplated or threatened by any applicable regulatory authority in any such jurisdiction;
 - (iii) the Borrower has duly complied with all of its covenants, and satisfied all of the terms and conditions, in all material respects, of this Agreement on its part to be complied with or satisfied up to the Tranche A Closing Date (other than those which have been waived in writing by the Lender); and
 - (iv) the representations and warranties of the Borrower contained in this Agreement are true and correct, in all material respects, as of the Tranche A Closing Date with the same force and effect as if made at and as of such time after giving effect to the transactions contemplated by this Agreement;
- (i) the Lender will have received an executed copy of the amendment to the investor agreement dated as of April 1, 2011 by and among, *inter alia*, the Lender and the Borrower, in the form of Schedule 3.10(i) attached hereto;

- (j) each of the Current Material Subsidiaries shall have provided its Guarantee, in the form attached as Schedule 3.01(j) hereto;
- (k) the representations and warranties of the Borrower contained in this Agreement shall have been true and correct in all material respects when made and as of the Tranche A Closing Date (as if made on and as of the Tranche A Closing Date);
- (l) all obligations, covenants and agreements of the Borrower required to be performed on or prior to the Tranche A Closing Date shall have been performed;
- (m) no legal or regulatory action or proceeding shall have been commenced or be pending or threatened by any Person which would enjoin, restrict, prohibit or adversely impacts upon the Lender's rights to resell Interest Payment Shares; and
- (n) the Lender will have received such other documentation as the Lender has reasonably requested;

provided that all documents delivered pursuant to this section must be in full force and effect, and in form and substance satisfactory to the Lender, acting reasonably.

3.02 **Conditions Precedent to Funding Tranche B Facility**

The obligation of the Lender to make the Tranche B Facility Loan is subject to and conditional upon the prior satisfaction of the following conditions precedent (in addition to any further conditions required by the Lender, as contemplated in Section 2.03(c)):

- (a) the representations and warranties deemed to be repeated pursuant to Section 7.02 will continue to be true and correct in all material respects as of the Tranche B Closing Date;
- (b) all obligations, covenants and agreements of the Borrower required to be performed on or prior to the Tranche B Closing Date shall have been performed;
- (c) no Default will have occurred and be continuing on the Tranche B Closing Date;
- (d) the Lender will have received payment of all fees payable to the Lender that are due and payable at such time, including any fees payable pursuant to, and in the manner contemplated by, Section 4.03;
- (e) during the period from the date of the Lender's determination to fund the Tranche B Facility to the Tranche B Closing Date no Material Adverse Effect will have occurred and be existing; and
- (f) the Lender will have received documents of the type described in Section 3.01(a), (b) and (h) but reflecting the Tranche B Closing Date;

provided that all documents delivered pursuant to this section must be in full force and effect, and in form and substance satisfactory to the Lender, acting reasonably.

3.03 **Waiver**

The conditions set forth in Sections 3.01 and 3.02 are inserted for the sole benefit of the Lender and may be waived by the Lender, in whole or in part (with or without terms or conditions).

**ARTICLE 4 - PAYMENTS OF INTEREST
AND COMMITMENT FEES**

4.01 **Interest on Loans**

- (a) The Borrower will pay interest on each Loan in Canadian Dollars at a rate *per annum* equal to the Interest Rate. Subject to Article 5, such interest will be payable in arrears on each Loan for the period from and including the date of funding thereof to but excluding the date of repayment, and will be calculated on the principal amount of the Loan outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be.
- (b) If an Event of Default under Section 9.01(a) or Section 9.01(b) has occurred and is continuing, until the same has been remedied in full, the Borrower will pay interest on the aggregate amount of Loans made under the Credit Facilities from time to time outstanding and on any other payment obligation under this Agreement outstanding at the annual rate of 15%, compounded monthly and payable on demand.

4.02 **Right to Pay Interest in Common Shares**

- (a) Subject to the receipt of any required regulatory and/or stock exchange approvals and the provisions of this Agreement, including Sections 5.02, 5.03 and 5.04, the Borrower will have the right (the “**In Specie Interest Payment Right**”) to satisfy its obligation to pay up to one-half of the interest payable on the Loans by issuing and delivering to the Lender that number of duly and validly issued, as fully paid and non-assessable, Common Shares obtained by dividing the relevant amount of interest to be satisfied by such issuance and delivery of Common Shares by 95% of the then Current Market Price of the Common Shares on the Trading Day first preceding the date on which the subject interest payment is to be made (the “**Interest Payment Date**”).
- (b) The Borrower shall exercise the In Specie Interest Payment Right by so specifying in a written notice delivered to the Lender not less than 10 Business Days prior to the Interest Payment Date, and which shall also specify the aggregate amount of interest in respect of which it is exercising the In Specie Interest Payment Right on the Interest Payment Date.
- (c) The Borrower’s right to exercise the In Specie Interest Payment Right shall be conditional upon the following conditions being met on the Business Day preceding the applicable Interest Payment Date:

- (i) the issuance of such Common Shares shall be made in accordance with Applicable Securities Legislation;
- (ii) such Common Shares shall be listed on each stock exchange on which the Common Shares are then listed;
- (iii) the Borrower shall be a reporting issuer or the equivalent in good standing under all Applicable Securities Legislation;
- (iv) no Event of Default shall have occurred and be continuing; and
- (v) the Lender shall have received an opinion of the Borrower's Counsel to the effect that such Common Shares have been duly authorized and, when issued and delivered pursuant to the terms of this Agreement in payment of the applicable amount of interest, will be validly issued as fully paid and non-assessable, that conditions (i) and (ii) above have been satisfied and that, relying exclusively on certificates of good standing or on a list of issuers in default issued or maintained by the relevant securities authorities, condition (iii) above is satisfied, except that the opinion in respect of condition (iii) need not be expressed with respect to those provinces where such certificates are not issued or lists are not maintained.

If the foregoing conditions are not satisfied prior to the close of business on the Business Day preceding the Interest Payment Date, the Borrower shall pay all interest owing in cash in accordance with Section 4.01 unless the Lender waives the conditions which are not satisfied.

- (d) In the event that the Borrower duly exercises its In Specie Interest Payment Right, the Borrower shall, as soon as possible but in any event not later than the third Business Day following the Interest Payment Date, deliver to the Lender the certificate representing the Common Shares to which the Lender is entitled. The delivery of such certificate to the Lender will satisfy and discharge the liability of the Borrower for the interest to which the delivery of certificate relates to the extent of the amount delivered.
- (e) No fractional Common Share shall be delivered upon the exercise of the In Specie Interest Payment Right. Fractional Common Shares shall be rounded up or down to the nearest whole number of Common Shares.
- (f) The Lender shall be treated as the shareholder of record of the Common Shares issued on due exercise by the Borrower of the In Specie Interest Payment Right effective immediately after the close of business on the Interest Payment Date, and shall be entitled to all substitutions therefor, all income earned thereon or accretions thereto and all dividends or distributions (including distributions and dividends in kind) thereon and arising thereafter.
- (g) The Borrower shall from time to time promptly pay, or make provision satisfactory to the Lender for the payment of, all Taxes and charges which may be

imposed by the Laws of Canada or any province thereof (including income Tax or security transfer Tax, if any) which shall be payable with respect to the issuance or delivery of Common Shares to the Lender upon exercise of the In Specie Principal Repayment Right.

4.03 **Commitment Fee**

In consideration of the Lender structuring and providing the Credit Facilities, the Borrower will pay to the Lender on each Closing Date a fee equal to 1% of the Loan funded on such Closing Date. The Borrower hereby authorizes and directs the Lender to deduct from the Loan amount to be funded on a Closing Date the fee payable by the Borrower on such Closing Date pursuant to this section.

ARTICLE 5- REPAYMENT

5.01 **Mandatory Repayment**

Subject to the terms of Sections 5.02, 5.03 and 5.04, the Borrower will repay in full the outstanding principal amount of all Loans and other Obligations under the Credit Facilities, including all accrued and unpaid interest, on the Maturity Date.

5.02 **Mandatory Repayment on Change of Control**

- (a) The Borrower will repay in full the outstanding principal amount of all Loans and other Obligations under the Credit Facilities within five Business Days of a Change of Control.
- (b) All repayments pursuant to this section shall be made together with payment of all accrued and unpaid interest on the repayment amount calculated to the repayment date. The In Specie Interest Payment Right shall not apply to interest payments made pursuant to this subsection.

5.03 **Mandatory Repayment on Dispositions**

- (a) If a Restricted Party receives Net Proceeds, the Borrower will have an obligation under this section to make a repayment under the Credit Facilities in an amount equal to the lesser of (i) the amount of such Net Proceeds, and (ii) the principal amount then outstanding hereunder together with all accrued and unpaid interest on the repayment amount calculated to the repayment date, such repayment to be made within 15 Business Days of a Restricted Party receiving such Net Proceeds.
- (b) The In Specie Interest Payment Right shall not apply to interest payments made pursuant to this subsection.

5.04 **Voluntary Prepayments and Reductions**

- (a) If the Lender has received a written notice thereof from the Borrower not less than 30 days prior to the proposed prepayment date, the Borrower may from time to

time prepay Loans outstanding under the Credit Facilities without premium or penalty provided that each such prepayment must be in a minimum amount of \$1,000,000.

- (b) In the event that (i) 50% or more of the Borrower's proposed prepayment amount is to be obtained by the Borrower from debt or equity financing being pursued by the Borrower and the Borrower will not want to make a prepayment unless such financing is completed, (ii) the Borrower provides reasonable detail in such regard to the Lender in a written notice and (iii) the Borrower thereafter provides reasonably prompt updates to the Lender as to the status of the pursued financing, the Borrower shall be entitled to prepay the amount specified in the written notice contemplated in item (ii) above in this subsection (without premium or penalty, but provided that such prepayment must be in a minimum amount of \$1,000,000) upon five Business Days notice or such shorter notice period as the Lender may permit.
- (c) All prepayments pursuant to this section shall be made together with payment of all accrued and unpaid interest on the prepayment amount calculated to the prepayment date.

ARTICLE 6- PLACE AND APPLICATION OF PAYMENTS

6.01 Place of Payment of Principal, Interest and Fees

All payments of principal, interest, fees and other amounts to be made by the Borrower to the Lender pursuant to this Agreement will be made by deposit or transfer thereof to the account designated from time to time in writing by the Lender, or by such other means or at such other place as the Borrower and the Lender may from time to time agree.

ARTICLE 7- REPRESENTATIONS AND WARRANTIES

7.01 Representations and Warranties of the Borrower

The Borrower hereby makes the representations and warranties set forth below to the Lender, and acknowledges that the Lender is relying on such representations and warranties:

- (a) Subsidiaries. The Borrower is the direct or indirect owner of all of the issued and outstanding shares of the Material Subsidiaries, free and clear of all Encumbrances. All of such shares in the capital of the Material Subsidiaries have been duly authorized and validly issued and are outstanding as fully paid shares and no Person, other than the Borrower, has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the purchase from the Borrower of any interest in any of such shares or for the issue or allotment of any unissued shares in the capital of the Material Subsidiaries or any other security convertible into or exchangeable for any such shares. Other than SDCI, no Subsidiary of the Borrower has any assets or liabilities that are material to the Borrower, is a party to any Material

Contract and no material revenues of the Borrower are derived through any other Subsidiaries. The only material asset of SDCI is the Renard Diamond Project.

- (b) Incorporation and Organization. Each of the Borrower Entities has been incorporated or continued and is a valid and subsisting company in good standing under the Laws of its jurisdiction of incorporation and has all requisite corporate power and authority to carry on its business as now conducted or proposed to be conducted and to own or lease and operate the property and assets thereof.
- (c) Extra-provincial Registration. Each Material Subsidiary is licensed, registered or qualified as an extra-provincial or foreign company in all jurisdictions where the character of the property or assets thereof owned or leased or the nature of the activities conducted by it make licensing, registration or qualification necessary and is carrying on the business thereof in compliance with all applicable Laws of each such jurisdiction.
- (d) Authority and Authorization. Each Borrower Entity has full corporate power and authority to enter into each of the Loan Documents to which it is a party and to do all acts and things and execute and deliver all documents as are required thereunder to be done, observed, performed or executed and delivered by it in accordance with the terms thereof and each Borrower Entity has taken all necessary corporate action to authorize the execution, delivery and performance of each of the Loan Documents to which it is a party and to observe and perform the provisions of each of the Loan Documents to which it is a party in accordance with the provisions thereof.
- (e) Validity and Enforceability. The execution and delivery by each Borrower Entity of each of the Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Borrower Entity and each Loan Document to which it is a party has been (or upon delivery will have been) duly executed by such Borrower Entity and, when delivered in accordance with the terms hereof, will constitute a valid and legally binding obligation of such Borrower Entity enforceable against it in accordance with its terms except: (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other Laws of general application affecting enforcement of creditors' rights generally; and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief or other equitable remedies.
- (f) Consents, Approvals and Conflicts. Neither the execution and delivery by each Borrower Entity of the Loan Documents to which it is a party nor compliance on the part of such Borrower Entity with the provisions thereof or the consummation of the transactions contemplated thereby do or will (i) require the consent, approval, or authorization, order or agreement of, or registration or qualification with, any Governmental Body or other Person, except (A) such as have been obtained; (B) such as may be required under Applicable Securities Legislation and the policies of the TSX and will be obtained by the Tranche A Closing Date; or (C) such securities filings as are required to be made under Applicable

Securities Legislation; or (ii) conflict with or result in any breach or violation of any of the provisions of, or constitute a default under, any indenture, mortgage, deed of trust, lease or other Material Contract to which any such Borrower Entity is a party or by which any of their respective Property is bound, or the Organizational Documents of any such Borrower Entity or any resolution passed by the directors (or any committee thereof) or shareholders of any such Borrower Entity, or any Law applicable to any such Borrower Entity or any of the Property thereof which could have a Material Adverse Effect.

- (g) Issue of Interest Payment Shares. The Interest Payment Shares will be validly issued as fully paid and non-assessable.
- (h) Listing and Securities Law Matters. The Common Shares are listed only on the TSX and the Interest Payment Shares have been conditionally approved for listing on the TSX, subject to the fulfillment of standard conditions. The Borrower is not in default of any of the listing requirements of the TSX. The Borrower is a reporting issuer or the equivalent in each of the provinces of Canada. The Borrower is not subject to the reporting requirements of s. 13(a) or 15(d) of the *United States Securities Exchange Act of 1934*, as amended.
- (i) Authorized Capital. The Borrower is authorized to issue an unlimited number of Common Shares and an unlimited number of non-voting convertible shares (the “**Non-Voting Convertible Shares**”), of which, as at the date of this Agreement, 140,837,941 Common Shares and 22,543,918 Non-Voting Convertible Shares are issued and outstanding as fully paid and non-assessable shares.
- (j) Rights to Acquire Securities. No Person has any agreement, option, right or privilege (whether pre-emptive, contractual or otherwise) capable of becoming an agreement for the purchase, acquisition, subscription for or issue of any of the unissued shares or other securities of the Borrower, except with respect to shares that can be issued pursuant to outstanding options, warrants, share incentive plans, convertible, exercisable and exchangeable securities and other rights to acquire Common Shares as disclosed in the Borrower Public Record.
- (k) Borrower Public Record. The documents comprising the Borrower Public Record at their applicable dates of filing with the securities regulatory authorities pursuant to the Applicable Securities Legislation complied in all material respects with the requirements of the Applicable Securities Legislation, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Borrower has not made any confidential filing with any securities regulatory authority that is still maintained on a confidential basis. There is no fact known to the Borrower which the Borrower has not publicly disclosed which has had a Material Adverse Effect or, insofar as the Borrower can reasonably foresee, will have a Material Adverse Effect, or which could materially affect the ability of any of the Borrower Entities to perform its obligations under any of the Loan Documents to

which it is a party. The Borrower is in compliance with all timely disclosure obligations under Applicable Securities Legislation.

- (l) Financial Statements. The Financial Statements have been prepared in accordance with GAAP applied on a basis consistent with prior periods (except as otherwise disclosed in the Financial Statements), fairly present, in accordance with GAAP, the financial condition and position and results of operations of the Borrower, on a consolidated basis, as at their respective dates and reflect all liabilities (contingent or otherwise) of the Borrower, on a consolidated basis, as at their respective dates and for the respective periods covered thereby. The auditors of the Borrower who audited the audited Financial Statements are independent public accountants as required by Applicable Securities Legislation and there has not been any “reportable event” (within the meaning of National Instrument 51-102 *Continuous Disclosure Obligations*) with the present or any former auditor of the Borrower.
- (m) Changes in Financial Position. Since the balance sheet date in the audited Financial Statements, except as disclosed in the Borrower Public Record:
 - (i) none of the Borrower Entities has paid or declared a Restricted Payment or incurred any material capital expenditure or made any commitment therefor;
 - (ii) none of the Borrower Entities has incurred any obligation or liability, direct or indirect, contingent or otherwise, except in the ordinary course of business and which is not, and which in the aggregate are not, material; and
 - (iii) none of the Borrower Entities has entered into a material transaction.
- (n) Insolvency. None of the Borrower Entities has committed an act of bankruptcy or sought protection from the creditors thereof before any court or pursuant to any Law, proposed a compromise or arrangement to the creditors thereof generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to be declared bankrupt or wound up, taken any proceeding to have a receiver appointed of any of the assets thereof, had any Person holding any Encumbrance or receiver take possession of any of the property thereof, had an execution or distress become enforceable or levied upon any portion of the Property thereof or had any petition for a receiving order in bankruptcy filed against it. No proceedings have been taken, instituted or, to the knowledge of the Borrower, are pending for the dissolution or liquidation of any of the Borrower Entities.
- (o) Insurance. The assets of the Borrower Entities and the business and operations thereof are insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in a comparable business in comparable circumstances, such coverage is in full force

and effect and none of the Borrower Entities has failed to promptly give any notice or present any material claim thereunder.

- (p) Non-Arm's-Length Transactions. None of the Borrower Entities owes any amount to, nor has any of the Borrower Entities any present material loans to, or borrowed any material amount from or is otherwise materially indebted to, any officer, director, employee or securityholder thereof or any Person not dealing at "arm's-length" (as such term is defined in the *Income Tax Act* (Canada)) with any of them except for usual employee reimbursements and compensation paid in the ordinary and normal course of the business of the Borrower Entities and except as disclosed in the Borrower Public Record. Except usual employee or consulting arrangements made in the ordinary and normal course of business, none of the Borrower Entities is a party to any Contract with any officer, director, employee or securityholder thereof or any other Person not dealing at arm's-length with any of them. No Related Party of any of the Borrower Entities has any cause of action or other claim whatsoever against, or owes any amount to, any of the Borrower Entities except for claims in the ordinary and normal course of the business of the Borrower Entities such as for accrued vacation pay or other amounts or matters which would not be material to the Borrower on a consolidated basis.
- (q) Accounting Controls. The Borrower Entities maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are completed in accordance with the general or a specific authorization of management; (ii) transactions are recorded as necessary to permit preparation of consolidated financial statements for the Borrower in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with the general or a specific authorization of management; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences therein.
- (r) Unlawful Payment. To the knowledge of the Borrower, none of the Borrower Entities nor any of their respective employees has made any unlawful contribution or other payment to any official of, or candidate for, any federal, state, provincial or foreign office, or failed to disclose fully any contribution, in violation of any Law, or made any payment to any domestic or foreign governmental officer or official, or other Person charged with similar public or quasi-public duties, other than payments required or permitted by applicable Laws. Without limiting the generality of the foregoing, none of the Borrower Entities nor, to the knowledge of the Borrower, any employee of any of the Borrower Entities, has violated any applicable FCPA Legislation. To the knowledge of the Borrower, the foregoing representations and warranties in this subsection are also true in respect of the activities of any agents of the Borrower Entities which are related to their services on behalf of the Borrower Entities.
- (s) Material Contracts. Except as disclosed in the Borrower Public Record, all Material Contracts to which any Borrower Entity is a party or by which it is

bound: (i) are valid, binding, in full force and effect in all material respects and enforceable by the Borrower Entity in accordance with their respective terms, subject, however, to limitations with respect to enforcement imposed by Law in connection with bankruptcy or similar proceedings, the equitable power of the courts to stay proceedings before them and the execution of judgments and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the courts from which they are sought and (ii) do not, by their terms, require the consent of any of the parties thereto to any of the transactions contemplated by this Agreement. All Material Contracts of the Borrower Entities are appropriately described in the Borrower Public Record. There is no default or event which, with notice or lapse of time or both, would constitute a default under the Material Contracts on the part of the Borrower Entities, or, to the knowledge of the Borrower, on the part of any other party thereto.

- (t) Absence of Changes. Except as set out in the Borrower Public Record or otherwise disclosed to the Lender:
- (i) each of the Borrower Entities has conducted its business only in the ordinary and regular course of business consistent with past practice;
 - (ii) no Borrower Entity has incurred or suffered a change that would have a Material Adverse Effect;
 - (iii) no Borrower Entity has effected any amendment to, or proposed to amend, its Organizational Documents;
 - (iv) there has not been any acquisition or agreement to acquire by amalgamating, merging, consolidating or entering into a business combination with, purchasing substantially all the assets of or otherwise acquiring, any business or any corporation, partnership, association or other business organization or division thereof, which transaction would be material to the Borrower;
 - (v) there has not been any Disposition by any of the Borrower Entities;
 - (vi) other than in the ordinary and regular course of business consistent with past practice (and, with respect to any period from and after the date of this Agreement, in compliance with this Agreement), there has not been any incurrence, assumption or guarantee by any Borrower Entity of any debt for borrowed money, any creation or assumption by any Borrower Entity of any Encumbrance, any making by any Borrower Entity of any loan, advance or capital contribution to or investment in, or any Financial Assistance provided by any Borrower Entity or any entering into, amendment of, relinquishment, termination or non-renewal by a Borrower Entity of any Contract or other right or obligation that would, individually or in the aggregate, have a Material Adverse Effect;

- (vii) the Borrower has not effected or passed any resolution or agreed to any subdivision, consolidation, redemption, purchase, offer to purchase or any other acquisition or reclassification of any of the Common Shares, declaration or payment of any Restricted Payment or reduction in the stated capital in respect of the Common Shares;
 - (viii) other than in the ordinary and regular course of business consistent with past practice, there has not been, nor has any Borrower Entity agreed to, any material increase in or modification of the compensation payable to or to become payable by any Borrower Entity to any of its directors, officers, employees, consultants or similar service providers or any grant to any such director, officer, employee, consultant or similar service provider of any increase in severance or termination pay or any increase or modification of any bonus, pension, insurance or benefit arrangement (including the granting of options or other securities pursuant to any incentive plan) made to, for or with any of such directors, officers, employees, consultants or similar service providers;
 - (ix) no Borrower Entity has incurred any damage, destruction or loss, whether or not covered by insurance, that could reasonably be expected to have a Material Adverse Effect;
 - (x) the Borrower has not effected any material change in its accounting methods, principles or practices; and
 - (xi) the Borrower has not adopted, or materially amended, any collective bargaining agreement, bonus, pension, profit sharing, stock purchase, stock option or other benefit plan or shareholder rights plan.
- (u) Litigation. Except as disclosed in the Borrower Public Record, there are no actions, suits, proceedings, inquiries or investigations existing, pending or, to the knowledge of the Borrower, threatened against any of the Borrower Entities or to which any of the Property thereof is subject, at law or equity, or before or by any court, federal, provincial, state, municipal or other Governmental Body, domestic or foreign, which may in any way have a Material Adverse Effect or materially affect the ability of any of the Borrower Entities to perform its obligations under any of the Loan Documents to which it is a party, and none of the Borrower Entities is subject to any judgment, order, writ, injunction, decree, award, rule, policy or regulation of any Governmental Body, which, either separately or in the aggregate, would reasonably be expected to result in a Material Adverse Effect.
- (v) No Cease Trade Order. No order preventing, ceasing or suspending trading in any securities of the Borrower or prohibiting the issue and sale of securities by the Borrower has been issued and no proceedings for either of such purposes have been instituted or, to the best of the knowledge of the Borrower, are pending, contemplated or threatened.

- (w) No Default. None of the Borrower Entities is in violation of any term of the Organizational Documents thereof. None of the Borrower Entities is in violation of any term or provision under or in respect of any judgment, order, agreement, indenture or other instrument applicable to it which would, or would reasonably be expected to, result in a Material Adverse Effect, and no event has occurred and is continuing, and no circumstance exists which has not been waived, which constitutes a material default in respect of any Contract or other instrument to which any of the Borrower Entities is a party or by which any of them is otherwise bound entitling any other party thereto to accelerate the maturity of any amount owing thereunder or which could have a Material Adverse Effect.
- (x) Compliance with Laws, Licenses and Permits. Each of the Restricted Parties has conducted and is conducting the business thereof in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and possesses all material approvals, consents, certificates, registrations, authorizations, permits and licenses issued by the appropriate provincial, state, municipal, federal or other regulatory agency or body necessary to carry on the business currently carried on, or contemplated to be carried on, by it, is in compliance in all material respects with the terms and conditions of all such approvals, consents, certificates, authorizations, permits and licenses and with all Laws material to the operations thereof, and none of the Restricted Parties has received any notice of the modification, revocation or cancellation of, or any intention to modify, revoke or cancel or any proceeding relating to the modification, revocation or cancellation of any such approval, consent, certificate, authorization, permit or license which, singly or in the aggregate, if the subject of an unfavourable decision, order, ruling or finding, would have a Material Adverse Effect.
- (y) Owner of Property. The Borrower Entities, as applicable, are the absolute legal and beneficial owners or optionees of, and have good and marketable title to or right or interest in, all of the material Property thereof as described in the Borrower Public Record, free of all Encumbrances other than those described in the Borrower Public Record, and no other Property rights are necessary for the conduct of the business of the Borrower Entities currently conducted or contemplated to be conducted save those which do not materially interfere with the current or contemplated business thereon. The Borrower does not know of any claim or the basis for any claim that could reasonably be expected to materially and adversely effect the rights of the Borrower Entities to use, transfer or otherwise exploit any material Property rights and, except as disclosed in the Borrower Public Record, none of the Borrower Entities has any responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any Person.
- (z) Property Agreements. Any and all of the Contracts and other instruments pursuant to which the Borrower Entities hold the Property thereof (including an interest in, or right to earn an interest in, any Property) are valid and subsisting agreements, documents or instruments in full force and effect, enforceable in

accordance with the terms thereof. None of the Borrower Entities is in material default of any of the provisions of any such Contracts or instruments nor has any such default been alleged, and such properties and assets are in good standing under the applicable statutes and regulations of the jurisdictions in which they are situated. To the knowledge of the Borrower, all leases, licences and claims pursuant to which the Borrower Entities derive the interests thereof in such Property are in good standing and there has been no material default under any such lease, licence or claim and all Taxes required to be paid with respect to such Property to the date hereof have been paid. To the knowledge of the Borrower, none of the Property (or any interest in, or right to earn an interest in, any Property) of the Borrower Entities is subject to any right of first refusal or purchase or acquisition right which is not disclosed in the Borrower Public Record.

- (aa) Mineral Rights. The Borrower Entities hold either freehold title, mining leases, mining claims or other conventional property, proprietary or contractual interests or rights, recognized in the jurisdiction in which a particular property is located, in respect of the ore bodies and minerals located in properties in which the Borrower Entities have an interest as described in the Borrower Public Record under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments sufficient to permit the Borrower Entities to access such properties and explore and fully exploit the minerals relating thereto; all such property, leases or claims and all property, leases or claims in which the Borrower Entities have any interest or right have been recorded in accordance with all applicable Laws and are valid and subsisting; the Borrower Entities have all necessary surface rights, access rights and other necessary rights and interests relating to the properties in which the Borrower Entities have an interest as described in the Borrower Public Record granting the applicable Borrower Entity the right and ability to explore for development purposes as are appropriate in view of the rights and interest therein of the Borrower Entities, with only such exceptions as do not materially interfere with the use made by the applicable Borrower Entities of the rights or interests so held, and subject to the option agreements entered into by the Borrower with respect to its non-core exploration properties, as described in the Borrower Public Record; and each of the proprietary interests or rights and each of the Contracts and instruments and obligations relating thereto referred to above is currently in good standing in the name of the applicable Borrower Entities.
- (bb) Mineral Information. The Borrower has duly filed with the applicable regulatory authorities all reports required by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) and all such reports comply in all material respects with the requirements of NI 43-101. The technical information set forth in the Borrower Public Record (including the information relating to estimates of mineral resources) (i) has been reviewed and verified by “qualified persons” (as that term is defined under NI 43-101), (ii) in all cases, has been prepared in accordance with Canadian industry standards set forth in NI 43-101, (iii) has been verified by individuals with mining experience, and (iv) was, to the

knowledge of the Borrower, at the time of delivery thereof, complete and accurate in all material respects. There have been no material changes to such information since the date of delivery or preparation thereof, except as disclosed in the Borrower Public Record.

- (cc) Aboriginal Claims. Except as disclosed in the Borrower Public Record, there are no claims with respect to Aboriginal rights currently, or to the knowledge of the Borrower, pending or threatened with respect to any of the material properties of the Borrower Entities.
- (dd) Intellectual Property. The Borrower Entities own or have the right to use under license, sub-license or otherwise all material intellectual property used by them in their business, including copyrights, industrial designs, trade marks, trade secrets, know how and proprietary rights.
- (ee) Environment. Each of the Borrower Entities operates in compliance with all applicable Environmental Laws, except to the extent that a failure to comply, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Except as disclosed in the Borrower Public Record, or to the extent that any violation or other matter referred to in this subparagraph does not have a Material Adverse Effect:
 - (i) no Borrower Entity is in violation of any applicable Environmental Law;
 - (ii) each Borrower Entity has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
 - (iii) there has been no spill, release, deposit or discharge of a Hazardous Substance into the earth, air or into any body of water or any municipal or other sewer or drain water systems by any Borrower Entity that has not been remedied;
 - (iv) no Borrower Entity is aware of any order, direction or notice being issued and remaining outstanding pursuant to any Environmental Laws relating to the business or assets of any Borrower Entity;
 - (v) no Borrower Entity has failed to report to the proper Governmental Body the occurrence of any event that is required to be so reported by any Environmental Law; and
 - (vi) the Borrower Entities hold all licenses, permits and approvals required under any Environmental Laws in connection with the operation of their business and the ownership and use of their assets, all such licenses, permits and approvals are in full force and effect, and, except for notifications and conditions of general application to reclamation obligations under applicable Environmental Laws, no Borrower Entity has any knowledge of, nor has received, any notification pursuant to any

Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated.

- (ff) No Brokerage or Finder's Fee. There is no Person acting or purporting to act at the request of or on behalf of the Borrower that is entitled to any brokerage or finder's fee in connection with the transactions contemplated by this Agreement.
- (gg) Tax Status. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:
 - (i) each Borrower Entity has duly and timely in the prescribed manner, made or prepared all Tax returns required to be made or prepared by it, has duly and timely filed all Tax returns required to be filed by it with the appropriate Governmental Body and has, in all material respects, completely and correctly reported all income and all other amounts or information required to be reported thereon. All such Tax returns are complete and accurate in all material respects;
 - (ii) each Borrower Entity has (A) duly and timely paid all Taxes due and payable by it, and (B) duly and timely withheld and collected all Taxes and other amounts required by Law to be withheld or collected by it and has duly and timely remitted to the appropriate Governmental Body such Taxes and other amounts required by Law to be remitted by it. No material deficiency with respect to any payment of Taxes has been asserted against any Borrower Entity by any Governmental Body ;
 - (iii) the charges, accruals and reserves for Taxes reflected on the Financial Statements (whether or not due and whether or not shown on any Tax return but excluding any provision for deferred income Taxes) are adequate to cover Taxes with respect to any Borrower Entities accruing through the date hereof; and
 - (iv) there are no agreements, waivers or other arrangements with any Governmental Body providing for an extension of time with respect to any assessment or reassessment of Tax, the filing of any Tax return or the payment of any material Tax by any Borrower Entity. The Borrower has received Notices of Assessment for all taxation years up to the taxation year ended April 30, 2012. The Borrower has not waived any statute of limitations in respect of Taxes.
- (hh) Labour Relations. None of the Borrower Entities is engaged in any unfair labour practice that could reasonably be expected to cause a Material Adverse Effect; and there is no unfair labour practice complaint pending against any of the

Borrower Entities, or threatened against any of them, before any Governmental Body that if adversely determined could reasonably be expected to cause a Material Adverse Effect. No grievance or arbitration arising out of or under any collective bargaining agreement is pending against any of the Borrower Entities or threatened against any of them. No strike, labour dispute, slowdown or stoppage is pending against any of the Borrower Entities or threatened against any of them and no union representation proceeding is pending with respect to any employees of the Borrower Entities, except (with respect to any matter specified in this sentence, either individually or in the aggregate) such as could not reasonably be expected to cause a Material Adverse Effect.

- (ii) Pension Plans. There is no Pension Plan in respect of any of the Borrower Entities.
- (jj) Full Disclosure. All information provided or to be provided to the Lender in connection with the Credit Facilities is, to the Borrower's knowledge, true and correct and none of the documentation furnished to the Lender by or on behalf of the Borrower, to its knowledge, omits or will omit as of such time, a material fact necessary to make the statements contained therein not misleading in any material way, and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful inquiry by it (and any other Person who furnished such material on behalf of it).

7.02 **Survival and Repetition of Representations and Warranties**

The representations and warranties set out in Section 7.01 survive the execution and delivery of this Agreement and all other Loan Documents and will be deemed to be repeated by the Borrower as of each Closing Date. To the extent that on or prior to such date (a) the Borrower has advised the Lender in writing of a variation in any such representation or warranty, and (b) if such variation, in the opinion of the Lender, acting reasonably, is material to the Property, liabilities, affairs, business, operations, prospects or condition (financial or otherwise) of the Borrower considered as a whole or could have, or be reasonably likely to result in, a Material Adverse Effect, the Lender has approved such variation, then such representation and warranty will thereafter be deemed to be varied as approved by the Lender.

7.03 **Effect of Investigations**

All representations, warranties, covenants and agreements contained in this Agreement or any other Loan Document furnished to the Lender by or on behalf of the Borrower in connection with the transactions contemplated by this Agreement will survive any investigation made by or on behalf of the Lender at any time with respect to any of the foregoing.

ARTICLE 8 - COVENANTS

8.01 Positive Covenants

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Lender, the Borrower will, and will cause each of the other Restricted Parties to:

- (a) Timely payment make due and timely payment of the Obligations required to be paid by it under the Loan Documents;
- (b) Conduct of Business, Maintenance of Existence, Compliance with Laws engage in business of the same general type as now conducted by it; carry on and conduct its business and operations in a proper, efficient and businesslike manner, in accordance with good business practice; preserve, renew and keep in full force and effect its existence; and take all reasonable action to maintain all rights, privileges and franchises necessary in the normal conduct of its business and to comply in all material respects with all Material Contracts and all Laws;
- (c) Further Assurances provide the Lender with such other documents, opinions, consents, acknowledgments and agreements as are reasonably necessary to implement this Agreement and the other Loan Documents from time to time;
- (d) Access to Information promptly provide the Lender with all information reasonably requested by the Lender from time to time concerning its financial condition and Property, and during normal business hours and from time to time upon reasonable notice, permit representatives of the Lender to inspect any of its Property and to examine and take extracts from its financial records, including records stored in computer data banks and computer software systems, and to discuss its financial condition with its senior officers and (in the presence of such of its representatives as it may designate) its auditors, the reasonable expense of all of which will be paid by the Borrower;
- (e) Obligations and Taxes pay or discharge, or cause to be paid or discharged, before the same will become delinquent (i) all Taxes imposed upon it or upon its income or profits or in respect of its business or Property and file all Tax returns in respect thereof, (ii) all lawful claims for labour, materials and supplies, (iii) all required payments under any of its Financial Indebtedness, and (iv) all other obligations; provided, however that it will not be required to pay or discharge or to cause to be paid or discharged any such amount so long as the validity or amount thereof is being contested in good faith by appropriate proceedings and an appropriate financial reserve in accordance with GAAP and satisfactory to the Lender has been established;
- (f) Use of Credit Facilities use the proceeds of the Credit Facilities only for the purposes specified in Section 2.02;

- (g) Insurance maintain insurance on all its Property with financially sound and reputable insurance companies or associations including property insurance and comprehensive general liability insurance, in amounts and against risks that are determined by it to be appropriate and that are prudent in the circumstances; furnish to the Lender, on written request, satisfactory evidence of the insurance carried and notify the Lender of any claim it makes under the foregoing insurance policies that is in excess of \$1,000,000;
- (h) Notice of Material Adverse Effect promptly notify the Lender of any Material Adverse Effect of which it becomes aware, using reasonable diligence;
- (i) Notice of Litigation promptly notify the Lender on becoming aware of the occurrence of any litigation, dispute, arbitration or other proceeding the result of which, if determined adversely, (i) would be a judgement or award against any Borrower Entity in excess of \$5,000,000, or (ii) would result in a Material Adverse Effect, and from time to time provide the Lender with all reasonable information requested by the Lender concerning the status of any such proceeding;
- (j) Environmental Compliance without limiting the generality of subsection (b) of this section, operate all Property owned, leased or otherwise used by it in a manner such that no obligation, including a clean-up or remedial obligation, will arise under any Environmental Law, which obligations individually or in the aggregate would have, or would be reasonably likely to cause, a Material Adverse Effect; provided, however, that if any such claim is made or any such obligation arises, it will or will cause the applicable Restricted Party to immediately satisfy or contest such claim or obligation at its own cost and expense, and promptly notify the Lender upon learning of (i) the existence of a Hazardous Substance located on, above or below the surface of any land that it occupies or controls (except those being stored, used or otherwise handled in substantial compliance with Environmental Law), or contained in the soil or water constituting such land, or (ii) the occurrence of any reportable release of a Hazardous Substance into the air, land surface water or ground water that has occurred on or from such land that, as to either (i) or (ii), would be reasonably likely to result in a Material Adverse Effect;
- (k) Maintenance of Property keep all Property useful and necessary for its business in good working order and condition, normal wear and tear excepted, except to the extent that the failure to do so would not individually or in the aggregate be reasonably likely to cause a Material Adverse Effect;
- (l) Keeping of Books keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of financial transactions and the assets and businesses of the Borrower Entities in accordance with GAAP;
- (m) Maintain Listing use reasonable commercial efforts to ensure that the Common Shares are listed and posted for trading on the TSX, to maintain such listing and

posting for trading of the Common Shares on the TSX, and to maintain the Borrower's status as a "reporting issuer" not in default of the requirements of the Applicable Securities Legislation;

- (n) Certificates of Compliance deliver to the Lender, upon reasonable request by the Lender, a certificate of the chief executive officer or chief financial officer of the Borrower as to the knowledge of such officer of the Borrower's compliance with all conditions and covenants in this Agreement certifying that, after reasonable investigation and inquiry, the Borrower has complied with all covenants, conditions or other requirements contained in this Agreement, the non-compliance with which could, with the giving of notice, lapse of time or otherwise, constitute an Event of Default hereunder, or if such is not the case, setting forth with reasonable particulars the circumstances of any failure to comply and steps taken or proposed to be taken to eliminate such circumstances and remedy such Event of Default, as the case may be. Unless the Lender, acting reasonably, believes that the Borrower is not in compliance with this Agreement or that an Event of Default has occurred, the Lender shall only be permitted to request such an officer's certificate pursuant to this section once per calendar quarter;
- (o) Guarantors cause each Material Subsidiary to provide the Lender with a guarantee (each, a "**Guarantee**" and together, the "**Guarantees**") of all of the Obligations. Each such Guarantee shall be an unsecured obligation of the Material Subsidiary which is a signatory thereto that will rank equally and ratably with all existing and future unsecured obligations of such Material Subsidiary. Each of the Guarantees shall be cross defaulted to the obligations of the other Material Subsidiaries. Each Guarantee will be in form attached as Schedule 3.01(j) hereto, or such other form as the parties may agree to. With respect to any Material Subsidiary other than the Current Material Subsidiaries, such Guarantee shall be provided within five Business Days of the Borrower first becoming aware that such Subsidiary has become a Material Subsidiary, and shall be accompanied by an opinion of Borrower's Counsel (or other legal counsel acceptable to the Lender, acting reasonably) as to the due execution, delivery and enforceability of such Guarantee (such opinion to be in form acceptable to the Lender, acting reasonably); and
- (p) Pension Plans if there shall exist any Pension Plan in respect of any of the Borrower Entities, promptly notify the Lender on becoming aware of (i) the institution of any steps by any Person to terminate or effect a partial wind-up of any such Pension Plan, (ii) the failure to make a required contribution to any such Pension Plan if such failure is sufficient to give rise to an Encumbrance under any applicable Law, (iii) the taking of any action with respect to a Pension Plan that is reasonably likely to result in the requirement that any Borrower Entity furnish a bond or other security to such Pension Plan or any applicable Governmental Body, or (iv) the occurrence of any event with respect to any Pension Plan that is reasonably likely to result in the incurrence by any Borrower Entity of any material liability, fine or penalty, and in the notice to the Lender thereof, provide copies of all documentation relating thereto.

8.02 **Negative Covenants**

So long as this Agreement is in force the Borrower will not, and will ensure that no Restricted Party will:

- (a) Disposition of Property Dispose of, in one transaction or a series of transactions, all or any part of its Property, whether now owned or hereafter acquired, except (i) that it may, in the normal course of its business, for fair market value, and in accordance with customary trade terms, Dispose of any tangible personal Property that would reasonably be considered to be the subject matter of sales by it in the normal course of its business for the purpose of carrying on the same, or that is worn out, obsolete or no longer useful for the purpose of carrying on its business, (ii) any Disposition by any Restricted Party to another Restricted Party, or (iii) any Disposition the book value of which or proceeds of Disposition does not exceed in the aggregate \$5,000,000 or, so long as no Default or Event of Default has occurred and is continuing or would arise therefrom, any other *bona fide* Disposition, provided the proceeds thereof are dealt with in accordance with Section 5.03;
- (b) No Consolidation, Amalgamation, etc. consolidate, amalgamate or merge with any other Person, enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, liquidate, wind-up or dissolve itself, or permit any liquidation, winding up or dissolution, except for any internal corporate reorganization of certain of the Borrower's Subsidiaries implemented to simplify the Borrower's corporate structure which would not constitute an Event of Default and would not adversely affect the rights and remedies of the Lender under the Loan Documents;
- (c) No Change of Name change its name without providing the Lender with 30 days' prior written notice thereof;
- (d) Additional Debt incur any Financial Indebtedness other than Permitted Debt. All Permitted Debt described in item (d) of the definition of Permitted Debt ("**Intercompany Obligor Debt**") and all other obligations and liabilities of each Restricted Party to each other Restricted Party is hereby unconditionally and irrevocably postponed and subordinated in all respects to the prior indefeasible repayment in full by the Borrower and the other Restricted Parties of the Obligations, provided that, so long as there is no Event of Default which is continuing and which has not been waived in writing by the Lender and the Obligations of the Borrower and the other Restricted Parties have not been accelerated pursuant to the terms hereof, the Restricted Parties shall be entitled to make, declare, pay and receive all payments in respect of Intercompany Obligor Debt made pursuant to the terms of such Intercompany Obligor Debt. Without limiting the generality of the foregoing, the postponement and subordination of the Intercompany Obligor Debt contained herein shall be effective notwithstanding the date of this Agreement, the dates of default and the rules of priority established under applicable Law;

- (e) No Financial Assistance give any Financial Assistance, other than Financial Assistance of, or arising under, Permitted Debt;
- (f) Restricted Payments make, declare or pay any Restricted Payment;
- (g) No Encumbrances create, incur, assume or permit to exist any Encumbrance upon any of its Property except Permitted Encumbrances;
- (h) No Continuance continue into any other jurisdiction;
- (i) Hedging Arrangements enter into or permit to be outstanding at any time any Hedging Arrangement unless such Hedging Arrangement has been entered into by the Restricted Party *bona fide* and in good faith in the ordinary course of its business for the purpose of carrying on the same and not for speculative purposes; or
- (j) Amendments to Organizational Documents amend any of its Organizational Documents in a manner that would be prejudicial to the interests of the Lender under any of the Loan Documents.

8.03 **Performance of Covenants by the Lender**

The Lender may, in its sole discretion and upon notice to the Borrower or a Guarantor, as applicable, perform any covenant of the Borrower or a Guarantor, as applicable, under any Loan Document that the Borrower or the Guarantor, as applicable, fails to perform and that the Lender is capable of performing, including any covenant the performance of which requires the payment of money; provided that the Lender will not be obligated to perform any such covenant on behalf of the Borrower or a Guarantor, as applicable. No such performance by the Lender will require the Lender further to perform the Borrower's or a Guarantor's covenants, as applicable, nor relieve the Borrower or a Guarantor from any default or operate as a derogation of the rights and remedies of the Lender under any Loan Document. The Borrower agrees to indemnify and to reimburse the Lender for all costs and expenses incurred by the Lender in connection with the performance by it of any such covenant, and all such costs and expenses shall be payable by the Borrower to the Lender on demand, shall bear interest at the highest rate per annum borne by any of the Obligations, calculated and compounded monthly, and shall (with all such interest) be added and form part of the Obligations.

ARTICLE 9- DEFAULT

9.01 **Events of Default**

The occurrence of any one or more of the following events (each such event being referred to as an “**Event of Default**”) will constitute a default under this Agreement:

- (a) the Borrower fails to pay any amount of principal of any Loan within five (5) Business Days of the due date;

- (b) the Borrower fails to pay any interest, fees or other Obligations (other than any principal amount) when due and such default continues for five Business Days after notice of such default has been given by the Lender to the Borrower;
- (c) any Restricted Party neglects to observe or perform any covenant or obligation contained in any of the Loan Documents on its part to be observed or performed (other than a covenant or condition whose breach or default in performance is specifically dealt with elsewhere in this section) and such Restricted Party fails to remedy such default within 15 Business Days from the earlier of (i) the date such Restricted Party becomes aware of such default, and (ii) the date the Lender delivers written notice of the default to such Restricted Party;
- (d) any representation or warranty made by any Restricted Party in any Loan Document proves to have been incorrect or misleading in any material respect on and as of the date that it was made or was deemed to have been made and such Restricted Party fails to remedy such default within 15 Business Days of the occurrence of such event;
- (e) any Restricted Party (i) fails to make any payment when such payment is due and payable to any Person in relation to any Financial Indebtedness (other than Obligations) that in the aggregate principal amount then outstanding is in excess of \$5,000,000 and any applicable grace period in relation thereto has expired, or (ii) defaults in the observance or performance of any other agreement or condition in relation to any Financial Indebtedness (other than Obligations) to any Person that in the aggregate principal amount then outstanding is in excess of \$5,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs or condition exists, the effect of which default or other condition, if not remedied within any applicable grace period, would be to cause, or to permit the holder of such Financial Indebtedness then to declare such Financial Indebtedness to become due prior to its stated maturity date;
- (f) any Restricted Party denies, to any material extent, its obligations under any Loan Document or claims any of the Loan Documents to be invalid or withdrawn in whole or in part;
- (g) any of the Loan Documents or any material provision of any of them becomes unlawful or is changed by virtue of Law or by a Governmental Body, if any Borrower Entity which is a party thereto does not, within 10 Business Days of receipt of notice of such Loan Document or material provision becoming unlawful or being changed, replace such Loan Document with a new agreement that is in form and substance satisfactory to the Lender, acting reasonably, or amend such Loan Document to the satisfaction of the Lender, acting reasonably;
- (h) a decree or order of a court of competent jurisdiction is entered adjudging a Restricted Party a bankrupt or insolvent or approving as properly filed a petition seeking the winding up of a Restricted Party under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the

United States Bankruptcy Code or the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against any substantial part of the assets of a Restricted Party or ordering the winding up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 15 Business Days;

- (i) any Restricted Party ceases or threatens to cease to carry on business generally or admits its inability or fails to pay its debts generally (other than those that are the subject of bona fide disputes) as they become due, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, seeks relief under the *Companies' Creditors Arrangement Act* (Canada), the *United States Bankruptcy Code*, the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors' rights or consents to, or acquiesces in, the filing of such a petition;
- (j) an Encumbrancer takes possession, by appointment of a receiver, receiver and manager or otherwise, of all or a substantial portion of the Property of any Restricted Party;
- (k) proceedings are commenced for the dissolution, liquidation or voluntary winding up of any Restricted Party, or for the suspension of the operations of any Restricted Party unless such proceedings are being actively and diligently contested in good faith;
- (l) one or more final judgments or decrees for the payment of money due has been obtained or entered against one or more of the Restricted Parties in an aggregate amount in excess of \$5,000,000, unless such judgment(s) or decree(s) has been and remains vacated, discharged or stayed pending appeal within the applicable appeal period; or
- (m) an event of default occurs under any Material Contract of any Restricted Party (other than an event of default specifically dealt with in this section) resulting in, or which may result in, a Material Adverse Effect and such event of default is not remedied within 15 Business Days after such Restricted Party becomes aware of such event of default.

9.02 **Acceleration and Enforcement**

Should an Event of Default occur and be continuing, the Lender may, in its discretion, but subject to the provisions of this section, by notice in writing to the Borrower declare the principal of and interest and premium, if any, on the Loans then outstanding and all other monies outstanding hereunder to be due and payable and the same shall thereupon forthwith become immediately due and payable to the Lender, and the Borrower shall forthwith pay to the Lender such principal, accrued and unpaid interest and premium, if any, and interest on amounts in default on the Loans and all other monies outstanding hereunder, together with subsequent interest at the rate of 15% per annum on such principal, interest, premium, if any, and such other monies from the date of such declaration or event until payment is received by the Lender, such subsequent interest to be payable at the times and places and in the manner mentioned in and according to the tenor of this Agreement.

9.03 **Notice of Events of Default**

(1) If an Event of Default shall occur and is continuing the Borrower shall promptly after it becomes aware of the occurrence of such Event of Default, give notice thereof to the Lender (but in no event later than the second (2nd) Business Day following knowledge thereof);

(2) Where notice of the occurrence of an Event of Default has been given and the Event of Default is thereafter cured, notice that the Event of Default is no longer continuing shall be given by the Borrower to the Lender promptly after the Borrower becomes aware that the Event of Default has been cured.

9.04 **Indulgences and Releases**

The Lender may grant extensions of time and other indulgences, take and give up or abstain from perfecting or taking advantage of securities, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with the Restricted Parties, debtors of the Restricted Parties, surety and others as the Lender may see fit without prejudice to the liability of the Restricted Parties under the Loan Documents.

9.05 **Waiver**

The Borrower hereby waives diligence, presentment, protest, notice of protest, notice of dishonour and notice of non-payment. No delay by the Lender in exercising any power or privilege under any of the Loan Documents, nor the single or partial exercise of any power or privilege under any of the Loan Documents, shall preclude any other or further exercise thereof, or the exercise of any other power or privilege it hereunder.

9.06 **Remedies Cumulative**

For greater certainty, it is expressly understood that the respective rights and remedies of the Lender under the Loan Documents are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in any Loan Document will not be deemed to be a waiver of or

to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Lender may be lawfully entitled in connection with such default or breach.

9.07 **Application of Payments**

All payments made by the Restricted Parties under any Loan Document will be applied to amounts due under the Obligations, as determined by the Lender.

9.08 **Right of Set-off**

If an Event of Default has occurred and is continuing, the Lender and each of its Affiliates is hereby authorized at any time and from time to time, without notice to the Borrower or any other Person, to set-off, compensate and apply any and all obligations (in whatever currency) at any time owing by the Lender or any such Affiliate to or for the credit or the account of any Borrower Entity against any and all of the Obligations, irrespective of whether or not the Lender has made any demand under any Loan Document. The rights of the Lender and its Affiliates under this section are in addition to other rights and remedies that the Lender or its Affiliates may have. The Lender agrees to promptly notify the Borrower after any such set-off, compensation and application, but the failure to give such notice will not affect the validity of such set-off and application.

ARTICLE 10- GENERAL

10.01 **Costs and Expenses**

The Borrower will pay (i) all reasonable and documented out-of-pocket expenses incurred by the Lender, including the reasonable fees, charges and disbursements of Lender's Counsel, in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby will be consummated), (ii) all reasonable and documented out-of-pocket expenses incurred by the Lender including the reasonable fees, charges and disbursements of Lender's Counsel, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this section or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans

The provisions of this section will survive the repayment of all Loans, whether on account of principal, interest or fees, and the termination of this Agreement, unless a specific release of such provisions by the Lender is delivered to the Borrower.

10.02 **Benefit and Burden of Agreement**

This Agreement will be binding upon the Borrower and its successors. This Agreement will enure to the benefit of and will be binding upon the Lender and its successors and assigns.

10.03 **No Assignment by the Borrower**

The rights and benefits of the Borrower hereunder may not be assigned by the Borrower.

10.04 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient at the address or telecopier number set forth on the signature pages to this Agreement, or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof or, if given by registered mail, on the third Business Day following the deposit thereof in the mail or, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery or by electronic communication.

10.05 **Severability**

If any provision of this Agreement is determined by any court of competent jurisdiction to be illegal or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either of the parties.

10.06 **Further Assurances**

Each Restricted Party and the Lender will promptly cure any default by it in the execution and delivery of any of the Loan Documents or of any the agreements provided for hereunder to which it is a party. Each Restricted Party, at its expense, will promptly execute and deliver to the Lender, upon request by the Lender, all such other and further documents, agreements, opinions, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of such Restricted Party under the Loan Documents or more fully to state the obligations of such Restricted Party as set forth therein or to make any recording, file any notice or obtain any consent, all as may be reasonably necessary or appropriate in connection therewith.

10.07 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Borrower and the Lender. No waiver of any breach of any provision of this Agreement and no consent required hereunder will be effective or binding

unless made in writing and signed by the party purporting to give the same. Unless otherwise provided, any waiver or consent given hereunder will be limited to the specific breach waived or matter consented to, as the case may be, and may be subject to such conditions as the party giving such waiver or consent considers appropriate.

10.08 **Subordination**

The Loan shall rank concurrently with other unsecured creditors of the Borrower. If reasonably required by any Project Lender in connection with Qualifying Project Finance, the Lender may be asked to enter into a postponement, subordination, standstill and priority agreement to subordinate the Loan. For greater certainty, each of the Borrower and the Lender agrees that the Obligations under this Agreement are subordinate in right of payment to the prior payment in full of all indebtedness, liabilities and obligations of the Borrower to Project Lenders in respect of Qualifying Project Finance. Such subordination is intended for the benefit of, and may be enforced by, each Project Lender. This section defines the relative rights of the Lender and the Project Lender and nothing herein shall impair, as between the Borrower and the Lender, the obligation of the Borrower, which is absolute and unconditional, to pay principal of and interest on the Obligations in accordance with their terms. The Lender agrees to take such action as may be reasonably requested to acknowledge and effectuate the subordination of the Obligations in favour of any Project Lender as aforesaid and shall, forthwith upon the written request of any Project Lender execute and deliver to the person making such request such agreements or instruments in order to subordinate and postpone the Obligations in form and substance, and on terms and conditions, satisfactory to the Borrower, the Lender and such Project Lender, each acting reasonably.

10.09 **Payout Letter**

Promptly upon the repayment in full of the Obligations, the Lender agrees and undertakes to enter into, execute and deliver to the Borrower and the other Borrower Entities an instrument substantially in the form of the payout letter attached as Schedule 10.09 hereto, confirming that all debts, liabilities and obligations of the Borrower Entities to the Lender under or in connection with this Agreement, the Guarantee and the other Loan Documents, have been paid, satisfied and released. All covenants and obligations of the Borrower Entities under this Agreement, the Guarantees and the other Loan Documents will terminate upon repayment in full of all principal and interest and any other amounts then outstanding under this Agreement.

[Signature pages follow]

IN WITNESS WHEREOF the parties have executed this Agreement.

BORROWER:

Address: 1111 St. Charles Blvd. West
West Tower, Suite 400
Longueuil, Québec J4K 5G4
Attention: Vice President, Finance and Chief
Financial Officer
Facsimile
No.: 604-983-3591

STORNOWAY DIAMOND CORPORATION

By: *“Zara Boldt”*

Name: Zara Boldt
Title: Vice-President, Finance & CFO

LENDER:

Address: 600, rue de La Guachetière Ouest
bureau 1500
Montreal, Québec H3B 4L8
Attention: Vice-President, Legal Affairs and
Corporate Secretary
Facsimile
No.: 514-876-9306

DIAQUEM INC.

By: *“Richard Miner”*

Name: Richard Miner
Title: PoA

By: *“Gary Litwack”*

Name: Gary Litwack
Title: PoA

SCHEDULE 1.1(a)
EXISTING ENCUMBRANCES

See attached.

PERMITTED ENCUMBRANCES AGAINST MINING LEASE AND MINING CLAIMS

Name of Secured Party and Underlying Document	Registration Particulars
<p>Diaquem Inc. (Diaquem)</p> <p>Deed of Hypothec executed before Mtre Mona Golabi, Notary on April 1, 2011 under her minute number 251, between Stornoway Diamonds (Canada) Inc. / Les Diamants Stornoway (Canada) Inc. and Diaquem Inc.</p>	<p>1. Register of Personal and Movable Real Rights under number 11-0218278-0001;</p> <p>Public Register of Real and Immovable Mining Rights under number 53890 and an additional registration was made at the Public Register of Real and Immovable Mining Rights in order to register Diaquem's hypothec over claim CDC2388520 under number 55300.</p> <p>Register of Real Rights of State Resource Development in the registration division of Sept-Îles under numbers 19 051 767 (against land files 96-A-2361 to 96-A-2384) and under numbers 20 221 887 and 20 229 783 against land file numbers 96-A-2409 to 96-A-2574 and 96-A-2576 to 96-A-3256.</p>
	<p>2. Public Register of Real and Immovable Mining Rights under number 54861;</p> <p>Register of Real Rights of State Resource Development in the registrations division of Sept-Îles under number 19 555 459 against the land file number 96-A-2385.</p>
<p>Nation Crie de Mistissini</p> <p>Grand Conseil des Cris (Eeyou Istchee)</p> <p>Administration Régionale Crie</p> <p>Deed of hypothec executed before Mtre Shalini Sangani, Notary on September 24, 2013 under her minute number 230, between Stornoway Diamonds (Canada) Inc. / Les Diamants Stornoway (Canada) Inc and each of Nation Crie de Mistissini, Grand Conseil des Cris (Eeyou Istchee) and Administration Régionale Crie</p>	<p>1. Register of Personal and Movable Real Rights under number 13-0851769-0001</p> <p>The Cree hypothec has been filed at the Public Register of Real and Immovable Mining Rights against SDCI's mining lease and this registration is pending at said Public Register of Real and Immovable Mining Rights in order to register Cree's hypothec over BM1021.</p> <p>Register of Real Rights of State Resource Development in the registration division of Sept-Îles under number 20 288 726 against the land file number 96-A-2385.</p>
<p>Fonds de solidarité des travailleurs du Québec (F.T.Q.)</p> <p>Fonds Régional de solidarité F.T.Q. Nord-Du-Québec, S.E.C.</p> <p>Diaquem Inc.</p> <p>Deed of Hypothec executed before Mtre Naomi Rabinovitch,</p>	<p>1. Register of Personal and Movable Real Rights under number 12-0392128-0001;</p> <p>Public Register of Real and Immovable Mining Rights under number 54604 and an additional registration is pending at the Public Register of Real and Immovable Mining Rights in order to register the FTQ's hypothec over claim CDC2388520.</p> <p>Register of Real Rights of State Resource Development in the registration division of Sept-Îles under numbers 19 074 260</p>

Name of Secured Party and Underlying Document	Registration Particulars
Notary on May 7, 2012 under her minute number 91, between Stornoway Diamonds (Canada) Inc. / Les Diamants Stornoway (Canada) Inc. and Fonds de Solidarité des Travailleurs du Québec (F.T.Q.), Fonds Régional de Solidarité F.T.Q. Nord-du-Québec, société en commandite and Diaquem Inc.	(against land files 96-A-2361 to 96-A-2384) and under numbers 20 288 709 and 20 288 719 against land file numbers 96-A-2409 to 96-A-2574 and 96-A-2576 to 96-A-3256.
	<p>2. Public Register of Real and Immovable Mining Rights under number 55054;</p> <p>Register of Real Rights of State Resource Development in the registrations division of Sept-Îles under number 19 759 791 against the land file number 96-A-2385.</p>

**OTHER REGISTRATIONS AT THE REGISTER OF PERSONAL AND MOVABLE REAL RIGHTS
(QUEBEC)**

	SECURITY / REGISTRATION NO. & DATE / ORIGIN	EXTREME DATE OF EFFECT	PARTIES	AMOUNT / INTEREST	DESCRIPTION OF COLLATERAL (SUMMARY):	OTHER MENTIONS / NOTES
1) -	Rights of ownership of the lessor (leasing) 06-0197722-0001 April 13, 2006 Deed executed under private signature on April 4, 2006	April 4, 2016	Lessor: Les Services Financiers Caterpillar Limitée Lessees: <ul style="list-style-type: none"> • Ashton Mining of Canada Inc. • Les Diamants Ashton (Canada) Inc./ Ashton Diamonds (Canada) Inc. 	N/A	New 2005 Caterpillar 3415 generator set s/n CAT00000TBCW00984. New 2005 Caterpillar 3412 generator set s/n CAT00000LBCW01031.	SAME AS #2) BELOW

➤ **with respect to ASHTON MINING OF CANADA INC. / LES MINES ASHTON DU CANADA INC.** (formerly: 4370937 CANADA INC., ASHTON MINING OF CANADA LIMITED AND ASHTON OPERATIONS INC.):

	SECURITY / REGISTRATION NO. & DATE / ORIGIN	EXTREME DATE OF EFFECT	PARTIES	AMOUNT / INTEREST	DESCRIPTION OF COLLATERAL (SUMMARY):	OTHER MENTIONS / NOTES
2) -	Rights of ownership of the lessor (leasing) 06-0197722-0001 April 13, 2006 Deed executed under private signature on April 4, 2006	April 4, 2016	Lessor: Les Services Financiers Caterpillar Limitée Lessees: <ul style="list-style-type: none"> • Ashton Mining of Canada Inc. • Les Diamants Ashton (Canada) Inc./ Ashton Diamonds (Canada) Inc. 	N/A	New 2005 Caterpillar 3415 generator set s/n CAT00000TBCW00984 New 2005 Caterpillar 3412 generator set s/n CAT00000LBCW01031.	SAME AS #1) ABOVE

OTHER REGISTRATIONS AT THE PERSONAL PROPERTY REGISTRY (BRITISH COLUMBIA)

BRITISH COLUMBIA**Stornoway Diamond Corporation**

Base Registration Number	Registration Date	Expiry Date	Secured Party	Collateral Description
850942C	February 20, 2006	February 20, 2016	Bank of Montreal	Variable Rate G.I.C. and proceeds
028127G	March 3, 2011	March 3, 2018	De Lage Landen Financial Services Canada Inc.	Copier – digital and proceeds
292975H	April 15, 2013	April 15, 2014	Bank of Montreal/Banque de Montréal	Variable Rate G.I.C. and proceeds

Stornoway Diamonds (Canada) Inc.

Base Registration Number	Registration Date	Expiry Date	Secured Party	Collateral Description
588579F	June 1, 2010	June 1, 2015	Bank of Montreal	Variable Rate GIC and proceeds
073762G	March 31, 2011	March 31, 2021	Diaquem Inc.	Mineral Titles and other intangibles, consisting of the Mineral Titles listed in Schedule B of the Security Agreement between Stornoway Diamonds (Canada) Inc. and Diaquem Inc. dated April 1st, 2011 and any other mineral titles in any

Base Registration Number	Registration Date	Expiry Date	Secured Party	Collateral Description
				form whatsoever (including mining claims (whether staked or map-designated), mining exploration licenses, mining leases, exploration licenses, leases to mine, mining concessions or any other mining right, title or interest issued under the Mining Act, R.S.Q., Chap. m-13.1) into which such Schedule B mineral titles may be converted, and in either case any renewals or restaking thereof or substitutions therefor and proceeds
596134G	February 20, 2012	February 20, 2017	Bank of Montreal/Banque De Montreal	Term investment/US Term Investment/Performing Portfolio GIC/Variable Rate GIC and proceeds
637234G	March 15, 2012	March 20, 2017	Bank of Montreal/Banque De Montreal	Pledge of instrument, assignment of proceeds instrument described as Variable Rate GIC #0004-9769-590 in the principal amount of \$5750.00 including renewals and replacement thereof, substitutions therefor, accretions thereto and interest, income and money therefrom, and all proceeds thereof and therefrom including accounts.

Ashton Mining of Canada Inc.

Base Registration Number	Registration Date	Expiry Date	Secured Party	Collateral Description
004386H	October 16, 2012	October 16, 2017	Bank of Montreal/Banque de Montreal	All present and future securities and instruments, including renewals and replacement thereof, substitutions therefor, accretions thereto and interest, income and money therefrom, and all proceeds thereof and therefrom including accounts. Security held for Ashton Mining of Canada Inc. LF269-

Base Registration Number	Registration Date	Expiry Date	Secured Party	Collateral Description
				Instrument described as pledge of variable rate G.I.C. including renewals and replacement thereof, substitutions therefor, accretions thereto and interest, income and money therefrom, and all proceeds thereof and therefrom including accounts.

Les Diamants Stornoway (Canada)

Stornoway Diamonds (Canada) Inc. / Les Diamants Stornoway (Canada)

Les Diamants Stornoway (Canada) / Stornoway Diamonds (Canada) Inc.

Base Registration Number	Registration Date	Expiry Date	Secured Party	Collateral Description
073762G	March 31, 2011	March 31, 2021	Diaquem Inc.	Mineral Titles and other intangibles, consisting of the Mineral Titles listed in Schedule B of the Security Agreement between Stornoway Diamonds (Canada) Inc. and Diaquem Inc. dated April 1st, 2011 and any other mineral titles in any form whatsoever (including mining claims (whether staked or map-designated), mining exploration licenses, mining leases, exploration licenses, leases to mine, mining concessions or any other mining right, title or interest issued under the Mining Act, R.S.Q., Chap. m-13.1) into which such Schedule B mineral titles may be converted, and in either case any renewals or restaking thereof or substitutions therefore and proceeds

SCHEDULE 3.01(i)

FORM OF AMENDMENT TO INVESTOR AGREEMENT

Reference is made to the investor agreement by and among Investissement Québec, Diaquem Inc. (the “**Investor**”) and Stornoway Diamond Corporation (the “**Corporation**”) dated as of April 1, 2011 (the “**Investor Agreement**”).

1. Amendments

In consideration of the initial loan funding contemplated in the credit agreement between the Investor and the Corporation dated October 1, 2013, the parties hereby amend the Investor Agreement as follows:

(1) The definition of “Qualifiable Securities” in Section 1.1 of the Investor Agreement is deleted in its entirety and replaced with the following:

“Qualifiable Securities” means, at any time, (i) the Shares then held by IQ and its Affiliates, including the Investor, and any Shares issuable upon exchange, conversion or exercise of Convertible Securities then held by IQ and its Affiliates, including the Investor, (ii) any Shares or other securities issued or issuable pursuant to or with respect to the Shares or Convertible Securities held by IQ and its Affiliates, including the Investor, upon any stock split, subdivision, redivision, reduction, consolidation, stock dividend, recapitalization or other change, and (iii) any securities issued in reclassification or replacement of or exchange for any of the securities referred to in clauses (i) or (ii) above;”

(2) Section 3.1(b) of the Investor Agreement is deleted in its entirety and replaced with the following:

“upon the conversion, exchange or exercise of Convertible Securities of the Corporation in accordance with their terms;”

2. Investor Agreement Otherwise Continues

Except as expressly amended in Section 1 above, the Investor Agreement remains in full force and effect, unamended.

DATED this 2nd day of October, 2013

INVESTISSEMENT QUÉBEC

Per:

Name: ●

Title: ●

Per:

Name: ●

Title: ●

DIAQUEM INC.

Per:

Name: ●

Title: ●

Per:

Name: ●

Title: ●

STORNOWAY DIAMOND CORPORATION

Per:

Name: ●

Title: ●

SCHEDULE 3.01(j)
FORM OF GUARANTEE

Dated October 2, 2013

STORNOWAY DIAMONDS (CANADA) INC.,
ASHTON MINING OF CANADA INC.,
AND EACH OTHER GUARANTOR FROM TIME TO TIME PARTY HERETO
(as Guarantors)

- and -

DIAQUEM INC.
(as Lender)

GUARANTEE

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THIS GUARANTEE is dated October 2 and made between:

- (1) **The Persons from time to time party hereto as guarantors** (each, a **Guarantor**); and
- (2) **Diaquem Inc.**, a corporation formed under the laws of the Province of Québec (the **Lender**).

RECITALS:

- (A) The Lender has agreed to make a term loan facility available to Stornoway Diamond Corporation (the **Corporation**) upon the terms and conditions contained in a credit agreement between the Corporation and the Lender dated as of this date (such credit agreement as it may at any time or from time to time be amended, supplemented, restated or replaced, the **Credit Agreement**).
- (B) Each Guarantor has agreed with the Lender to guarantee the payment and performance of all present and future debts, liabilities and obligations, direct or indirect, absolute or contingent, of the Corporation to the Lender arising pursuant to, or in respect of, the Credit Agreement.
- (C) Each Guarantor is a direct or indirect subsidiary of the Corporation.
- (D) Each Guarantor considers it to be in its best interest to provide this Guarantee.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, each Guarantor agrees as follows:

Article 1 - Interpretation

1.1 Defined Terms

Capitalized terms used in this Guarantee and not otherwise defined have the respective meanings given to them in the Credit Agreement.

1.2 Gender and Number

Any reference in this Guarantee to gender includes all genders and words importing the singular include the plural and *vice versa*.

1.3 Headings, etc.

The inclusion of a table of contents, the division of this Guarantee into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this Guarantee.

1.4 Currency

All monetary amounts in this Guarantee, unless otherwise specifically indicated, are stated in Canadian currency.

1.5 Governing Law

This Guarantee is governed by and is to be interpreted, construed and enforced in accordance with the internal laws of the Province of Québec and the laws of Canada applicable therein, without regard to conflict of law principles. Each party to this Guarantee irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of Québec.

Article 2 – Guarantee

2.1 Guarantee

Each Guarantor solidarily (i.e. jointly and severally), irrevocably and unconditionally, guarantees to and in favour of the Lender by way of a continuing guarantee, the due and punctual payment and performance, whether at stated maturity, by acceleration or otherwise (including amounts that would become due but for the operation of a stay), of all present and future debts, liabilities and obligations, direct or indirect, absolute or contingent, of the Corporation to the Lender arising pursuant to, or in respect of, the Credit Agreement (such obligations, the **Guaranteed Obligations**).

2.2 Primary Obligation

If any or all of the Guaranteed Obligations are not paid or performed by the Corporation and are not paid or performed by a Guarantor under Section 2.1, in each case, for any reason whatsoever, such Guaranteed Obligations will, as a separate and distinct obligation, be paid and performed by each Guarantor as primary obligor (and not merely as surety) immediately upon written demand to such Guarantor by the Lender for such payment or performance.

2.3 Absolute Liability

Each Guarantor agrees that the liability of such Guarantor under Section 2.1 and Section 2.2 is absolute and unconditional and the obligations of such Guarantor in this Guarantee shall remain in full force and effect until all Guaranteed Obligations have been validly, finally and irrevocably paid in full or this Guarantee has been released. The liability and obligations of each Guarantor in this Guarantee shall not be affected by any matter or thing which but for this provision might operate to affect such liability or obligations, including:

- (a) the lack of validity or enforceability of any term of the Credit Agreement;
- (b) any contest by the Corporation or any other Person as to the amount of the Guaranteed Obligations or the validity or enforceability of any terms of the Credit Agreement;
- (c) any defence, counter-claim or right of set-off available to the Corporation or any other Person;
- (d) any change in the ownership, Control, name, objects, businesses, assets, capital structure or constitution of the Corporation, any Guarantor or any other Person or any reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Corporation, any Guarantor or any other Person or their respective businesses;
- (e) any extension of time or times for payment or performance of the Guaranteed Obligations or any releases, variations or indulgences which the Lender may grant to the Corporation or any other Person or any extinguishment of all or any part of the Guaranteed Obligations by operation of Law;
- (f) any limitation of status or power, disability, incapacity or other circumstance relating to the Corporation, any Guarantor or any other Person, including without limitation any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, winding-up or other like proceeding involving or affecting the Corporation, any Guarantor or any other Person or any action taken with respect to this Guarantee by any trustee or receiver, or by any court, in any such proceeding, whether or not such Guarantor has notice or knowledge of any of the foregoing;

- (g) the assignment of all or any part of the benefits of this Guarantee; and
- (h) any other circumstances which might otherwise constitute a defence available to, or a discharge of, any Guarantor, the Corporation or any other Person in respect of the Guaranteed Obligations or this Guarantee.

Article 3 – Enforcement

3.1 Payment on Demand

The obligation of each Guarantor to pay the amount of the Guaranteed Obligations and all other amounts payable by it to the Lender under this Guarantee arises, and each Guarantor shall make such payments, immediately after demand for same is made in writing to it by the Lender.

3.2 Amount of Guaranteed Obligations

Any account settled or stated by or between the Lender and the Corporation, or if any such account has not been settled or stated immediately before demand for payment under this Guarantee, any account stated by the Lender shall, in the absence of manifest mathematical error, be accepted by each Guarantor as *prima facie* evidence of the amount of the Guaranteed Obligations which is due by the Corporation to the Lender or remains unpaid by the Corporation to the Lender.

3.3 Interest

The liability of each Guarantor bears interest from the date of demand at the rate or rates of interest then applicable to the Guaranteed Obligations under, and calculated in the manner provided in, the Credit Agreement (including any adjustment to give effect to the provisions of the *Interest Act* (Canada)).

3.4 Postponement

- (a) Until written notice by the Lender that Guaranteed Obligations are due and payable, each Guarantor may receive payments in respect of all obligations, liabilities and indebtedness of the Corporation to such Guarantor of any nature whatsoever and all security therefor (the **Intercorporate Indebtedness**) in accordance with their respective terms.
- (b) Upon written notice by the Lender to a Guarantor that the Guaranteed Obligations are due and payable, all Intercorporate Indebtedness shall be held in trust for the Lender and shall be collected, enforced or proved subject to, and for the purpose of, this Guarantee and any payments received by a Guarantor in respect of the Intercorporate Indebtedness shall be segregated from other funds and property held by such Guarantor and immediately paid to the Lender on account of the Guaranteed Obligations.
- (c) Upon written demand being made by the Lender under this Guarantee, the Lender is entitled to receive payment of the Guaranteed Obligations in full before any Guarantor is entitled to receive any payment on account of the Intercorporate Indebtedness. In such case, the Intercorporate Indebtedness shall not be released by any Guarantor until the Lender's prior written consent to such release has been obtained. No Guarantor shall permit the prescription of the Intercorporate Indebtedness by any statute of limitations or ask for or obtain any security interest, hypothec or negotiable paper for, or other evidence of, the Intercorporate Indebtedness except for the purpose of delivering the same to the Lender.

3.5 Remedies

In no event shall the Lender have any obligation to proceed against the Corporation before seeking satisfaction from any Guarantor. The obligations of each Guarantor hereunder are independent of the obligations of the Corporation and the obligations of any other Guarantor. A separate action may be brought and prosecuted against any Guarantor whether or not any action is brought against the Corporation or any other Guarantor and whether or not the Corporation or any other Guarantor is party to any such action or actions. Each Guarantor hereby waives all benefits of discussion and division and any other right it may have of first requiring the Lender to proceed against the Corporation, any other Guarantor or any other Person or to enforce or exhaust any right, remedy or security before claiming against such Guarantor.

3.6 No Prejudice to Lender

The Lender is not prejudiced in any way in the right to enforce any provision of this Guarantee by any act or failure to act on the part of the Corporation or the Lender. The Lender may, at any time and from time to time, in such manner as it may determine is expedient, without any consent of, or notice to, any Guarantor, and without impairing or releasing the obligations of any Guarantor, (a) change the manner, place or terms of payment or change or extend the time of payment of, or renew or alter, all or any part of, the Guaranteed Obligations, (b) renew, determine, vary or increase any loan or loan facilities to, or the terms or conditions in respect of any transaction with, the Corporation or any other Person, (c) release, compound or vary the liability of the Corporation or any other Person liable in any manner under or in respect of the Guaranteed Obligations, (d) accept compromises or arrangements from any Person, (e) apply any sums from time to time received to the Guaranteed Obligations or any part thereof, and change any such application in whole or in part from time to time, and (f) otherwise deal with, or waive or modify its right to deal with, any Person. In its dealings with the Corporation, the Lender need not enquire into the authority or power of any Person purporting to act for or on behalf of the Corporation.

3.7 Suspension of Guarantor Rights

So long as there are any Guaranteed Obligations outstanding and the Credit Agreement has not been terminated, no Guarantor shall exercise any rights which it may at any time have by reason of the performance of any of its obligations under this Guarantee to (a) be indemnified by the Corporation, (b) claim contribution from any other Guarantor or (c) take the benefit of any rights of the Lender under the Credit Agreement.

3.8 Waiver of Subrogation

Any rights of subrogation acquired by a Guarantor by reason of payment under this Guarantee are not to be exercised until the Guaranteed Obligations have been paid or repaid in full and the Credit Agreement has been terminated and such rights of subrogation are no greater than the rights held by the Lender under the Credit Agreement. In the event (a) of the liquidation, winding-up or bankruptcy of the Corporation (whether voluntary or compulsory), (b) that the Corporation makes a bulk sale of any of its assets within the provisions of any bulk sales legislation, or (c) that the Corporation makes any composition with creditors or enters into any scheme of arrangement, then the Lender shall rank in priority to any Guarantor for its full claims in respect of the Guaranteed Obligations and receive all dividends or other payments until its claims under the Guaranteed Obligations are paid in full. Each Guarantor will continue to be liable, less any payments made by it, for any balance which may be owing to the Lender by the Corporation in respect of the Guaranteed Obligations. No valuation or retention of collateral by the Lender will, as between the Lender and any Guarantor, be considered as a purchase of such collateral or as payment or satisfaction or reduction of all or any part of the Guaranteed Obligations. If any amounts are paid to any Guarantor on account of any subrogation rights at any time when all the Guaranteed Obligations have not been paid in full, the amounts will be held in trust for the benefit of the Lender and must immediately be paid to the Lender to be credited and applied upon the Guaranteed Obligations, whether matured or unmatured.

3.9 No Set-off by Guarantor

To the fullest extent permitted by Law, each Guarantor shall make all payments under this Guarantee without regard to any defence, counter-claim or right of set-off available to it, and each Guarantor waives any right to assert against the Lender as a defence, any counterclaim, set-off or cross claim, or any other claim which such Guarantor may now or at any time hereafter have against the Corporation, any other Guarantor or the Lender.

3.10 Successors of the Corporation

Any change or changes in the name of or reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Corporation or its business will not affect or in any way limit or lessen the liability of any Guarantor under this Guarantee. This Guarantee extends to any Person acquiring, or from time to time carrying on, the business of the Corporation.

3.11 Continuing Guarantee and Continuing Obligations

The obligation of each Guarantor under Section 2.1 is a continuing guarantee and the obligations of each Guarantor under Section 2.2 are continuing obligations. Each of Sections 2.1 and 2.2 applies to and secures the ultimate balance of the Guaranteed Obligations due or remaining due to the Lender and is binding as a continuing obligation of each Guarantor until the Lender releases such Guarantor. This Guarantee will continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Lender upon the insolvency, bankruptcy or reorganization of the Corporation, a Guarantor or otherwise, all as though such payment had not been made.

3.12 Right of Set-off

The Lender is authorized by each Guarantor at any time and from time to time and may, to the fullest extent permitted by Law, set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lender to or for the credit or the account of such Guarantor against any and all of the obligations of such Guarantor now or hereafter existing irrespective of whether or not (a) the Lender has made any demand under this Guarantee, or (b) any of the obligations comprising the Guaranteed Obligations are contingent or unmatured. The Lender agrees to promptly notify such Guarantor after any such set-off and application made by it; provided that the failure to give such notice does not affect the validity of such set-off and application. The rights of the Lender under this section are in addition and without prejudice to and are supplemental to other rights and remedies which the Lender may have.

3.13 Interest Act (Canada)

Each Guarantor acknowledges that certain of the rates of interest applicable to the Guaranteed Obligations may be computed on the basis of a year of 365 days and paid for the actual number of days elapsed. For purposes of the Interest Act (Canada), whenever any interest is calculated using a rate based on a year of 365 days, such rate determined pursuant to such calculation, when expressed as an annual rate is equivalent to (a) the applicable rate based on a year of 365 days, (b) multiplied by the actual number of days in the calendar year in which the period for such interest is payable (or compounded) ends, and (c) divided by 365.

Article 4 – Representations and Warranties

Each Guarantor represents and warrants to the Lender, acknowledging and confirming that the Lender is relying on such representations and warranties without independent inquiry, as follows:

4.1 Incorporation and Corporate Power

Such Guarantor is incorporated and is a valid and subsisting corporation in good standing under the Laws of its jurisdiction of incorporation and has all requisite corporate power and authority to carry on its business as now conducted or proposed to be conducted and such Guarantor has all requisite corporate power and authority to enter into, execute and deliver this Guarantee and to carry out the obligations thereof hereunder.

4.2 Authority and Authorization

Such Guarantor has full corporate power and authority to enter into this Guarantee and to do all acts and things and execute and deliver all documents as are required thereunder to be done, observed, performed or executed and delivered by it in accordance with the terms thereof and such Guarantor has taken all necessary corporate action to authorize the execution, delivery and performance of this Guarantee and to observe and perform the provisions of this Guarantee in accordance with the provisions hereof.

4.3 No Conflict or Breach

The execution and delivery by such Guarantor of this Guarantee and the performance by it of its obligations hereunder do not and will not (a) conflict with or result in a breach or violation of any (i) of its Organizational Documents, or (ii) applicable Laws.

4.4 Validity and Enforceability

The execution and delivery of this Guarantee by such Guarantor is duly authorized by all necessary action on the part of such Guarantor and this Guarantee is duly executed by such Guarantor and constitutes a valid and legally binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms except: (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other Laws of general application affecting enforcement of creditors' rights generally; and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

Article 5 – General

5.1 Notices, Etc.

Any notice, consent, waiver or other communication given under this Guarantee must be in writing and may be given by delivering it or sending it by facsimile or other similar form of recorded communication addressed:

- (a) If to a Guarantor, at the address for such Guarantor as specified below or as set out on the signature page to any accession letter signed by any person who becomes a Guarantor in accordance with Section 5.7:

STORNOWAY DIAMONDS (CANADA) INC.
1111 St. Charles Blvd West
West Tower, Suite 400
Longueuil, Québec, J4K 5G4

Attention: Vice President, Finance and Chief Financial Officer
Facsimile: 604-983-3591

ASHTON MINING OF CANADA INC.
1111 St. Charles Blvd West
West Tower, Suite 400

Longueuil, Québec, J4K 5G4

Attention: Vice President, Finance and Chief Financial Officer
Facsimile: 604-983-3591

with a copy (which shall not constitute notice to any Guarantor) to:

Norton Rose Fulbright Canada LLP
Suite 2500
1 Place Ville-Marie
Montréal, Québec, H3B 1R1

Attention: Steve Malas and Pascal Rodier
Facsimile: 514-286-5474

(b) If to the Lender, at:

DIAQUEM INC.
Suite 1500
600 De La Gauchetière West
Montréal, Québec, H3B 4LB

Attention: Vice-President, Legal Affairs and Corporate Secretary
Facsimile: 514-876-9306

with a copy (which shall not constitute notice to the Lender) to:

McCarthy Tétrault LLP
Box 48, Suite 5300, Toronto Dominion Bank Tower
Toronto, Ontario, M5K 1E6

Attention: Gary M. Litwack
Facsimile: 416-868-0673

Any such communication is deemed to have been delivered and received on the date of personal delivery or transmission by facsimile or other similar permitted form of recorded communication, as the case may be, if such day is a Business Day and such delivery or transmission was received by the recipient party prior to 5:00 pm (Montréal time) and otherwise on the next Business Day. Delivery of a notice or other communication by email is not an effective means of notice for purposes of this Guarantee. Any party may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such party at its changed address.

5.2 Survival of Representations and Warranties

The representations and warranties of each Guarantor in this Guarantee shall survive the execution and delivery of this Guarantee and notwithstanding any investigation made by or on behalf of the Lender, shall continue in full force and effect.

5.3 Time of Essence

Time is of the essence in this Guarantee and the time for performance of the obligations of each Guarantor under this Guarantee may be strictly enforced by the Lender.

5.4 No Collateral Promises

This Guarantee shall not be subject to or affected by any promise or condition affecting or limiting the liability of any Guarantor except as expressly set out in this Guarantee. No statement,

representation, agreement or promise on the part of the Lender or any officer, employee or agent thereof, unless set out in this Guarantee, forms any part of this Guarantee or the Credit Agreement or has induced its creation or shall be deemed in any way to have affected the liability of any Guarantor.

5.5 Credit Agreement

Except to the extent not already party thereto, each Guarantor agrees to be bound by the covenants of Article 8 of the Credit Agreement with the same force and effect as if such covenants had been made by it.

5.6 Further Assurances

Each Guarantor will do all acts and things and execute and deliver, or cause to be executed and delivered, all documents and instruments that the Lender may reasonably request to (a) give full effect to this Guarantee, and (b) to preserve the rights and powers of the Lender under this Guarantee.

5.7 Additional Guarantors

Any Person who executes and delivers to the Lender an accession letter in the form of Schedule "A" hereof will become a Guarantor and will be bound by the provisions of this Guarantee. Any such Person will provide the following documents to the Lender, in form and substance satisfactory to the Lender:

- (a) a copy of its Organizational Documents;
- (b) a copy of a resolution of its governing body authorizing the execution of this Guarantee and the performance of its obligations hereunder;
- (c) an incumbency certificate; and
- (d) a legal opinion addressed to the Lender from counsel to such Guarantor as to the due execution, delivery and enforceability of this Guarantee.

5.8 Payment of Expenses

Each Guarantor will be solidarily (i.e. jointly and severally) liable to the Lender to pay on demand, and will be solidarily (i.e. jointly and severally) liable to indemnify and save the Lender harmless from, any and all costs and expenses (including reasonable legal fees and expenses) (a) incurred by or on behalf of the Lender in the administration or enforcement of this Guarantee, or (b) with respect to, or resulting from, any failure or delay by any Guarantor in performing or observing any of its obligations under this Guarantee.

5.9 Amendment

This Guarantee may only be amended, supplemented or otherwise modified by written agreement of the Lender and each Guarantor.

5.10 Waivers, etc.

- (a) No consent or waiver by the Lender in connection with this Guarantee is binding unless made in writing and signed by an authorized officer of the Lender. Any consent or waiver given under this Guarantee is effective only in the specific instance and for the specific purpose for which it was given. No waiver of any of the provisions of this Guarantee constitutes a waiver of any other provision.

- (b) A failure or delay on the part of the Lender in exercising a right or remedy under this Guarantee does not operate as a waiver of, or impair, any rights or remedies of the Lender however arising. A single or partial exercise of a right or remedy on the part of the Lender does not preclude any other or further exercise of that right or remedy or the exercise of any other rights or remedies by the Lender.

5.11 Successors and Assigns

This Guarantee is binding upon each Guarantor, its successors and assigns, and enures to the benefit of the Lender and its successors and permitted assigns. All rights of the Lender are assignable without any requirement of consent on the part of any Guarantor and in any action brought by an assignee to enforce any such right, no Guarantor shall assert against the assignee any claim or defence which such Guarantor now has or hereafter may have against the Lender. No Guarantor may assign, transfer or delegate any of its rights or obligations under this Guarantee without the prior written consent of the Lender.

5.12 Severability and Indemnification

If any provision of this Guarantee or any of the Guaranteed Obligations is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever (a) that provision will be severed from this Guarantee and the remaining provisions will continue in full force and effect, without limitation, and (b) each Guarantor will be solidarily (i.e. jointly and severally) liable to indemnify the Lender for any loss suffered by the Lender.

5.13 Counterparts

This Guarantee may be executed in any number of separate counterparts and all such signed counterparts constitute one and the same agreement. Delivery by facsimile or other electronic means of an originally executed signature page to this Guarantee by a party is as effective as personal delivery of such signature page.

5.14 Copy of Guarantee

Each Guarantor acknowledges receipt of an executed copy of this Guarantee.

[Signature page follows]

IN WITNESS WHEREOF each Guarantor has executed and delivered this Guarantee.

**STORNOWAY DIAMONDS (CANADA) INC.,
as Guarantor**

By: _____
Authorized Signing Officer

**ASHTON MINING OF CANADA INC.,
as Guarantor**

By: _____
Authorized Signing Officer

Accepted and agreed by the Lender this
2nd day of October, 2013.

**DIAQUEM INC.,
as Lender**

By: _____
Authorized Signing Officer

By: _____
Authorized Signing Officer

Schedule "A"

Accession Letter

To: **DIAQUEM INC., as Lender**

From: **[name of additional Guarantor]**

Dated:

Dear Sirs:

Reference is made to the credit agreement dated as of October 1, 2013 between Stornoway Diamond Corporation, as borrower, Diaquem Inc., as lender (the "**Lender**"), as such credit agreement may be amended, restated or otherwise modified from time to time, and to the guarantee agreement dated as of October 2, 2013 between the Lender, Stornoway Diamonds (Canada) Inc., Ashton Mining of Canada Inc. and each other person party thereto as guarantor (as amended, restated or otherwise modified from time to time, the "**Guarantee Agreement**")**[, a copy of which is attached]**. Terms used herein and not defined have the meanings ascribed to them in the Guarantee Agreement.

[Name of the additional Guarantor] hereby agrees to become a Guarantor under the Guarantee Agreement and to be bound by all of the provisions of such Guarantee Agreement, to the same extent and with the same effect as if it were an original party thereto.

Yours very truly,

[name of additional Guarantor]

per: _____

per: _____

Address for notice purposes:

•

SCHEDULE 10.09

FORM OF PAYOUT LETTER

Date: ●

TO: STORNOWAY DIAMOND CORPORATION
AND TO: STORNOWAY DIAMONDS (CANADA) INC.
AND TO: ASHTON MINING OF CANADA INC.

Dear Sirs/Mesdames:

RE: Stornoway Diamond Corporation

- A. Pursuant to a credit agreement between Stornoway Diamond Corporation, as borrower (the “**Borrower**”), and Diaquem Inc., as lender (the “**Lender**”), the Lender granted certain credit facilities in favour of the Borrower (as such credit agreement was amended, restated, supplemented, replaced and otherwise modified from time to time, the “**Credit Agreement**”); Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the Credit Agreement;
- B. As security for the Obligations owed to the Lender, Stornoway Diamonds (Canada) Inc. and Ashton Mining of Canada Inc. (and together with the Borrower and Stornoway Diamonds (Canada) Inc., the “**Borrower Entities**”) executed and delivered a guarantee to and in favour of the Lender (the “**Guarantee**”);
- C. The total amount outstanding under the Credit Agreement and the other Loan Documents as of [●] [the date hereof], on account of principal, interest, and any fees and accessories owing by the Borrower Entities to the Lender equals to \$● (the “**Payout Amount**”).

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lender and the Borrower Entities hereby agree that:

- 1. Upon receipt by the Lender in accordance with Section 3 hereof of the Payout Amount from the Borrower or on its behalf, together with the Per Diem Amount (as such term is defined below), if any:
 - (a) All debts, liabilities and obligations of the Borrower Entities to the Lender under or in connection with the Credit Agreement and the other Loan Documents (including, for greater certainty, the Obligations), shall be deemed to be, and shall have been, paid, satisfied and be automatically released in full and the Credit Agreement and each of the other Loan Documents shall be terminated in their entirety, in each case without any further action being required to effectuate the foregoing;

- (b) All of the rights, claims, guarantees (including, for greater certainty, under the Guarantee) and any other rights or security created or granted in favour of the Lender or for its benefit by the Borrower Entities as security for the debts, liabilities and obligations referred to in paragraph (a) above shall be automatically terminated and deemed discharged in their entirety and the Lender shall be deemed to have released, discharged and disclaimed each of the Borrower Entities, in each case without any further action being required to effectuate the foregoing; and
 - (c) The Lender shall promptly execute and deliver or cause to be executed and delivered all such other and further documents, agreements and instruments necessary to evidence the release, discharge and termination contemplated hereby.
2. If the Payout Amount is not paid to the Lender in accordance with Section 3 hereof on ● [indicate date], interest on the unpaid portion of the Payout Amount shall accrue at the amount of \$● per day (the “**Per Diem Amount**”).
 3. The Borrower is directed to pay the Payout Amount, together with the Per Diem Amount, if any, to the Lender by wire transfer in immediately available funds in accordance with the following instructions:

Bank Name:	●
Bank Address:	●
Bank Code:	●
Transit:	●
Account Number:	●
Swift Code:	●
 4. This Payout Letter shall be binding upon and effective as against the Lender and its successors and assigns and may be relied upon by the addressees hereto and their respective successors and assigns.
 5. This Payout Letter shall be construed and governed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein.
 6. This Payout Letter may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single letter agreement. Delivery of an executed signature page of this Payout Letter by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Pay-Out Letter.
 7. The parties hereto have expressly requested that this Payout Letter and all related documents be drawn up in the English language. *À la demande expresse des parties aux présentes, cette lettre de paiement et tout document y afférent ont été rédigés en langue anglaise.*

Yours very truly,

**DIAQUEM INC.,
as Lender**

Per: _____
Name: _____
Title: _____

Acknowledged and agreed as of ●.

**STORNOWAY DIAMOND CORPORATION,
as Borrower and Borrower Entity**

Per: _____
Name: _____
Title: _____

**STORNOWAY DIAMOND (CANADA) INC.,
as Guarantor and Borrower Entity**

Per: _____
Name: _____
Title: _____

**ASHTON MINING OF CANADA INC.,
as Guarantor and Borrower Entity**

Per: _____
Name: _____
Title: _____