

UNDERWRITING AGREEMENT

December 3, 2013

Stornoway Diamond Corporation

1111, boul. St-Charles
Bureau 400, Tour Ouest
Longueuil, Quebec J4K 4G4

Attention: Matthew Manson, President and Chief Executive Officer

Dear Sirs:

In furtherance of a letter agreement dated November 13, 2013 (the "**Letter Agreement**") between Stornoway Diamond Corporation (the "**Corporation**") and Dundee Securities Ltd. ("**Dundee**"), for and on behalf of itself, Scotia Capital Inc. and Desjardins Securities Inc. (collectively, the "**Underwriters**"), the Underwriters hereby offer to purchase from the Corporation (with the right to substitute purchasers), and the Corporation agrees to issue and sell to the Underwriters, 9,200,000 common shares of the Corporation (the "**Initial Offered Shares**") at a price of \$0.95 per Initial Offered Share (the "**Offering Price**"), on and subject to the terms and conditions set forth herein (the "**Offering**"). Each Initial Offered Share shall be issued as a "flow-through share" as defined in subsection 66(15) of the Tax Act (as defined herein). It is understood that the offer of the Offered Shares to the prospective Purchasers (as defined herein) will take place in each of the provinces of Canada (the "**Offering Jurisdictions**").

In addition, subject to the terms and conditions hereof, the Corporation hereby grants to the Underwriters an over-allotment option (the "**Over-Allotment Option**"), exercisable at the sole option of the Underwriter, at any time until forty-eight hours prior to the Closing Date, to purchase up to an additional 1,380,000 common shares of the Corporation (the "**Over-Allotment Shares**" and together with the Initial Offered Shares the "**Offered Shares**") at the Offering Price and upon the terms and conditions set out herein. Each Over-Allotment Share shall be issued as a "flow-through share" as defined in subsection 66(15) of the Tax Act.

1. **Interpretation**

Unless expressly provided otherwise, where used in this Agreement or any schedule hereto, the following terms shall have the following meanings, respectively:

"**affiliate**", "**associate**", "**distribution**", "**material change**", "**material fact**" and "**misrepresentation**" have the respective meanings ascribed thereto in the *Securities Act* (Ontario);

"**Agreement**" means the agreement resulting from the acceptance by the Corporation of the offer made hereby;

"**Ashton**" means Ashton Mining of Canada Inc. / Les Mines Ashton du Canada Inc.;

"**Audited Financial Statements**" means audited consolidated financial statements of the Corporation for the year ended April 30, 2013, together with the auditors' report thereon and the notes thereto;

"**Business Day**" means a day which is not a Saturday, Sunday or statutory or civic holiday in the City of Montreal or the City of Toronto;

"**Claim**" has the meaning ascribed thereto in Section 14;

“**Closing**” means the completion of the issue and sale by the Corporation of the Offered Shares pursuant to this Agreement and the Subscription Agreements;

“**Closing Date**” means the date of the Closing, namely December 3, 2013, or such other date as the Underwriters and the Corporation may agree in writing;

“**Closing Time**” means 8:30 a.m. (Eastern Standard Time) on the Closing Date or such other time on the Closing Date as the Corporation and the Underwriters may agree;

“**Commitment Amount**” means the amount equal to \$0.95 multiplied by the number of Offered Shares subscribed and paid for by the Purchasers pursuant to the Offering;

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

“**Compensation Share**” has the meaning ascribed thereto in subsection 3(a)(ii);

“**Compensation Warrant**” has the meaning ascribed thereto in subsection 3(a)(ii);

“**Compensation Warrant Certificates**” means the certificates evidencing the Compensation Warrants;

“**Conditional Listing Letter**” means the conditional listing letter dated November 18, 2013 from the Exchange;

“**Continuing Underwriters**” has the meaning ascribed thereto in Section 15;

“**Corporation**” has the meaning ascribed thereto in the first paragraph of this Agreement;

“**Corporation Disclosure Record**” means, collectively, documents filed by the Corporation on SEDAR with the relevant Canadian securities regulators (including, without limitation, the Securities Commissions) under the Securities Laws and includes, but is not limited to, all material change reports, press releases and financial statements of the Corporation;

“**Credit Agreement**” means the Credit Agreement between the Corporation and Diaquem Inc., dated October 1, 2013;

“**Exchange**” means the Toronto Stock Exchange;

“**Expenditure Period**” means the period commencing on the Closing Date and ending on the Termination Date;

“**Financial Statements**” means, collectively, the Audited Financial Statements and the Interim Financial Statements;

“**Governmental Authority**” has the meaning ascribed thereto in subsection 5(hh)(ii);

“**Gross Proceeds**” means the gross proceeds raised from the sale of the Offered Shares;

“**Indemnified Party**” has the meaning ascribed thereto in Section 14;

“**Initial Offered Shares**” has the meaning ascribed thereto in the first paragraph of this Agreement;

“**Interim Financial Statements**” means the unaudited consolidated interim financial statements of the Corporation for the period ended July 31, 2013, and the notes thereto;

“**Investor Agreement**” means the Investor Agreement among the Corporation, Investissement Québec and Diaquem Inc., dated as of April 1, 2011, as amended;

“**Material Contracts**” means (a) the agreements listed under the heading “Material Contracts” in the Corporation’s annual information form dated July 25, 2013 for the fiscal year ended April 30, 2013, and (b) agreements that are otherwise material to the Corporation and its Material Subsidiaries;

“**Letter Agreement**” has the meaning ascribed thereto in the first paragraph of this Agreement;

“**Material Subsidiaries**” means, collectively, Ashton and SDCI;

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

“**NI 45-106**” means National Instrument 45-106 – *Prospectus and Registration Exemptions*;

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*;

“**Offering**” has the meaning ascribed thereto in the first paragraph of this Agreement;

“**Offering Jurisdictions**” has the meaning ascribed thereto in the first paragraph of this Agreement;

“**Offering Price**” has the meaning ascribed thereto in the first paragraph of this Agreement;

“**Offered Shares**” has the meaning ascribed thereto in the second paragraph of this Agreement;

“**Over-Allotment Option**” has the meaning ascribed thereto in the second paragraph of this Agreement;

“**Over-Allotment Shares**” has the meaning ascribed thereto in the second paragraph of this Agreement;

“**Person**” or “**person**” includes any individual, corporation, limited partnership, general partnership, joint stock company or association, joint venture association, company, trust, bank, trust company, land trust, investment trust, society or other entity, organization, syndicate, whether incorporated or not, trustee, executor or other legal personal representative, and governments and agencies and political subdivisions thereof;

“**Private Placement Exemption**” means (i) the “accredited investor” exemption under section 2.3 of NI 45-106, or (ii) the “minimum amount investment” exemption under section 2.10 of NI 45-106;

“**Purchasers**” means, collectively, those persons who are purchasing the Offered Shares as contemplated herein, including Substituted Purchasers and/or the Underwriters;

“**Qualifying Expenditures**” has the meaning ascribed thereto in the Subscription Agreements;

“**Refusing Underwriter**” has the meaning ascribed thereto in Section 15;

“**Regulatory Authorities**” means the Securities Commissions and the Exchange;

“**Renard Diamond Project**” means the Renard Diamond Project located in the Province of Quebec;

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

“**Securities Commissions**” means the applicable securities commissions or other securities regulatory authorities where the Corporation is a reporting issuer;

“**Securities Laws**” means the securities legislation and regulations of, and the instruments, policies, rules, orders, codes, notices and interpretation notes of the securities regulatory authorities (including the Exchange) of an applicable Offering Jurisdiction or Offerings Jurisdictions, collectively;

“**Subscription Agreements**” means, collectively, the subscription and renunciation agreements for flow-through shares in the forms agreed to between the Corporation and the Underwriters to be entered into between the Purchasers and the Corporation in respect of the Offering, as amended or supplemented;

“**Subsidiaries**” means the subsidiaries of the Corporation identified as such on Schedule “A” hereto and “**Subsidiary**” means any one of the Subsidiaries;

“**Substituted Purchasers**” has the meaning ascribed thereto in subsection 2(a);

“**Tax Act**” means the *Income Tax Act* (Canada), as amended, re-enacted or replaced from time to time and all rules and regulations made pursuant thereto and any proposed amendments thereto;

“**Termination Date**” means December 31, 2014;

“**Transfer Agent**” means the registrar and transfer agent of the Corporation, namely Computershare Investor Services Inc.;

“**Underwriters**” has the meaning ascribed thereto in the first paragraph of this Agreement; and

“**Underwriting Fee**” has the meaning ascribed thereto in subsection 3(a)(i).

In this Agreement, “**to the best knowledge of**” means, unless otherwise expressly stated, a statement of the declarant’s knowledge of the facts or circumstances to which such phrase is related, after having made reasonable inquiries and investigations in connection with such facts and circumstances; and “**to the knowledge of the Corporation**” or a similar expression means, unless otherwise expressly stated, a statement as to the best knowledge of each of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Vice President – Exploration of the Corporation about the facts or circumstances to which such phrase is related, after having made reasonable inquiries and investigations in connection with such facts and circumstances.

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

- (a) words used herein importing the singular number include the plural and vice versa, words importing the use of any gender include all genders;
- (b) references herein to any agreement or instrument, including this Agreement, are deemed to be references to the agreement or instrument as varied, amended, modified, supplemented or replaced from time to time, and any specific references herein to any legislation or enactment are deemed to be references to such legislation or enactment as the same may be amended or replaced from time to time; and
- (c) the division of this Agreement into sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “herein”, “hereunder” and similar expressions refer to this Agreement and the schedule hereto and

not to any particular section, subsection, paragraph or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

The following schedule is attached to this Agreement, which schedule is deemed to be a part hereof and is hereby incorporated by reference herein:

Schedule "A" – Subsidiaries

Schedule "B" – Opinion

2. **Nature of Transaction**

- (a) The Corporation understands that although the offer to purchase the Offered Shares is being made by the Underwriters as Purchaser, the Underwriters will endeavour to arrange for substituted purchasers (collectively, the "**Substituted Purchasers**") for the Offered Shares in the Offering Jurisdictions, subject to acceptance by the Corporation, acting reasonably, of the Subscription Agreements, with the obligation of the Underwriters to so purchase Offered Shares to be reduced by an amount which corresponds to the number of Offered Shares being purchased by Substituted Purchasers. The Underwriters acknowledge that, subject to the conditions contained in Section 7 being satisfied and subject to the rights of the Underwriters contained in Section 11, the Underwriters are obligated to purchase or cause to be purchased all of the Offered Shares and that such obligation is not subject to the Underwriters being able to arrange for Substituted Purchasers.
- (b) Each Canadian Purchaser shall purchase the Offered Shares under a Private Placement Exemption. The Underwriters will notify the Corporation with respect to the identity of any Purchaser as soon as practicable and with a view to leaving sufficient time to allow the Corporation to secure compliance with all relevant regulatory requirements of the applicable Offering Jurisdictions relating to the sale of the Offered Shares. The Corporation undertakes to file or cause to be filed all forms or undertakings required to be filed by the Corporation and to pay all filing fees in connection with the purchase and sale of the Offered Shares so that the distribution of such securities may lawfully occur without the necessity of filing a prospectus or an offering memorandum in Canada or comparable document elsewhere. The Underwriters undertake to use commercially reasonable efforts to cause Purchasers to complete (and it shall be a condition of Closing in favour of the Corporation that the Purchasers complete and deliver to the Corporation) any forms required by Securities Laws.

3. **Underwriters' Compensation**

- (a) In consideration for the performance of their obligations hereunder, the Corporation shall, subject to the provisions of this Agreement:
 - (i) pay to the Underwriters an aggregate fee (the "**Underwriting Fee**") in an amount equal to 5.0% of the Gross Proceeds; and
 - (ii) issue to the Underwriters that number of compensation warrants (the "**Compensation Warrants**") equal to 5.0% of the Offered Shares sold pursuant to the Offering, each Compensation Warrant exercisable to purchase one Common Share (each a "**Compensation Share**") at a price per share of \$0.95 for a period of twenty-four months following the Closing Date.

- (b) The Underwriters may retain one or more registered securities brokers or investment dealers to act as selling agent in connection with the sale of the Offered Shares but the compensation payable to such selling agent shall be the sole responsibility of the Underwriters, and only as permitted by and in compliance with all Securities Laws, upon the terms and conditions set forth in this Agreement and the Underwriters will require each such selling agent to so agree.

4. **Covenants of the Underwriters**

The Underwriters covenant, severally and not jointly, with the Corporation that they will:

- (a) conduct activities in connection with arranging for Purchasers of the Offered Shares in compliance with Securities Laws and only to such Persons and in such manner that no prospectus, offering memorandum or similar document needs to be filed with or delivered to any Securities Commission;
- (b) be appropriately registered under Securities Laws to permit them to distribute the Offered Shares in accordance with Securities Laws;
- (c) not deliver to any prospective Purchaser any document or material which constitutes an offering memorandum under Securities Laws;
- (d) obtain from each Substituted Purchaser an executed Subscription Agreement in the form agreed to by the Corporation and the Underwriters relating to the transactions herein contemplated, together with all documentation as may be necessary in connection with subscriptions for the Offered Shares; and
- (e) refrain from any form of general advertising or any form of general solicitation in connection with the Offering in: (A) printed media of general and regular circulation or any similar medium, (B) radio, (C) television, or (D) electronic media or conduct any seminar or meeting concerning the offer and sale of the Offered Shares whose attendees have been invited by any form of general solicitation or general advertising, and not make use of any green sheet or other internal marketing document without the written consent of the Corporation, such consent to be promptly considered and not to be unreasonably withheld.

5. **Representations and Warranties of the Corporation**

The Corporation hereby represents and warrants to the Underwriters (on their own behalf and on behalf of each of the Purchasers) that as at the date hereof:

- (a) **Incorporation and Organization:** Each of the Corporation and the Material Subsidiaries have 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 and the Corporation has all requisite corporate power and authority to enter into, execute and deliver this Agreement and the Compensation Warrant Certificates and to carry out the obligations thereof hereunder.
- (b) **Extra-provincial Registration:** Each of the Corporation and the Material Subsidiaries is licensed, registered or qualified as an extra-provincial or foreign Corporation 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, rules and regulations of each such jurisdiction.

- (c) Authorized Capital: The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of non-voting convertible shares, of which, as at the close of business on December 2, 2013, 141,896,833 Common Shares and 22,543,918 non-voting convertible shares were issued and outstanding as fully paid and non-assessable shares.
- (d) Listing: The Common Shares are listed on the Exchange and the Initial Offered Shares and Compensation Shares and, if applicable, the Over-Allotment Shares, have been conditionally approved for listing on the Exchange, subject to the fulfillment of standard conditions. The Corporation is not in default of any of the listing requirements of the Exchange.
- (e) Certain Securities Law Matters: The Common Shares are listed only on the Exchange, the Corporation is a reporting issuer or the equivalent in each of the provinces of Canada and is not in default of any requirement of the Securities Laws of any of such provinces. The Corporation 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.
- (f) 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 Corporation or of the Material Subsidiaries, except for, as at the close of business on December 2, 2013, an aggregate of 33,251,438 Common Shares which have been reserved for issue pursuant to outstanding options, warrants, share incentive plans, convertible, exercisable and exchangeable securities and other rights to acquire Common Shares.
- (g) No Pre-emptive Rights: The issue of the Offered Shares is not subject to any pre-emptive right or other contractual right to purchase securities granted by the Corporation or to which the Corporation is subject, except in connection with the Investor Agreement. In that regard, each of Investissement Quebec and Diaquem Inc. has confirmed that it shall not exercise its “piggyback rights” or pre-emptive rights pursuant to the Investor Agreement in connection with this Offering.
- (h) Subsidiaries: The Corporation is the direct or indirect owner of all of the issued and outstanding shares of the Subsidiaries, free and clear of all liens, charges and encumbrances of any kind whatsoever. All of such shares in the capital of the Subsidiaries have been duly authorized and validly issued and are outstanding as fully paid shares and no person, other than the Corporation or a Subsidiary thereof 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 Corporation of any interest in any of such shares or for the issue or allotment of any unissued shares in the capital of the Subsidiaries or any other security convertible into or exchangeable for any such shares. Other than Ashton and SDCI, no other subsidiary of the Corporation has any assets or liabilities that are material to the Corporation, is a party to any agreement that is material to the Corporation or material to the business of the Corporation and no material revenues of the Corporation are derived through such other Subsidiaries. The

only material asset of SDCI is the Renard Diamond Project. The only material asset of Ashton is its direct ownership of 85.4% of the voting equity of SDCI.

- (i) Issue of Securities: At the Closing Time, all necessary corporate action will have been taken to authorize the issue and sale of the Offered Shares and the delivery of certificates representing the Offered Shares and the Compensation Warrants and the Offered Shares will be validly issued as fully paid and non-assessable shares of the Corporation and the Compensation Shares will be validly reserved for issuance upon due exercise of the Compensation Warrants.
- (j) Consents, Approvals and Conflicts: None of the offering and sale of the Offered Shares, the execution and delivery of this Agreement or the Compensation Warrant Certificates and the compliance by the Corporation with the provisions of this Agreement and the Compensation Warrant Certificates or the consummation of the transactions contemplated herein or thereby including, without limitation, the issue of the Offered Shares upon the terms and conditions set forth herein and the issue of the Compensation Shares for the consideration and upon the terms and conditions set forth in the Compensation Warrant Certificates do or will (i) require the consent, approval, or authorization, order or agreement of, or registration or qualification with, any governmental agency, body or authority, court, Regulatory Authority or other Person, except (A) such as have been obtained, or (B) such as may be required under applicable Securities Laws and the policies of the Exchange and will be obtained by the Closing Date; 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 agreement or instrument to which the Corporation or any of the Material Subsidiaries is a party or by which it or any of the properties or assets thereof is bound, or the constating documents of the Corporation or any of the Material Subsidiaries or any resolution passed by the directors (or any committee thereof) or shareholders of the Corporation or any of the Material Subsidiaries, or any statute or any judgment, decree, order, rule, policy or regulation of any court, governmental authority, arbitrator, stock exchange or securities regulatory authority applicable to the Corporation or any of the Material Subsidiaries or any of the properties or assets thereof which could have a material adverse effect on the condition (financial or otherwise), business, properties or results of operations of the Corporation or any of the Material Subsidiaries.
- (k) Authority and Authorization: The Corporation has full corporate power and authority to enter into this Agreement and to issue the Compensation Warrant Certificates and to do all acts and things and execute and deliver all documents as are required hereunder or thereunder to be done, observed, performed or executed and delivered by it in accordance with the terms hereof and thereof and the Corporation has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the Compensation Warrant Certificates and to observe and perform the provisions of this Agreement and the Compensation Warrant Certificates in accordance with the provisions hereof and thereof including, without limitation, the issue of the Offered Shares for the consideration upon the terms and conditions set forth herein and the issue of the Compensation Shares for the consideration and upon the terms and conditions set forth in the Compensation Warrant Certificates.
- (l) Validity and Enforceability: Each of this Agreement and the Compensation Warrant Certificates has been authorized, executed and delivered by the Corporation and each of them constitutes a valid and legally binding obligation of the Corporation enforceable against the Corporation in accordance with its terms.

- (m) Public Disclosure: Each of the documents contained in the Corporation Disclosure Record is, as of the date thereof, in compliance in all material respects with the Securities Laws of the Offering Jurisdictions 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 Corporation has not made any confidential filings with the Securities Commissions or the Exchange that are still maintained on a confidential basis. There is no fact known to the Corporation which the Corporation has not publicly disclosed which materially adversely affects, or so far as the Corporation can reasonably foresee, will materially adversely affect, the assets, liabilities (contingent or otherwise), capital, affairs, business, prospects, operations or condition (financial or otherwise) of the Corporation or the Material Subsidiaries or the ability of the Corporation to perform its obligations under this Agreement or the Compensation Warrant Certificates or which would otherwise be material to any Person intending to make an equity investment.
- (n) Timely Disclosure: The Corporation is in compliance with all timely disclosure obligations under the Securities Laws of the Offering Jurisdictions and, without limiting the generality of the foregoing, there has not occurred any material adverse change in the assets, liabilities (contingent or otherwise), capital, affairs, business, prospects, operations or condition (financial or otherwise) of the Corporation or the Material Subsidiaries which has not been publicly disclosed and none of the documents filed by or on behalf of the Corporation pursuant to the Securities Laws of the Offering Jurisdictions contain a misrepresentation at the date of the filing thereof.
- (o) No Cease Trade Order: No order preventing, ceasing or suspending trading in any securities of the Corporation or prohibiting the issue and sale of securities by the Corporation has been issued and no proceedings for either of such purposes have been instituted or, to the best of the knowledge of the Corporation, are pending, contemplated or threatened.
- (p) Accounting Controls: The Corporation and its Material Subsidiaries 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 of the Corporation or any of the Material Subsidiaries, as the case may be; (ii) transactions are recorded as necessary to permit preparation of consolidated financial statements for the Corporation in conformity with Canadian generally accepted accounting principles and to maintain asset accountability; (iii) access to assets of the Corporation and its Material Subsidiaries is permitted only in accordance with the general or a specific authorization of management of the Corporation or the Material Subsidiaries, as the case may be; and (iv) the recorded accountability for assets of the Corporation and its Material Subsidiaries is compared with the existing assets of the Corporation and its Material Subsidiaries at reasonable intervals and appropriate action is taken with respect to any differences therein.
- (q) Financial Statements: The Financial Statements have been prepared in accordance with International Financial Reporting Standards applied on a basis consistent with prior periods (except as disclosed in such Financial Statements), present fairly the financial condition and position of the Corporation and its Material Subsidiaries as at the dates thereof and the results of its operations for the periods then ended.
- (r) Changes in Financial Position: Since April 30, 2013, except in respect of the Credit Agreement:

- (i) neither the Corporation nor any of the Material Subsidiaries has paid or declared a dividend or incurred any material capital expenditure or made any commitment therefor;
 - (ii) neither the Corporation nor any of the Material Subsidiaries 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) neither the Corporation nor any of the Material Subsidiaries has entered into a material transaction.
- (s) Insolvency: Neither the Corporation nor any of the Material Subsidiaries has committed an act of bankruptcy or sought protection from the creditors thereof before any court or pursuant to any legislation, 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, lien, charge, hypothec, pledge, mortgage, title retention agreement or other security interest 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 Corporation, are pending for the dissolution or liquidation of the Corporation or any of the Material Subsidiaries.
- (t) Auditors. The Corporation's auditors are independent public accountants as required under Securities Laws, are qualified to act as auditors of the Corporation under Securities Laws and there has not been any "reportable event" (within the meaning of NI 51-102) between the Corporation and the Corporation's present or former auditors.
- (u) Audit Committee. The audit committee of the Corporation is comprised and operates in accordance with the requirements of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, each of whom is "independent" within the meaning of such instrument.
- (v) No Contemplated Changes: Neither the Corporation nor any of the Material Subsidiaries has approved, is contemplating, has entered into any agreement in respect of, or has knowledge of:
- (i) the purchase of any property or assets or any interest therein, or the sale, transfer or other disposition of any property or assets or any interest therein currently owned, directly or indirectly, by the Corporation or the Material Subsidiaries whether by asset sale, transfer of shares or otherwise;
 - (ii) the change of control (by sale or transfer of shares or sale of all or substantially all of the property and assets of the Corporation or the Material Subsidiaries or otherwise) of the Corporation or any of the Material Subsidiaries; or
 - (iii) a proposed or planned disposition of shares by any shareholder who owns, directly or indirectly, 10% or more of the outstanding shares of the Corporation

or a proposed or planned disposition of any of the outstanding shares of any of the Material Subsidiaries by the Corporation.

- (w) Insurance: The assets of the Corporation and of each Material Subsidiary 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 the Corporation and each Material Subsidiary has not failed to promptly give any notice or present any material claim thereunder.
- (x) Taxes and Tax Returns: The Corporation and its Material Subsidiaries have filed in a timely manner all necessary tax returns and notices and have paid all applicable taxes of whatsoever nature for all tax years prior to the date hereof to the extent that such taxes have become due or have been alleged to be due, and neither the Corporation nor any of its Material Subsidiaries is aware of any tax deficiencies or interest or penalties accrued or accruing, or alleged to be accrued or accruing, thereon where, in any of the above cases, it might reasonably be expected to result in any material adverse change in the condition (financial or otherwise), or in the earnings, business, affairs or prospects of the Corporation or the Material Subsidiaries, and there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return by the Corporation or the Material Subsidiaries or the payment of any material tax, governmental charge, penalty, interest or fine against the Corporation or the Material Subsidiaries. There are no material actions, suits, proceedings, investigations or claims now threatened or pending against the Corporation or the Material Subsidiaries which could result in a material liability in respect of taxes, charges or levies of any governmental authority, penalties, interest, fines, assessments or reassessments or any matters under discussion with any governmental authority relating to taxes, governmental charges, penalties, interest, fines, assessments or reassessments asserted by any such authority and the Corporation and each of the Material Subsidiaries have withheld (where applicable) from each payment to each of the present and former officers, directors, employees and consultants thereof the amount of all taxes and other amounts, including, but not limited to, income tax and other deductions, required to be withheld therefrom, and has paid the same or will pay the same when due to the proper tax or other receiving authority within the time required under applicable tax legislation.
- (y) Compliance with Laws, Licenses and Permits: Each of the Corporation and its Material Subsidiaries has conducted and is conducting the business thereof in compliance in all material respects with all applicable laws, rules, regulations, tariffs, orders and directives 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, regulations, tariffs, rules, orders and directives material to the operations thereof, and neither the Corporation nor any of the Material Subsidiaries 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 materially adversely affect the conduct of the business or operations of, or the assets,

liabilities (contingent or otherwise), condition (financial or otherwise) or prospects of, the Corporation or the Material Subsidiaries.

- (z) Agreements and Actions: Neither the Corporation nor any of the Material Subsidiaries is in violation of any term of the constating documents thereof. Neither the Corporation nor any of the Material Subsidiaries is in violation of any term or provision of any agreement, indenture or other instrument applicable to it which would, or would reasonably be expected to, result in any material adverse effect on the business, condition (financial or otherwise), capital, affairs or operations of the Corporation or the Material Subsidiaries, nor is the Corporation or any of the Material Subsidiaries in default in the payment of any material obligation owed which is now due and there is no action, suit, proceeding or investigation commenced, pending or, to the knowledge of the Corporation or any of the Material Subsidiaries after due inquiry, threatened which, either in any case or in the aggregate, might result in any material adverse effect on the business, condition (financial or otherwise), capital, affairs, prospects or operations of the Corporation or any of the Material Subsidiaries or in any of the material properties or assets thereof, or in any material liability on the part of the Corporation or any of the Material Subsidiaries or which places, or could place, in question the validity or enforceability of this Agreement, the Compensation Warrant Certificates or any document or instrument delivered, or to be delivered, by the Corporation pursuant hereto or thereto, or which questions the validity of the securities comprising the Offered Shares.

- (aa) Owner of Property: The Corporation or the Material Subsidiaries, as applicable, is the absolute legal and beneficial owner or optionee of, and has good and marketable title to or right or interest in, all of the material property or assets thereof as described in the Corporation Disclosure Record, free of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever, other than those described in the Corporation Disclosure Record, and no other property rights are necessary for the conduct of the business of the Corporation or any Material Subsidiary as currently conducted or contemplated to be conducted save those which do not materially interfere with the current or contemplated business thereon, neither the Corporation nor any of the Material Subsidiaries knows of any claim or the basis for any claim that might or could adversely affect the right thereof to use, transfer or otherwise exploit such property rights and, except as disclosed in the Corporation Disclosure Record, neither the Corporation nor any of the Material Subsidiaries has any responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any Person with respect to the property rights thereof.

- (bb) Mineral Rights: The Corporation and the Material Subsidiaries 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 Corporation or the Material Subsidiaries has an interest as described in the Corporation Disclosure Record under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments sufficient to permit the Corporation or the Material Subsidiaries to access such properties and explore the minerals relating thereto; all such property, leases or claims and all property, leases or claims in which the Corporation or the Material Subsidiaries has any interest or right have been validly located and recorded in accordance with all applicable laws and are valid and subsisting; the Corporation or a Material Subsidiary has all necessary surface rights, access rights and other necessary rights and interests relating to the properties in which the Corporation or the Material Subsidiaries has an interest as described in the Corporation

Disclosure Record granting the Corporation or the Material Subsidiaries the right and ability to explore for minerals, ore and metals for development purposes as are appropriate in view of the rights and interest therein of the Corporation or the Material Subsidiaries, with only such exceptions as do not materially interfere with the use made by the Corporation or the Material Subsidiaries of the rights or interests so held; and each of the proprietary interests or rights and each of the documents, agreements and instruments and obligations relating thereto referred to above is currently in good standing in the name of the Corporation or the Material Subsidiaries.

- (cc) Mineral Disclosure Documents: The Corporation has duly filed with the applicable regulatory authorities all reports required by NI 43-101 and all such reports comply in all material respects with the requirements of NI 43-101. The information set forth in the Corporation Disclosure Record relating to the estimates by the Corporation and the Material Subsidiaries 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, the mineral resource information has been prepared in accordance with Canadian industry standards set forth in NI 43-101, (iii) the method of estimating the mineral resources has been verified by individuals with mining experience, (iv) the information upon which the estimates of mineral resources were based, was, to the knowledge of the Corporation, at the time of delivery thereof, complete and accurate in all material respects, and (v) there have been no material changes to such information since the date of delivery or preparation thereof.
- (dd) Aboriginal Claims: There are no claims with respect to aboriginal rights currently, or to the best of the knowledge of the Corporation, pending or threatened with respect to any of the material properties of the Corporation or its Material Subsidiaries.
- (ee) Property Agreements: Any and all of the agreements and other documents and instruments pursuant to which the Corporation or the Material Subsidiaries holds the property and assets 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 terms thereof, neither the Corporation nor any of the Material Subsidiaries is in default of any of the material provisions of any such agreements, documents 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 best knowledge of the Corporation and its Material Subsidiaries, after due enquiry, all leases, licences and claims pursuant to which the Corporation or the Material Subsidiaries derives the interests thereof in such property and assets 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 properties and assets to the date hereof have been paid. To the best knowledge of the Corporation and its Material Subsidiaries, after due enquiry, none of the properties (or any interest in, or right to earn an interest in, any property) of the Corporation or the Material Subsidiaries is subject to any right of first refusal or purchase or acquisition right which is not disclosed in the Corporation Disclosure Record.
- (ff) Permits and Zoning: Other than standard permitting and regulations applicable to the Corporation’s business operations, there are no restrictions imposed by any applicable law or by agreement which materially conflict with the proposed development, construction, maintenance and operation of the Renard Diamond Project. The Renard Diamond Project is zoned and otherwise regulated so as to permit the use of the site for its intended uses and in accordance with applicable law.

- (gg) No Defaults: Neither the Corporation nor any of the Material Subsidiaries is in default of any material term, covenant or condition under or in respect of any judgment, order, agreement or instrument to which it is a party or to which it or any of the property or assets thereof are or may be subject, 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 commitment, agreement, document or other instrument to which the Corporation or the Material Subsidiaries is a party or by which it 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 upon the condition (financial or otherwise), capital, property, assets, operations or business of the Corporation or the Material Subsidiaries.
- (hh) Environmental Compliance: Each of the Corporation and its Material Subsidiaries:
- (i) and the property, assets and operations thereof comply in all material respects with all applicable Environmental Laws (which term means and includes, without limitation, any and all applicable international, federal, provincial, state, municipal or local laws, statutes, regulations, treaties, orders, judgments, decrees, ordinances, official directives and all authorizations relating to the environment, occupational health and safety, or any Environmental Activity (which term means and includes, without limitation, any past, present or future activity, event or circumstance in respect of a Contaminant (which term means and includes, without limitation, any pollutants, dangerous substances, liquid wastes, hazardous wastes, hazardous materials, hazardous substances or contaminants or any other matter including any of the foregoing, as defined or described as such pursuant to any Environmental Law), including, without limitation, the storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation thereof, or the release, escape, leaching, dispersal or migration thereof into the natural environment, including the movement through or in the air, soil, surface water or groundwater));
 - (ii) does not have any knowledge of, and has not received any notice of, any material claim, judicial or administrative proceeding, pending or threatened against, or which may affect, the Corporation or the Material Subsidiaries or any of the property, assets or operations thereof, relating to, or alleging any material violation of any Environmental Laws, is not aware of any facts which could give rise to any such claim or judicial or administrative proceeding and neither the Corporation nor any of the Material Subsidiaries nor any of their respective properties, assets or operations is the subject of any investigation, evaluation, audit or review by any Governmental Authority (which term means and includes, without limitation, any national, federal government, province, state, municipality or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any Corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing) to determine whether any material violation of any Environmental Laws has occurred or is occurring or whether any remedial action is needed in connection with a release of any Contaminant into the environment, except for compliance investigations conducted in the normal course by any Governmental Authority;

- (iii) has not given or filed any notice under any federal, state, provincial or local law with respect to any Environmental Activity except in the ordinary course of business, does not have any material liability (whether contingent or otherwise) in connection with any Environmental Activity and is not aware of any notice being given under any federal, state, provincial or local law or of any liability (whether contingent or otherwise) with respect to any Environmental Activity relating to or affecting the Corporation or the property, assets, business or operations thereof;
 - (iv) does not store any hazardous or toxic waste or substance on the property thereof and has not disposed of any hazardous or toxic waste, in each case in a manner contrary to any Environmental Laws, and there are no Contaminants on any of the premises at which the Corporation or the Material Subsidiaries carries on business, in each case other than in compliance in all material respects with Environmental Laws; and
 - (v) is not subject to any material contingent or other liability relating to the restoration or rehabilitation of land, water or any other part of the environment or non-compliance with Environmental Law.
- (ii) No Litigation: Except as disclosed in the Corporation Disclosure Record, there are no actions, suits, proceedings, inquiries or investigations existing, pending or, to the knowledge of the Corporation and its Material Subsidiaries after due inquiry, threatened against or which adversely affect the Corporation or the Material Subsidiaries or to which any of the property or assets thereof is subject, at law or equity, or before or by any court, federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which may in any way materially adversely affect the condition (financial or otherwise), capital, property, assets, operations or business of the Corporation or the Material Subsidiaries or the ability of the Corporation or the Material Subsidiaries to perform the obligations thereof and neither the Corporation nor any of the Material Subsidiaries is subject to any judgment, order, writ, injunction, decree, award, rule, policy or regulation of any Governmental Authority, which, either separately or in the aggregate, may result in a material adverse effect on the condition (financial or otherwise), capital, property, assets, operations or business of the Corporation or the Material Subsidiaries or the ability of the Corporation to perform its obligations under this Agreement or the Compensation Warrant Certificates.
- (jj) Non-Arm's-Length Transactions: Each of the Corporation and its Material Subsidiaries do not owe any amount to, nor has the Corporation or the Material Subsidiaries 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 Tax Act) with any of them except for usual employee reimbursements and compensation paid in the ordinary and normal course of the business of the Corporation and its Material Subsidiaries and except as disclosed in the Financial Statements. Except usual employee or consulting arrangements made in the ordinary and normal course of business and except as disclosed in the Financial Statements, each of the Corporation and its Material Subsidiaries is not a party to any contract, agreement or understanding with any officer, director, employee or securityholder thereof or any other Person not dealing at arm's-length with the Corporation or the Material Subsidiaries. To the Corporation's knowledge, no officer of the Corporation or the Material Subsidiaries and no Person which is an affiliate or associate of any of the foregoing Person, is an officer, director, employee or consultant

of, any Person which is, or is engaged in, a business competitive with the business of the Corporation or the Material Subsidiaries which could materially adversely impact on the ability to properly perform the services to be performed by such Person for the Corporation or the Material Subsidiaries. No officer, director, employee or securityholder of the Corporation or the Material Subsidiaries has any cause of action or other claim whatsoever against, or owes any amount to, the Corporation or the Material Subsidiaries except for claims in the ordinary and normal course of the business of the Corporation or the Material Subsidiaries such as for accrued vacation pay or other amounts or matters which would not be material to the Corporation or the Material Subsidiaries.

- (kk) Intellectual Property. The Corporation and each of its Material Subsidiaries owns or has the right to use under license, sub-license or otherwise all material intellectual property used by the Corporation and its Material Subsidiaries in its business, including copyrights, industrial designs, trademarks, trade secrets, know-how and proprietary rights, free and clear of any and all encumbrances.
- (ll) No Brokerage or Finder's Fee. Other than the Underwriters, there is no Person acting or purporting to act at the request of or on behalf of the Corporation, that is entitled to any brokerage or finder's fee in connection with the transactions contemplated by this Agreement.
- (mm) Transfer Agent. Computershare Investor Services Inc. at its offices in Vancouver, British Columbia has been duly appointed as the transfer agent and registrar for the Common Shares.
- (nn) Full Disclosure. The Corporation has filed with all applicable regulatory authorities all documents, including the Corporation Disclosure Record, required under Securities Laws, except for Form 45-106F1 – *Report of Exempt Distribution* to be filed pursuant to the Offering. There is no material fact known to the Corporation that the Corporation has not disclosed to, or that the Corporation has withheld from, the Underwriters, or which is not publicly disclosed in the Corporation Disclosure Record.
- (oo) Corruption. Neither the Corporation nor, to the knowledge of the Corporation, any director, officer, agent, employee, affiliate or other person acting on behalf of the Corporation or any of its Material Subsidiaries is aware of or has taken any action, directly or indirectly, that violates in any material respect the *Corruption of Foreign Public Officials Act* (Canada), as amended, and the rules and regulations thereunder.
- (pp) Market Stabilization. Neither the Corporation nor any of its affiliates has taken, nor will the Corporation or any affiliate take, directly or indirectly, any action which is designed to or which has constituted, or which might reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Corporation in connection with the offering of the Offered Shares.
- (qq) Minute Books. The minute books and records of the Corporation and the Material Subsidiaries made available to counsel for the Underwriters in connection with their due diligence investigation are all of the minute books and records of the Corporation and the Material Subsidiaries and contain copies of all material proceedings (or certified copies thereof or drafts thereof pending approval) of the shareholders, the directors and all committees of directors of the Corporation and the Material Subsidiaries to the date of review of such corporate records and minute books and there have been no other

meetings, resolutions or proceedings of the shareholders, directors or any committees of the directors of the Corporation or the Material Subsidiaries to the date hereof not reflected in such minute books and other records. The minute books and corporate records of the other Subsidiaries are not material in the context of the Corporation and its Subsidiaries, taken as a whole.

- (rr) Material Contracts. The Corporation has made available to the Underwriter and its counsel a correct and complete copy of each Material Contract. Each Material Contract constitutes a legal, valid and binding obligation of the Corporation and/or each of its Material Subsidiaries which is a party thereto, and is in full force and effect. 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 Corporation or any Material Subsidiary, or, to the knowledge of the Corporation, on the part of other parties thereto.
- (ss) Employees. The Corporation and the Material Subsidiaries are in compliance with all laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages, except where such non-compliance would not constitute an adverse material fact of the Corporation or a Material Subsidiary or result in an adverse material change to the Corporation or a Material Subsidiary.
- (tt) Flow-Through Shares. Upon issue, each Offered Share will be a “flow-through share” as defined in subsection 66(15) of the Tax Act and are not and will not be prescribed shares or prescribed rights within the meaning of section 6202.1 of the regulations promulgated under the Tax Act.
- (uu) Qualifying Expenditures. The Corporation has no reason to believe that it will be unable to incur or be deemed to incur, on or after the Closing Date and on or before the Termination Date or that it will be unable to renounce to the Purchasers effective on or before December 31, 2013, Qualifying Expenditures in an aggregate amount equal to the Commitment Amount and the Corporation has no reason to expect any reduction of such amount by virtue of subsection 66(12.73) of the Tax Act.

6. Covenants of the Corporation

The Corporation hereby covenants to and with the Underwriters (on their own behalf and on behalf of the Purchasers) that:

- (a) the Corporation shall perform and carry out all of the acts and things to be completed by it as provided in this Agreement and in the Subscription Agreements and that are necessary to satisfy its obligations hereunder and thereunder, including the covenants to be performed and carried out by the Corporation pursuant to Section 5 of the Subscription Agreements;
- (b) the Corporation will use its commercially reasonable best efforts to maintain its status as a reporting issuer not in default in each of the Offering Jurisdictions in which it is a reporting issuer or the equivalent for a period of twenty-four months from the Closing Date other than in connection with a merger, amalgamation, arrangement, take-over bid, going private transaction or other similar transaction involving the purchase or sale of all the outstanding common shares of the Corporation;
- (c) the Corporation will use its commercially reasonable best efforts to maintain the listing of the Common Shares on the Exchange to the date which is twenty-four months following

the Closing Date other than in connection with a merger, amalgamation, arrangement, take-over bid, going private transaction or other similar transaction involving the purchase or sale of all the outstanding common shares of the Corporation;

- (d) the Corporation will ensure that the Offered Shares and the Compensation Shares, when issued upon the due exercise of the Compensation Warrants, will be listed and posted for trading on the Exchange upon their issue, subject to transfer restrictions under Securities Laws;
- (e) in the event any person acting or purporting to act for the Corporation establishes a claim from the Underwriters for any brokerage or agency fee in connection with the transactions contemplated herein, the Corporation shall indemnify and hold harmless the Underwriters with respect thereto and with respect to all costs reasonably incurred in the defence thereof unless such claim is made by a selling agent appointed by the Underwriters pursuant to subsection 3(b);
- (f) the Corporation shall, as soon as practicable, use its commercially reasonable best efforts to receive all necessary consents to the transactions contemplated herein.

7. **Conditions to Closing**

The obligation of the Underwriters to purchase the Offered Shares on the Closing Date shall be subject to the following conditions, which conditions the Corporation covenants to exercise its best efforts to have fulfilled on or prior to the Closing Time and which conditions may be waived in writing in whole or in part by the Underwriters:

- (a) the Corporation will have made and/or obtained the necessary filings, approvals, consents and acceptances of the appropriate Regulatory Authorities required to be made or obtained by the Corporation in connection with the sale of the Offered Shares to the Purchasers prior to the Closing Time as herein contemplated, it being understood that the Underwriters shall do all that is reasonably required to assist the Corporation to fulfil this condition, subject to certain specified conditions and exceptions contained in the Conditional Listing Letter and the Corporation filing with the Securities Commissions, within 10 days from the date of the sale of the Offered Shares, a Form 45-106F1 prepared and executed in accordance with Securities Laws and accompanied by the prescribed fees and fee checklist form, if any;
- (b) the Corporation's board of directors shall have authorized and approved the execution and delivery of this Agreement and the Compensation Warrant Certificates, the acceptance of the Subscription Agreements, the allotment, issuance and delivery of the Offered Shares and all matters relating thereto;
- (c) there shall have been no adverse material change in the business, affairs, operations, assets, liabilities or capital of the Corporation since the date of the Letter Agreement and the Underwriters shall not have identified any misrepresentations or any items materially adversely affecting the Corporation's affairs which exist as of the date hereof but which have not been widely disseminated to the public;
- (d) no order, ruling or determination having the effect of suspending the sale or ceasing, suspending or restricting the trading of Common Shares in any of the Offering Jurisdictions shall have been issued or made by any Regulatory Authority and is

continuing in effect and no proceedings, investigations or enquiries for that purpose have been instituted or are pending;

- (e) the Corporation shall have accepted one or more subscriptions for Offered Shares from the Purchasers;
- (f) the Underwriters shall have received an opinion, dated the Closing Date, of the Corporation's counsel, Norton Rose Fulbright Canada LLP and local counsel in any other Offering Jurisdiction where the Offered Shares are sold (it being understood that such counsel may rely to the extent appropriate in the circumstance (i) as to matters of fact, on the representations, warranties and covenants of the Corporation and the Purchasers set out in this Agreement and in the Subscription Agreements and on certificates of the Corporation executed on its behalf by a senior officer of the Corporation and on certificates of the Transfer Agent, as to the issued capital of the Corporation; and (ii) as to matters of fact not independently established, on certificates of the Corporation's auditors or a public official), substantially in the form attached as Schedule "B" hereto;
- (g) in respect of the Material Subsidiaries, the Underwriters shall have received legal opinions, dated the Closing Date, of the Corporation's counsel, Norton Rose Fulbright Canada LLP, with respect to the following matters:
 - (i) the corporate existence of each such Material Subsidiary under the laws of its jurisdiction of incorporation;
 - (ii) as to the registered ownership of the issued and outstanding shares of each such Material Subsidiary; and
 - (iii) that each such Material Subsidiary has all requisite corporate power under the laws of its jurisdiction of incorporation to carry on its business as presently carried on and own its properties;
- (h) the Underwriters shall have received a favourable opinion in form and substance satisfactory to the Underwriters, acting reasonably, dated within two days of the Closing Date as to the Corporation's title to the Renard Diamond Project;
- (i) the Underwriters shall have received an incumbency certificate dated the Closing Date including specimen signatures of the President and Chief Executive Officer, the Chief Financial Officer and any other officer of the Corporation signing this Agreement or any document delivered hereunder;
- (j) the Underwriters shall have received a certificate, dated the Closing Date, of the Chief Executive Officer and the Chief Financial Officer of the Corporation (or such other officer or officers of the Corporation acceptable to the Underwriters, acting reasonably), in their capacity as officers of the Corporation and not in their personal capacity, to the effect that, to the best of their knowledge, information and belief, after due enquiry and without personal liability:
 - (i) the Corporation has performed or satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time;
 - (ii) no order, ruling or determination having the effect of ceasing or suspending trading in any securities of the Corporation, or prohibiting or restricting the

- distribution of the Offered Shares has been made or proceedings have been announced, commenced or, to the knowledge of such officers, threatened for the making of any such order, ruling or determination by any securities commission or similar regulatory authority or by any other competent authority, which has not been rescinded, revoked or withdrawn, and no proceedings for such purpose are pending, contemplated or, to the knowledge of the Corporation, threatened;
- (iii) the Corporation has made and/or obtained, at or prior to the Closing Time, all necessary filings, approvals, consents and acceptances of applicable regulatory authorities and under any applicable agreement or document to which the Corporation is a party or by which it is bound in respect of the execution and delivery of this Agreement, the sale of the Offered Shares and the consummation of the other transactions contemplated hereby (subject to completion of filings with certain regulatory authorities and the Exchange following the Closing Date);
 - (iv) the constating documents of the Corporation delivered at Closing are full, true and correct copies, unamended, and in effect on the date thereof;
 - (v) the minutes of the Corporation's board of directors relating to the Offering and delivered at Closing are full, true and correct copies thereof and have not been modified or rescinded as of the date thereof;
 - (vi) since the date of the Letter Agreement, there has been no change, event, violation, inaccuracy, circumstance or effect on the Corporation or its business that (a) is or is reasonably expected to be materially adverse to the results of operations, financial condition, assets, properties, capital, liabilities (absolute, accrued, contingent or otherwise), cash flow, income, business, operations or prospects of the Corporation and its business, taken as a whole, or that is or is reasonably expected to be materially adverse to the completion of the Offering, or (b) results in any representation, warranty, covenant or acknowledgement of the Corporation in this Agreement being incorrect or incapable of being satisfied as required herein, as the case may be; and
 - (vii) there has been no material change in the business, affairs, operations, assets, liabilities or capital of the Corporation; and
 - (viii) none of the Corporation Disclosure Record contained a misrepresentation as at the time the relevant document was filed that has not since been corrected;
- (k) the Corporation shall not have received any notice from the Exchange that the Offered Shares shall not be accepted for listing on the Exchange;
 - (l) final acceptance of the Offering by the Exchange shall be subject only to the conditions of the Exchange as set out in the Conditional Listing Letter and any amendments thereto;
 - (m) the Underwriters shall have received a certificate of status in respect of the Corporation;
 - (n) the Corporation shall have received executed lock-up agreements from each of the Corporation's directors and officers as contemplated by Section 8;

- (o) the Underwriters shall have received a certificate from the Transfer Agent as to the number of Common Shares issued and outstanding as at a date no more than two Business Days prior to the Closing Date; and
- (p) the Underwriters shall have received confirmation from the Corporation that the Corporation is not on the defaulting issuer's list (or equivalent) maintained by the Securities Commissions in the Offering Jurisdictions in which the Corporation is a reporting issuer.

It is understood that the Underwriters may waive in whole or in part or extend the time for compliance with any of such terms and conditions without prejudice to their rights in respect of any other of the foregoing terms and conditions or any other or subsequent breach or non-compliance, provided that to be binding on the Underwriters any such waiver or extension must be in writing and signed by each of them.

The Corporation agrees that the aforesaid legal opinions and certificates to be delivered at the Closing Time will be addressed to the Underwriters and their counsel and the Purchasers and that the Underwriters may deliver copies thereof to such Persons.

The performance of the Corporation's obligations pursuant to this Agreement shall be conditional upon the fulfillment of the Underwriters of the following conditions on or prior to the Closing Time and which conditions may be waived in writing in whole or in part by the Corporation:

- (a) the representations and warranties of the Underwriters contained in this Agreement are true and correct as of the Closing Time with the same force and effect as if made at and as of the Time of the Closing; and
- (b) the Underwriters shall have complied with all terms and conditions of this Agreement on their part to be complied with on or prior to the Closing Time.

8. **Restrictions on Further Issue or Sales**

The Corporation agrees that, from the Closing Date until 60 days following the Closing Date, that it shall not authorize, sell or issue, or announce any intention to authorize, sell or issue, or enter into an agreement to sell or issue, or announce any intention with respect thereto, any Common Shares (including those that are convertible or exchangeable into Common Shares) without the prior consent of Dundee, on behalf of the Underwriters, which consent shall not be unreasonably withheld or delayed, provided that notwithstanding the foregoing, the Corporation may issue Common Shares in connection with (i) the exchange, transfer, conversion or exercise rights or options to acquire Common Shares under the terms of existing outstanding securities or existing agreements or commitments to issue securities, including under stock option plans or other incentive plans of the Corporation, (ii) an arm's length acquisition for a mineral property, and/or (iii) an equity and/or project debt financing in respect of the construction of the Renard Diamond Project.

The Corporation also agrees to use its best efforts to cause each of the Corporation's directors and officers to enter into agreements on terms and conditions satisfactory to the Underwriters in which they will covenant and agree that they will not, for a period commencing on the Closing Date and ending 60 days following the Closing Date, directly or indirectly, offer, sell, contract to sell, lend, swap, or enter into any other agreement to transfer the economic consequences of, or otherwise dispose of or deal with, or publicly announce any intention to offer, sell, contract to sell, grant or sell any option to purchase, hypothecate, pledge, transfer, assign, purchase any option or contract to sell, lend, swap or enter into any agreement to transfer the economic consequences of, or otherwise dispose of or deal with, whether through the facilities of a stock exchange, by private placement or otherwise, any Common Shares or

other securities of the Corporation held by them, directly or indirectly, unless they first obtain the prior written consent of Dundee, on behalf of the Underwriters, which consent will not be unreasonably withheld or delayed. Notwithstanding the foregoing, each of the Corporation's directors and officers will be permitted to dispose of securities of the Corporation to the extent necessary to cover their personal tax liabilities arising in connection with any grants of equity-based compensation made to them by the Corporation during such 60-day period.

9. **Fiduciary**

The Corporation hereby acknowledges that the Underwriters are acting solely as underwriters in connection with the purchase and sale of the Offered Shares. The Corporation further acknowledges that the Underwriters are acting pursuant to a contractual relationship created solely by the Letter Agreement and this Agreement entered into on an arm's length basis, and in no event do the parties intend that the Underwriters act or be responsible as a fiduciary to the Corporation, its management, shareholders or creditors or any other person in connection with any activity that the Underwriters may undertake or have undertaken in furtherance of such purchase and sale of the Corporation's securities, either before or after the date hereof. The Underwriters hereby expressly disclaim any fiduciary or similar obligations to the Corporation, either in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions, and the Corporation hereby confirms its understanding and agreement to that effect. The Corporation and the Underwriters agree that they are each responsible for making their own independent judgments with respect to any such transactions and that any opinions or views expressed by the Underwriters to the Corporation regarding such transactions, including, but not limited to, any opinions or views with respect to the price or market for the Corporation's securities, do not constitute advice or recommendations to the Corporation. The Corporation and the Underwriters agree that the Underwriters are acting as principal and not the agent or fiduciary of the Corporation and no Underwriter has assumed, and no Underwriter will assume, any advisory responsibility in favour of the Corporation with respect to the transactions contemplated hereby or the process leading thereto (irrespective of whether any Underwriter has advised or is currently advising the Corporation on other matters).

10. **Conflict**

The Corporation acknowledges that the Underwriters and certain of their respective affiliates (i) act as an investment fund manager and a trader of, and dealer in, securities both as principal and on behalf of its clients (including managed accounts and investment funds) and, as such, may have had, and may in the future have, long or short positions in the securities of the Corporation or related entities and, from time to time, may have executed or may execute transactions on behalf of such persons, (ii) may provide research or investment advice or portfolio management services to clients on investment matters, including the Corporation, (iii) may participate in securities transactions on a proprietary basis, including transactions in the Offering or other securities of the Corporation or related entities, and (iv) nothing herein shall restrict their ability to conduct business in the ordinary course and in compliance with applicable laws. The Corporation agrees that these divisions and affiliates may hold such positions and effect such transactions without regard to the Corporation's interests under this Agreement.

11. **Termination of Obligations**

If at any time before the Closing Time:

- (a) there is a material change or a change in a material fact or new material fact shall arise or there should be discovered any previously undisclosed material fact required to be disclosed, in each case, that has or would be expected to have, in the sole opinion of the Underwriters, a significant adverse change or effect on the business or affairs of the

Corporation or on the market price or the value of the Common Shares or any other securities of the Corporation;

- (b) (i) there should develop, occur or come into effect or existence any event, action, state, condition (including without limitation, terrorism or accident) or major financial occurrence of national or international consequence or a new or change in any law or regulation which, in the sole opinion of the Underwriters, seriously adversely affects or involves or may seriously adversely affect or involve the financial markets or the business, operations or affairs of the Corporation and its Subsidiaries taken as a whole or the market price or value of the securities of the Corporation, (ii) any inquiry, action, suit, proceeding or investigation (whether formal or informal) is commenced or announced in relation to the Corporation or any one of the officers or directors of the Corporation where wrong-doing is alleged or any order is made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality including without limitation the Exchange or securities commission which involves a finding of wrong-doing, or (iii) any order, action or proceeding which cease trades or otherwise operates to prevent or restrict the trading of the Common Shares or any other securities of the Corporation is made or threatened by a securities regulatory authority; or
- (c) the Corporation is in breach of a material term, condition or covenant of the Letter Agreement (including the term sheet) or this Agreement or any representation or warranty given by the Corporation in the Letter Agreement or this Agreement becomes or is false in any material respect,

the obligations of any Underwriter contained in this Agreement may be terminated by such Underwriter in its sole discretion.

Any termination pursuant to the foregoing provisions shall be effected by notice in writing delivered by the Underwriters to the Corporation at its address as herein set out. Notwithstanding the giving of any notice of termination hereunder, the expenses agreed to be paid by the Corporation shall be paid by the Corporation as herein provided and the obligations of the Corporation under Sections 13 and 14 shall survive.

In the event of a termination pursuant to and in accordance with the provisions hereof and notice having been given, as aforesaid, there will be no further liability on the part of the Underwriters under this Agreement. The rights of the Underwriters to terminate its obligations hereunder are in addition to, and without prejudice to, any other remedies they may have.

12. **Closing**

Closing will be completed concurrently at the offices of Norton Rose Fulbright Canada LLP in the City of Montreal and Heenan Blaikie LLP in the City of Toronto, or such other place or places as may be agreed upon by the Corporation and the Underwriters, at the Closing Time, provided that if the Corporation has not been able to comply with any of the conditions to Closing set forth under "Conditions to Closing" prior to the Closing Time, the Closing Date may be extended by mutual agreement of the Corporation and the Underwriters, failing which, the respective obligations of the parties will terminate without further liability or obligation except as set out under Sections 13 and 14.

At the Closing Time, the Corporation shall deliver to the Underwriters:

- (a) certificates in definitive form and/or book-entry only securities, duly registered as the Underwriters may direct, representing the Offered Shares;
- (b) the Compensation Warrant Certificates, duly registered as the Underwriters may direct;
- (c) the requisite legal opinions, certificates and other deliverables contemplated in Section 7;
- (d) a direction addressed to the Underwriters directing the Underwriters to pay the Gross Proceeds to the Corporation;
- (e) payment of the Underwriting Fee;
- (f) payment of the reasonable out-of-pocket expenses of the Underwriters, including the fees and disbursements of counsel to the Underwriters, subject to and in the manner set forth in Section 13; and
- (g) such further documentation as may be contemplated herein,

against payment of the purchase price for the Offered Shares by certified cheque, bank draft or wire transfer to the Corporation as contemplated herein.

13. Expenses

Whether or not the Closing occurs, the Corporation shall pay all reasonable costs and expenses of or incidental to the Offering, including, without limitation, the costs and filing fees with respect to the private placement of the Offered Shares, the listing of the Offered Shares on the Exchange, the cost of printing the certificates representing the Offered Shares (if any), the cost of registration and delivery of such certificates, the fees and expenses of the Corporation's auditors, counsel and local counsel, the reasonable fees and disbursements of the Underwriters' counsel and the Underwriters' reasonable out-of-pocket expenses, except that the Corporation shall only pay the fees and disbursements of the Underwriters' counsel up to a maximum of \$60,000 (exclusive of applicable taxes). The fees and disbursements of the Underwriters' counsel and the Underwriters' out-of-pocket expenses shall be paid at Closing by the Corporation to the Underwriters upon written direction from the Underwriters as to such costs and expenses in a form acceptable to the Corporation, acting reasonably.

14. Indemnity and Contribution

- (a) The Corporation and its Subsidiaries or affiliated companies, as the case may be (collectively, the "**Indemnitor**") agrees to indemnify and hold harmless each of the Underwriters and any soliciting dealer group members and each of their subsidiaries and affiliates, and each of their respective directors, officers, employees and agents (collectively, the "**Indemnified Parties**" and each, an "**Indemnified Party**"), to the full extent lawful, from and against all expenses, fees, losses, claims, actions, damages, obligations and liabilities, joint or several, of any nature (including the reasonable fees and expenses of their respective counsel and other expenses, but not including any amount for lost profits) (collectively, "**Losses**") that are incurred in investigating, defending and/or settling any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party (collectively, the "**Claims**") or to which an Indemnified Party may become subject or otherwise involved in any capacity insofar as the Claims arise out of or are based upon, directly or indirectly, the engagement under this Agreement together with any Losses that are incurred in enforcing this indemnity. This

indemnity shall not be available to an Indemnified Party in respect of Losses incurred where a court of competent jurisdiction in a final judgment that has become non-appealable determines that such Losses resulted solely from the fraud, gross negligence or willful misconduct of the Indemnified Party.

- (b) If for any reason (other than a determination as to fraud, gross negligence or willful misconduct referred to in the foregoing paragraph (a)) this indemnity is unavailable to an Indemnified Party or is insufficient to hold an Indemnified Party harmless in respect of any Claim, the Indemnitor shall contribute to the Losses paid or payable by such Indemnified Party as a result of such Claim in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnitor on the one hand and the Indemnified Party on the other hand but also the relative fault of the Indemnitor and the Indemnified Party as well as any relevant equitable considerations; provided that the Indemnitor shall in any event contribute to the Losses paid or payable by an Indemnified Party as a result of such Claim, the amount (if any) equal to (i) such amount paid or payable, minus (ii) the amount of the fees received by the Indemnified Party, if any, under this Agreement.
- (c) The Indemnitor agrees that no Indemnified Party shall have any liability (either direct or indirect, in contract or tort or otherwise) to the Indemnitor or any person asserting claims on the Indemnitor's behalf or in right for or in connection with the engagement under this Agreement, except to the extent that any Losses incurred by the Indemnitor are determined by a court of competent jurisdiction in a final judgement (in a proceeding in which the Underwriters are named as parties) that has become non-appealable to have resulted solely from the fraud, gross negligence or wilful misconduct of such Indemnified Party.
- (d) The Indemnitor agrees that in case any legal proceeding shall be brought against, or an investigation is commenced in respect of, the Indemnitor and/or an Indemnified Party and an Indemnified Party or its personnel are required to testify in connection therewith or shall be required to respond to procedures designed to discover information regarding, in connection with or by reason of the engagement under this Agreement, the Indemnified Party shall have the right to employ its own counsel in connection therewith, and the reasonable fees and expenses of such counsel as well as the reasonable costs (including an amount to reimburse the Indemnified Party for time spent by its personnel in connection therewith at their normal per diem rates together with such disbursements and out-of-pocket expenses incurred by the personnel of the Indemnified Party in connection therewith) shall be paid by the Indemnitor as they occur.
- (e) The Underwriters will notify the Indemnitor promptly in writing after receiving notice of any Claim against any Underwriter or any other Indemnified Party or receipt of notice of the commencement of any investigation which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Indemnitor, stating the particulars thereof, will provide copies of all relevant documentation to the Indemnitor and, unless the Indemnitor assumes the defence thereof, will keep the Indemnitor advised of the progress thereof and will discuss all significant actions proposed. The omission to so notify the Indemnitor shall not relieve the Indemnitor of any liability which the Indemnitor may have to an Indemnified Party except only to the extent that any such delay in giving or failure to give notice as herein required materially prejudices the defence of such Claim or results in any material increase in the liability under this indemnity which the Indemnitor would otherwise have incurred had the Underwriters not so delayed in giving, or failed to give, the notice required hereunder.
- (f) The Indemnitor shall be entitled, at its own expense, to participate in and, to the extent it may wish to do so, assume the defence of any Claim, provided such defence is conducted by counsel of good standing acceptable to the Underwriters. Upon the Indemnitor notifying the Underwriters

in writing of its election to assume the defence and retaining counsel, the Indemnitor shall not be liable to an Indemnified Party for any legal expenses subsequently incurred by it in connection with such defence. If such defence is not assumed by the Indemnitor, the Indemnified Parties, throughout the course thereof, shall provide copies of all relevant documentation to the Indemnitor, shall keep the Indemnitor advised of the progress thereof and shall discuss with the Indemnitor all significant actions proposed. If such defence is assumed by the Indemnitor, the Indemnitor throughout the course thereof will provide copies of all relevant documentation to the Underwriters, will keep the Underwriters advised of the progress thereof and will discuss with the Underwriters all significant actions proposed.

- (g) Notwithstanding the foregoing paragraph (f), any Indemnified Party shall have the right, at the Indemnitor's expense, to separately retain counsel of such Indemnified Party's choice, in respect of the defence of any Claim if: (i) the employment of such counsel has been authorized by the Indemnitor, (ii) the Indemnitor has not assumed the defence and employed counsel therefor promptly after receiving notice of such Claim, or (iii) counsel retained by the Indemnitor or the Indemnified Party has advised the Indemnified Party that representation of both parties by the same counsel would be inappropriate for any reason, including for the reason that there may be legal defences available to the Indemnified Party which are different from or in addition to those available to the Indemnitor or that there is a conflict of interest between the Indemnitor and the Indemnified Party or the subject matter of the Claim may not fall within the indemnity set forth herein (in any of which events the Indemnitor shall not have the right to assume or direct the defence on such Indemnified Party's behalf), provided that the Indemnitor shall not be responsible for the fees or expenses of more than one legal firm in any single jurisdiction for all of the Indemnified Parties.
- (h) No admission of liability and no settlement of any Claim shall be made by the Indemnitor or, if applicable, any Indemnified Party without the prior written consent of the Indemnified Parties affected or the Indemnitor, as applicable.
- (i) The Indemnitor hereby acknowledges that the Underwriters act as trustee for the other Indemnified Parties of the Indemnitor's covenants under this indemnity and the Underwriters agree to accept such trust and to hold and enforce such covenants on behalf of such persons.
- (j) The indemnity and contribution obligations of the Indemnitor hereunder shall be in addition to any liability which the Indemnitor may otherwise have, shall extend upon the same terms and conditions to the Indemnified Parties and shall be binding upon and enure to the benefit of any successors, permitted assigns, heirs and personal representatives of the Indemnitor, the Underwriters and any other Indemnified Party. The foregoing provisions shall survive any termination of the Letter Agreement or this Agreement or the completion of professional services rendered under the Letter Agreement or this Agreement.

15. Underwriters' Obligations

The Underwriters' obligations under this Agreement shall be several and not joint, and the Underwriters' respective obligations and rights and benefits hereunder shall be as to the following percentages:

Dundee	–	60%
Scotia Capital Inc.	–	30%
Desjardins Securities Inc.	–	10%

If an Underwriter (a “**Refusing Underwriter**”) does not complete the purchase and sale of the Offered Shares which such Underwriter has agreed to purchase hereunder for any reason whatsoever, the other

Underwriters (the “**Continuing Underwriters**”) shall be entitled, at their option, to purchase all but not less than all of the Offered Shares which otherwise would have been purchased by such Refusing Underwriter *pro rata* according to the number of Offered Shares to have been acquired by the Continuing Underwriter hereunder. If the Continuing Underwriter does not elect to purchase the balance of the Offered Shares pursuant to the foregoing:

- (a) the Continuing Underwriter shall not be obliged to purchase any of the Offered Shares that the Refusing Underwriter is obligated to purchase; and
- (b) the Corporation shall not be obliged to sell less than all of the Offered Shares,

and the Corporation shall be entitled to terminate its obligations under this Agreement arising from its acceptance of this offer, in which event there shall be no further liability on the part of the Corporation or the Continuing Underwriter, except pursuant to the provisions of Sections 13 and 14 inclusive. Notwithstanding the foregoing, the Refusing Underwriter shall not be entitled to the benefit of the provisions of Sections 13 and 14 following such termination.

16. **Notice**

Any notice or other communication to be given by delivery or by facsimile hereunder shall:

- (a) in the case of notice to the Corporation, be addressed to the Corporation at the address appearing on page 1 of this Agreement, Attention: Vice-President, Finance and Chief Financial Officer, Fax No. 604.983.3591, with a copy (for information purposes only and not constituting notice) to its counsel:

Norton Rose Fulbright Canada LLP
1 Place Ville Marie, Suite 2500
Montreal, Quebec H3B 1R1

Attention: Steve Malas
Facsimile: 514.286.5474
Email: steve.malas@nortonrosefulbright.com

- (b) in the case of notice to the Underwriters:

Dundee Securities Ltd.
1 Adelaide Street East, Suite 2100
Toronto, Ontario M5C 2V9

Attention: Aaron Unger
Facsimile: 416.849.1380
Email: aunger@dundeecapitalmarkets.com

Scotia Capital Inc.
40 King Street West, 66th Floor
Toronto, Ontario M5W 2X6

Attention: Jeff Richmond
Facsimile: 416.863.7117
Email: jeff.richmond@scotiabank.com

Desjardins Securities Inc.
25 York Street, Suite 1000
Toronto, Ontario M5J 2V5

Attention: Vincent Metcalfe
Facsimile: 514.975.2115
Email: vincent.metcalfe@vmd.desjardins.com

with a copy (for information purposes only and not constituting notice) to their counsel:

Heenan Blaikie LLP
Bay Adelaide Centre
333 Bay Street, Suite 2900
Toronto, Ontario M5H 2T4

Attention: Corey MacKinnon
Facsimile: 866.297.8750
Email: cmackinnon@heenan.ca

and if so given, shall be deemed to have been given and received upon receipt by the addressee or a responsible officer of the addressee if delivered, or one hour after being faxed and receipt confirmed during normal business hours, as the case may be. Any party may, at any time, give notice in writing to the others in the manner provided for above of any change of address, facsimile number or email.

17. **Public Announcements**

If the Underwriters so request, the Corporation shall include a reference to the Underwriters and their role in the Offering in any press release or other public communication issued by the Corporation related to the Offering. The Corporation shall provide the Underwriters with a reasonable opportunity to review a draft of any proposed announcement and an opportunity to provide comments thereon. Provided the Offering is completed and the Underwriters are not in breach of any material provision of this Agreement, the Underwriters shall be permitted to publish, at their own expense, such advertisements or announcements relating to the services provided in respect of the Offering in such newspapers or other publications as the Underwriters consider appropriate.

18. **Time of the Essence**

Time shall be of the essence of this Agreement and every part hereof.

19. **Further Assurances**

Each of the parties hereto shall cause to be done all such acts and things or execute or cause to be executed all such documents, agreements and other instruments as may reasonably be necessary or desirable for the purposes of carrying out the provisions and intent of this Agreement.

20. **Assignment**

Except as contemplated herein, no party hereto may assign this Agreement or any part hereof without the prior written consent of the other parties hereto. Subject to the foregoing, this Agreement shall enure to the benefit of, and shall be binding upon, the Corporation and the Underwriters and each of their respective successors and legal representatives, and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under

or in respect of this Agreement, or any provisions contained in this Agreement, this Agreement and all conditions and provisions of this Agreement being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person except that the covenants and indemnities of the Corporation set out under the heading "Indemnity" shall also be for the benefit of the Indemnified Parties.

21. **Counterpart and Electronic Transmission**

This Agreement may be executed in any number of counterparts, including by facsimile or portable document format (pdf), each of which when executed shall be deemed to be an original and all of which together shall constitute one and the same document.

22. **Entire Agreement**

The provisions herein contained constitute the entire agreement between the parties relating to the Offering and supersede all previous communications, representations, understandings and agreements between the parties including, but not limited to, the Letter Agreement, with respect to the subject matter hereof whether verbal or written.

23. **Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

24. **Survival of Warranties, Representations, Covenants and Agreements**

All terms, warranties, representations, covenants and agreements herein contained or contained in any documents delivered pursuant to this Agreement and in connection with the transactions herein contemplated shall survive the purchase and sale of the Offered Shares and will continue in full force and effect for the benefit of the Underwriters and/or the Corporation, as the case may be, regardless of any subsequent disposition of the Offered Shares or any investigation by or on behalf of the Underwriters with respect thereto for a period ending on the date that is two years following the Closing Date.

25. **Severability**

If one or more provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

26. **Language**

The parties hereto confirm their express wish that this Agreement and all documents and agreements directly or indirectly relating thereto be drawn up in the English language.

Les parties reconnaissent leur volonté express que la présente convention ainsi que tous les documents et contrats s'y rattachant directement ou indirectement soient rédigés en anglais.

27. **Acceptance**

If this letter accurately reflects the terms of the transaction which we are to enter into and if such terms are agreed to by the Corporation, please communicate acceptance by executing where indicated below and returning a signed copy of this Agreement to the Underwriters.

SCHEDULE "A"**SUBSIDIARIES**

Name	Jurisdiction of incorporation or organization	Percentage of voting shares owned by the Corporation
Ashton	Canada	100% direct
SDCI	Canada	100% direct and indirect
Ashton Mining (Northwest Territories) Ltd.	Northwest Territories	100% indirect
Ashton U.S. Diamonds Inc.	Delaware	100% indirect
Ashton Great Lakes Inc.	Michigan	100% indirect
Contact Diamond Corporation	Ontario	100% direct

SCHEDULE "B"

FORM OF OPINION

1. The Corporation is a corporation existing under the federal laws of Canada and has all requisite corporate power and capacity to carry on business as now conducted by it and to own, lease and operate its properties and assets.
2. The Corporation has all necessary corporate power and capacity to enter into the Agreement and the Compensation Warrant Certificates and to issue the Offered Shares, the Compensation Warrants and the Compensation Shares and to perform its obligations set out in the Agreement and the Compensation Warrant Certificates and each of the Agreement and the Compensation Warrant Certificates has been duly adopted, executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms.
3. The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of non-voting convertible shares, of which, on the date hereof (and prior to the Offering), 141,896,833 Common Shares and 22,543,918 non-voting convertible shares are issued and outstanding as fully paid and non-assessable shares.
4. The form and terms of the certificates representing the Common Shares have been approved by the board of directors of the Corporation and conform with the provisions of the *Canada Business Corporations Act* and the constating documents of the Corporation.
5. Computershare Investor Services Inc. has been duly appointed as the transfer agent and registrar for the Common Shares.
6. The execution and delivery of the Agreement and the Compensation Warrant Certificates, the issuance of the Offered Shares, Compensation Warrants and Compensation Shares and the fulfilment by the Corporation of its obligations under the terms of the Agreement and the Compensation Warrant Certificates do not and will not result in a breach of, and do not create a state of facts which after notice or lapse of time or both, will result in a breach of, or constitute a default: (a) under any applicable laws of the Province of Ontario or the federal laws of Canada applicable therein or any term or provision of the articles or by-laws of the Corporation, or (b) of any resolutions of the directors or shareholders of the Corporation.
7. The Corporation is a reporting issuer under the Securities Laws in each of the Offering Jurisdictions and is not shown as being in default on the list of defaulting reporting issuers maintained by the British Columbia Securities Commission, Alberta Securities Commission, Ontario Securities Commission or autorite des marches financiers.
8. All necessary corporate action has been taken by the Corporation to authorize the issue of the Offered Shares and the Offered Shares have been validly issued as fully paid and non-assessable common shares of the Corporation.
9. The Compensation Warrants have been duly created and issued with the attributes contemplated by this Agreement and the holder thereof is entitled to the benefits, subject to the terms, of the Compensation Warrant Certificates. The Compensation Shares have been duly allotted and reserved for issuance to the holder of the Compensation Warrants and the Compensation Shares, when issued upon the exercise of the Compensation Warrants in accordance with the terms thereof, will be duly issued as fully paid and non-assessable common shares of the Corporation.

10. No prospectus or registration is required and no filing, proceeding, approval, consent or authorization is required to be made, taken or obtained by the Corporation under the Securities Laws to permit the issue by the Corporation of the Offered Shares and the Compensation Warrants and the purchases and sale of the Offered Shares as contemplated by this Agreement.
11. No prospectus is required and no filing, proceeding, approval, consent or authorization is required to be made, taken or obtained by the Corporation pursuant to Securities Laws to permit the first trade of Offered Shares, Compensation Warrants or Compensation Shares in the Offering Jurisdictions, provided that such trade is made through a registrant registered in the appropriate category under Securities Laws who complies with such laws, or in circumstances in which there is an exemption from the registration requirements of Securities Laws, provided that the conditions of Section 2.5(2) of National Instrument 45-102 – *Resale of Securities* are satisfied.
12. No prospectus or registration will be required and no other document will be required to be filed, no proceeding will be required to be taken and no approval, permit, consent or authorization of any regulatory authority will be required to be obtained under Securities Laws to permit or in connection with the issue and delivery by the Corporation of the Compensation Shares upon the exercise of Compensation Warrants in accordance with the terms thereof to holders of Compensation Warrants in the Offering Jurisdictions.
13. The Offered Shares issued to Purchasers are “flow-through” shares as defined in subsection 66(15) of the Tax Act and the Offered Shares do not constitute, as at the Closing Date, “prescribed shares” for the purposes of the definition of “flow-through share” in subsection 66(15) of the Tax Act.