

REPORT UNDER PART 3

NATIONAL INSTRUMENT 62-103

The Early Warning System and Related Take-over Bid Reporting Issues

1. Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

The designation of securities to which this report relates is common shares of Lithoquest Diamonds Inc. (the “**Issuer**”).

The Issuer's address is:
2000-1066 West Hastings Street
Vancouver, BC V6E 3X1

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable.

2. Identity of the Acquiror:

2.1 State the name and address of the acquiror.

Bruce Counts (the “**Acquiror**”)
#2-30 I Arnet Road
Tofino, BC V0R 2Z0

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On November 23, 2017, the Acquiror acquired direct and indirect ownership of 50,000 units (the “**Units**”) pursuant to a private placement offering (the “**Private Placement**”) and 3,750,000 common shares of the Issuer (the “**Shares**”) and 962,500 common share purchase warrants (a “**RTO Warrant**”) by share exchange pursuant to a “reverse takeover” as defined under the policies of the TSX Venture Exchange (the “**RTO**” and together with the Private Placement, the “**Transaction**”).

Each RTO Warrant entitles the holder to purchase one additional Share for a period of two years at an exercise price of \$0.30. Each Unit consists of one Share and one-half of one common share purchase warrant (each whole warrant, a “**PP Warrant**” and together with the RTO Warrants, the “**Warrants**”). Each PP Warrant entitles the holder to purchase one additional Share for a period of two years at an exercise price of \$0.40.

Mr. Counts was appointed as a director and officer of the Issuer following closing of the Transaction and in connection therewith was issued 425,000 stock options (the “Options”) of the Issuer. Each Option is exercisable into one Share for a period of five years at an exercise price of \$0.27 per Share.

2.3 State the names of any joint actors.

Not applicable.

3. Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror’s securityholding percentage in the class of securities.

On November 23, 2017, the Acquiror acquired direct and indirect ownership of 3,800,000 common shares of the Issuer, resulting in the Acquiror having ownership of 3,800,000 Shares representing approximately 8.28% of the Issuer’s issued and outstanding Shares.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

The Acquiror acquired ownership and control over the securities that triggered the requirement to file this report.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

Prior to the Transaction, the Acquiror did not beneficially own or have control or direction of any securities of the Issuer.

Immediately after the Transaction, the Acquiror held 3,800,000 Shares representing 8.28% of the issued and outstanding Shares. The Acquiror also holds 425,000 Options to acquire an additional 425,000 Shares and 987,500 Warrants to acquire an additional 987,500 Shares. Assuming the exercise of the Options and the Warrants, the Acquiror would own a total of 5,212,500 Shares, or approximately 11.01% of the Issuer’s then issued and outstanding share capital assuming no other Shares are issued.

3.5 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

The Acquiror alone has ownership and control over 3,800,000 Shares representing 8.28% of the issued and outstanding common shares of the Issuer. See item 3.4 above.

(b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

Not applicable.

(c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

Not applicable.

3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

Not applicable.

3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

Not applicable.

4. Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

The Units were acquired at a price of \$0.27 per Unit pursuant to the Private Placement. The Shares issued in connection with the RTO were issued as a deemed price of \$0.27 per Share.

4.2 *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.*

See item 4.1 above.

4.3 *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.*

Not applicable.

5. Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have.

The securities were acquired pursuant to a Private Placement and the RTO. The Acquiror may acquire additional securities or dispose of existing securities on the basis of the Acquiror's assessment of market conditions and in compliance with applicable securities regulatory requirements.

6. Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

7. Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

8. Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

The Units were issued to the Acquiror pursuant to the prospectus exemption contained in Section 2.5 of National Instrument 45-106 - *Prospectus and Registration Exemptions*. The securities issued in connection with the RTO were issued in reliance on the exemption under Section 2.16 (Take-over bid and issuer bid) of National Instrument 45-106 – . The stock options were issued in reliance on the exemption in Section 2.24 (Employee, executive officer, director and consultant) of National Instrument 45-106 – *Prospectus Exemptions*.

9. Certification

I, as the acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated this 23rd day of November, 2017.

“Bruce Counts”

Bruce Counts